



## Rights Issue Prospectus

Wafrah for Industry and Development Company – is a Saudi joint stock company established pursuant to Ministerial Resolution No. (893) dated 25/11/1409H (corresponding to 29/06/1989G) and Ministerial Resolution No. (834), under Commercial Registration No. (1010076996) issued in the city of Riyadh on 24/10/1410H (corresponding to 19/05/1990G).

Offering of fifteen million four hundred thirty-four thousand seventy (15,434,070) ordinary shares at an offer price of ten (10) Saudi riyals per share by issuing Rights Shares with a total value of one hundred fifty-four million three hundred forty thousand seven hundred (154,340,700) Saudi riyals, representing an increase in the Company's capital by (200%) which will become two hundred thirty-one million five hundred eleven thousand fifty (231,511,050) Saudi riyals.

Trading period: starting on Monday 21/11/1443H (corresponding to 20/06/2022G) and ending on Monday 28/11/1443H (corresponding to 27/06/2022G)  
Subscription period: starting on Monday 21/11/1443H (corresponding to 20/06/2022G) and ending on Thursday 01/12/1443H (corresponding to 30/06/2022G)

Wafrah for Industry and Development Company (hereinafter referred to as the "Company" or "Wafrah Company"), was incorporated as a joint stock company with the trade name "Food Products Company" as a Saudi joint stock company pursuant to Ministerial Resolution No. (893) dated 25/11/1409H (corresponding to 29/06/1989G) licensing the establishment of the "Food Products Company" as a Saudi joint stock company, and Ministerial Resolution No. (834) dated 20/09/1410H (corresponding to 16/04/1990G), announcing the establishment of the "Food Products Company" as a Saudi joint stock company. The articles of association was attested by the Ministry of Commerce and notarized by the notary public of Riyadh as per the registry (from p1 till the end of p12) of the third volume, number (208) for the year 1409H on 19/09/1409H (corresponding to 25/04/1989G). The share capital upon incorporation amounted to two hundred million (200,000,000) Saudi riyals divided into two million (2,000,000) shares of equal value, the nominal value of each share being one hundred (100) Saudi riyals, all of which are ordinary and cash shares. The Company was registered in the commercial registry in Riyadh, as a joint stock company pursuant to the commercial registration certificate number (1010076996) dated 24/10/1410H (corresponding to 19/05/1990G). The Company's head office is located in Riyadh city – the Third Industrial City, PO Box 131, Postal Code 11383, Tel: 4023456. It should be noted that on 24/08/1434H (corresponding to 03/07/2013C), the Extraordinary General Assembly (EGA) (second meeting) was held to amend the Company's trade name from "Food Products Company" to "Wafrah for Industry and Development Company". The Company's current capital is seventy-seven million one hundred seventy thousand three hundred fifty (77,170,350) Saudi riyals, divided into seven million seven hundred seventeen thousand thirty-five (7,717,035) ordinary shares of equal value, the value of each of which is ten (10) Saudi riyals, all of which are ordinary cash shares. As of the date of this Prospectus, the Company does not have any substantial (major) shareholders (those who own 5% or more of the Company's shares).

On 10/10/1442H (corresponding to 22/05/2021C), the Company's Board of Directors recommended the capital increase of the Company by way of a Rights Issue Shares at a value of one hundred fifty-four million three hundred forty thousand seven hundred (154,340,700) Saudi riyals, after obtaining all necessary regulatory approvals and the approval of the EGA. On 15/11/1443H (corresponding to 14/06/2022C), the Company's EGA approved the Company's capital increase by way of a Rights Issue Shares, and the subscription consists of offering fifteen million four hundred thirty-four thousand seventy (15,434,070) new ordinary shares (referred to as "Rights Issue Shares" or "New Shares") at an offer price of ten (10) Saudi riyals per share (referred to as the "Offer Price") and with a nominal value of ten (10) Saudi riyals, in order to increase the Company's capital from seventy-seven million one hundred seventy thousand three hundred fifty (77,170,350) Saudi riyals divided into seven million seven hundred seventeen thousand thirty-five (7,717,035) ordinary shares into two hundred thirty-one million five hundred eleven thousand fifty (231,511,050) Saudi riyals divided into twenty-three million one hundred fifty-one thousand one hundred five (23,151,050) ordinary shares, after obtaining all necessary regulatory approvals and the approval of the EGA.

The Rights Issue will be conducted through the issue of tradable securities (collectively referred to as "Rights Issue" and each as "Right Issue"), to the Company's shareholders, as at the close of trading on the date of the EGA held for the capital increase (hereinafter referred to as the "Eligibility Date"), who are registered in the Company's shareholders register with the depository center at the end of the second trading day following the day of the EGA that includes the approval of the capital increase on 15/11/1443H (corresponding to 14/06/2022C) (collectively referred to as "Registered Shareholders" and each as "Registered Shareholder"), with such Rights being deposited into the registered shareholders' portfolios following the day of the EGA and taking into account the settlement procedures (2 rights for each (1) share of the Company's shares, and each right entitles its holder to subscribe to one new share at the offering price.

Registered shareholders and other public investors (referred to as "New Investors") – who may trade the Rights and subscribe to the New Shares – will be able to trade and subscribe to the Rights on the Saudi Stock Exchange (referred to as "Tadawul" or "Stock Exchange").

The trading period and subscription period start on Monday 21/11/1443H (corresponding to 20/06/2022G), while the trading period ends on Monday 28/11/1443H (corresponding to 27/06/2022G) (referred to as the "Trading Period"), the subscription period ends on Thursday 01/12/1443H (corresponding to 30/06/2022G) (referred to as the "Subscription Period"). It should be noted that the Trading Period and Subscription Period will start on the same day. However, the Trading Period cease on the sixth (6) day of the start of the period, while the Subscription Period will end on the ninth (9) day of the said period. The Registered Shareholders will be able to trade Rights during the Trading Period, by selling (in whole or in part) the entitled Rights, or by purchasing additional Rights from the Saudi Stock Exchange ("Tadawul"). New Investors may, during the Trading Period, purchase Rights from the Saudi Stock Exchange ("Tadawul") and sell the Rights purchased during the Trading Period.

The New Shares could be subscribed to during the Subscription Period via a single phase as follows:

- 1- During such period, all Registered Shareholders and New Investors may subscribe to the New Shares.
- 2- The Registered Shareholder may during the Subscription Period directly subscribe for the New Shares prorated to its own shares. In case the Registered Shareholder bought new right, he or she

will be allowed to subscribe for them upon the cessation of the settlement period (two business days after buying the new rights).

- 3- The New Investors may directly subscribe for the New Shares upon settlement of such shares (two business days).
- 4- Subscription will be available online through the investment portfolio on Tadawul platforms and applications that are used to submit purchase and sale orders. Additionally, subscription shall be available through other media and channels available at the intermediary.

In the event that the Institutional Investors do not subscribe for all of the Rump Shares and fractional shares, then these shares shall be allocated to the Underwriter who shall subscribe for them at the Offer Price (see Section 12 "Information related to the Shares and the Terms and Conditions of the Offering"). The final allocation for the New Shares will be announced no later than Sunday 18/12/1443H (corresponding to 17/07/2022C) (referred to as the "Allocation Date") (see Section 12 "Information related to the Shares and the Terms and Conditions of the Offering").

Upon completion of the Offering, the Company's share capital will be two hundred thirty-one million five hundred eleven thousand fifty (231,511,050) Saudi riyals divided into twenty-three million one hundred fifty-one thousand one hundred five (23,151,050) ordinary shares. The net proceeds of the Offering, after deducting the subscription expenses, will be used to finance the Company, implement its future plans and projects, expand its various activities, automate production lines, and optimize the spread of its brand in the Kingdom, within the frame of the Kingdom's vision 2030 and government support for national products to make it the preferred choice in the local market (See Section (6) "Use of Offering Proceeds and Future Projects").

The Company has only one class of shares and no share give its holder any preferential right. The New Shares will be fully paid and rank identically with the outstanding shares. Each share entitles its holder to one vote, and each shareholder (the "Shareholder") has the right to attend and vote at the General Assembly meetings (referred to as the "General Assembly Meeting" or "General Assembly") of the Company (whether ordinary or extraordinary). Holders of the New Shares will be entitled to receive their portion of any dividends declared by the Company after their issuance (if any).

The Company is considered to be one of the first companies which shares were listed on the Saudi Stock Exchange Market ("Tadawul"). The trading of the Company's shares began on 09/07/1413H (corresponding to 02/01/1993C). During the year 2000C, the Company split its shares, so that the capital amounting to two hundred million (200,000,000) Saudi riyals was divided into four million (4,000,000) shares, with a nominal value of fifty (50) Saudi riyals per share. Upon the issuance of the Capital Market Authority Resolution No. (4-154-2006) dated 27/02/1427H (corresponding to 27/03/2006C), which stipulated the division of shares of joint stock companies into four stages, pursuant to the Council of Ministers' Resolution stipulating that the nominal value of the joint stock companies' shares should be ten (10) Saudi riyals per share, the Company's shares equal to four million (4,000,000) shares with a nominal value of fifty (50) Saudi riyals per share were divided into twenty million (20,000,000) shares of equal value, each with a value of ten (10) Saudi riyals, all of which are ordinary cash shares. On 15/08/1441H (corresponding to 08/04/2020G), the EGA - based on the recommendation of the Board of Directors (BOD) on 20/07/1441H (corresponding to 15/03/2020C) amending the previous recommendation on 22/04/1441H (corresponding to 19/12/2019C) - approved the Company's capital reduction from two hundred million (200,000,000) Saudi riyals to seventy-seven million one hundred seventy thousand three hundred fifty (77,170,350) Saudi riyals. The reduction percentage has reached (61.4%), in order to extinguish the accumulated losses at a value of one hundred twenty-two million eight hundred twenty-nine thousand six hundred fifty (122,829,650) Saudi riyals, and thus twelve million two hundred eighty-two thousand nine hundred sixty-five (12,282,956) shares were diluted.

The Company's outstanding shares are currently traded in ("Tadawul" or "the Market"). The Company has applied to the Capital Market Authority (the "CMA" or "The Authority") to register and offer the New Shares and also submitted a request to the Saudi Stock Exchange Company ("Tadawul") to accept the listing of the New Shares. It has provided all supporting documents, and all the requirements of the relevant authorities have been met and this Prospectus has been approved. Trading in New Shares in Tadawul is expected to commence soon after the final allocation of the New Shares (please refer to page (xviii) "Key Dates and Subscription Procedures"). Upon listing and admission of the shares, citizens of Saudi Arabia, legal residents therein, as well as GCC nationals and Saudi companies, banks, Saudi investment funds, and GCC companies and institutions, and foreign investors from outside the KSA (through swap agreements or as qualified investors) will be permitted to trade in the New Shares. Moreover, Qualified Foreign Investors and Approved QFI Clients will be permitted to trade in the Company's shares according to the Rules for Qualified Foreign Financial Institutions Investment in Listed Securities. The Company has filed a request to the Capital Market Authority of Saudi Arabia ("CMA") to register and offer the New Shares and also submitted a request to the Saudi Stock Exchange ("Tadawul") to accept their listing. All requirements have been fulfilled.

This Prospectus must be read in full and the "Important Notice" section on page (iii) and Section (2) "Risk Factors" of this Prospectus must be considered prior to making any investment decision in the Rights or New Shares offered hereby.

### Financial Advisor, Lead Manager and Underwriter



This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations of the Capital Market Authority of the Kingdom of Saudi Arabia (the "Authority") and the application for listing of securities in compliance with the Listing Rules of the Saudi Stock Exchange. The directors, whose names appear on page (vi) 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. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is issued on 03/09/1443 H (corresponding to 04/04/2022 G)

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



# ما تحلى السفارة من دون وفرة

شركة وفرة للصناعة و التنمية

## Important Notice

This Prospectus (the “**Prospectus**”) contains detailed information about Wafrah for Industry and Development Company and the Rights Issue offered for subscription. When applying to subscribe for New Shares, investors will be treated as applying solely on the basis of the information contained in this Prospectus, a copy of which can be obtained from the Company, the Lead Manager, or by visiting the websites of the Company ([www.wafrah.com](http://www.wafrah.com)), the Financial Advisor ([www.aljaziracapital.com.sa](http://www.aljaziracapital.com.sa)), and the Capital Market Authority ([www.cma.org.sa](http://www.cma.org.sa)).

This Prospectus shall be published and made available to the public within a period not less than (14) days prior to the date of the EGA on the capital increase. In the event that EGA does not approve the capital increase within six (6) months of the of the CMA’s approval of registering and offering the Rights Issue Shares, the CMA’s approval shall be considered void.

The Company has appointed Aljazira Capital as a financial Advisor (referred to as “**Financial Advisor**”), lead manager (“**Lead Manager**”) and underwriter (the “**Underwriter**”), in relation to the Rights Issue Offering to increase the Company’s capital under this Prospectus.

This Prospectus contains information provided according to the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the CMA’s Board. The Directors, whose names appear on page (vi), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus, and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither CMA nor the Saudi Stock (Tadawul) do not take any responsibility for the contents of this Prospectus, and do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a portion of the information contained in this Prospectus are derived from external sources, and while none of the Company, its members of the board directors, its Financial Advisor or any of the Company’s Advisors whose names appear on pages (ix) and (x) (the “**Advisors**”) of this Prospectus have any reason to believe that any information is materially inaccurate, such information has not been independently verified, and no representation is made as to the accuracy and completeness of any of this information.

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

This Prospectus may not to be considered as a recommendation by the Company or the Board of Directors or any of the Company’s Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or special investment needs. Prior to making an investment decision, each recipient (natural or legal) of this Prospectus is responsible for obtaining independent professional advice from a financial advisor licensed by CMA in relation to the Offering in order to assess the appropriateness of the investment opportunity and the information contained in this Prospectus with respect to his objectives, financial situation and needs.

The Registered Shareholders and other public investors (“**New Investors**”) - who may trade in Rights and subscribe to the New Shares - will be able to trade and subscribe to Rights Issue Shares in the Saudi Stock Exchange (“**Tadawul**” or “**Exchange**”) during the Trading Period and the Subscription Period which will begin at the same on Monday 21/11/1443H (corresponding to 20/06/2022G), The Trading Period shall end at the end of sixth day on Monday 28/11/1443H (corresponding to 27/06/2022G) (the “**Trading Period**”), whereas the subscription period shall last until the end of the ninth day on Thursday 01/12/1443H (corresponding to 30/06/2022G) (the “**Subscription Period**”). It should be noted that the Trading Period and the subscription period will start on the same day while the Trading Period continues until the end of the ninth day from the beginning of the period.

The Registered Shareholders will be able to trade the Rights during the Trading Period, by selling acquired Rights or part thereof or buying additional Rights through the Exchange, and New Investors will also be able to buy Rights through the Exchange and sell Rights purchased during the Trading Period.

Subscription to the New Shares will be available during the Subscription Period in one phase as follows:

- 1- During this period, all Registered Shareholders and New Investors will be entitled to subscribe to the New Shares.
- 2- Registered Shareholders will be entitled to subscribe directly to the number of their shares or less than the number of their shares during the Subscription Period, and if they acquire New Rights, he or she will be able to subscribe to them after the end of the settlement period (two business days after buying the new rights).
- 3- The New Investors will be entitled to subscribe to the New Shares after the end of settlement period (two business days).
- 4- (Subscription will be available electronically through the investment portfolios in the trading platforms and applications through which sale and purchase orders are entered, in addition to subscription through other means and channels available at the broker.

In the event that any shares remain unsubscribed after the end of the Subscription Period (the **"Rump Shares"**), those shares will be offered to a number of institutional investors (**"Institutional Investors"**); such offering is referred to as (the **"Rump offering"**). The Institutional Investors shall submit their offers to buy the Rump Shares. Receipt of such offers will start at 10:00 AM on Tuesday 06/12/1443H (corresponding to 05/07/2022G) until 5:00 PM on Wednesday 07/12/1443H (corresponding to 06/07/2022G) (the **"Rump Offering Period"**). Rump Shares will be allocated to the Institutional Investors with the highest bid, then the lowest and the lowest (provided that it is not less than the Offering Price). The shares will be allocated on a pro rata basis (proportionately) to the Institutional Investors submitting the same offer. As for fractional shares, they will be added to the Rump Shares and be treated similarly, and the total Offering Price of the Rump Shares will be paid to the Company and the rest of the proceeds from the sale of those Rump Shares (exceeding the Offer Price, if any) will be distributed without deducting any fees to the eligible persons who have not exercised their right to subscribe either in whole or in part, as well as holders of fractional shares, each according to what he may be entitled to no later than days 14 days Thursday 06/01/1444H (corresponding to 04/08/2022G). The investor who did not subscribe for or sell his Rights, and the owners of Fractional Shares, may not get any compensation if the Rump Shares are sold at the Offering Price.

In the event that Institutional Investors have not subscribed in all the Rump Shares and Fractional Shares, the remaining will be allocated to the Underwriter who will purchase them at the Offering Price (see Section 12 **"Shares Information and the Offering Terms & Conditions"**). The final allocation of the New Shares will be announced no later than Sunday 18/12/1443H (corresponding to 17/07/2022G) (the **"Allocation Date"**) (see Section 12 **"Shares Information and the Offering Terms & Conditions"**).

## Financial Information

The Company's audited financial statements for the fiscal years ending on December 31, 2018G, 2019G and 2020G and the fiscal period ending on September 30, 2021G and the notes attached thereto, have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and the generally accepted accounting standards issued by the Saudi Organization for Chartered and Professional Accountants (**"SOCPA"**).

The financial statements for period ending on December 31, 2018G, 2019G and 2020G were audited by Al-Azem, Al-Sudairy, Al-Shaikh and Partners, CPA's & Consultants - a member of Crowe International, while the financial statements ending on September 30, 2021G by Al Kharashi & Co, Certified Accountants and Auditors.

The Company issues its financial statements in Saudi Riyals. Certain financial and statistical information contained in this Prospectus have been subject to rounding adjustments. Accordingly, numbers presented for the same item may vary slightly in different tables, and totals in certain tables may not equal the addition of the individual items.

## Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of specific and announced assumptions mentioned in the relevant issues. Future operating conditions may differ from the assumptions used and consequently there is no assurance, affirmation, representation, or warranty or commitment given as to the accuracy or completeness of any of these forecasts. The Company confirms that the information contained in this Prospectus has been prepared with due care.

Some of the forecasts and statements in this Prospectus constitute “**forward-looking statements**”. Such statements can generally be identified by their usage of words that indicate future prospects such as “**intends**”, “**plans**”, “**estimates**”, “**believes**”, “**expects**”, or “**possibly**” or “**will**”, “**intend**,” “**should**”, “**expected**,” or “**may**” or the contrary thereof or other variations of such terms or comparable terminology.

These forward-looking statements reflect the Company’s and its management’s current views of future events, but do not constitute a guarantee of any future actual performance of the Company. Many factors could cause the actual results, performance or achievements of the Company to be materially different from that which may be expressed or implied by such forward-looking statements.

The most important risks or factors that could lead to such an effect are described in more detail in other sections of this Prospectus (please see section (2) “**Risk Factors**” of this Prospectus). Should any one or more of these risks is met, or if any underlying assumptions or estimates prove to be incorrect or inaccurate, the actual results of the Company may vary materially from those expected, estimated, planned or assumed in this Prospectus.

In compliance with the requirements of Rules on the Offer of Securities and Continuing obligations, the Company must submit a supplementary Prospectus to the Capital Market Authority if at any time after the date of the publication of this Prospectus and before the completion of the offering, the Company becomes aware of any of the following: (1) There is a significant change in material matters mentioned in the Prospectus or any document required by the Listing Rules and the ongoing commitments; (2) any significant issues that should have been included in the Prospectus have arisen.

With the exception of these two situations, the Company does not intend to update or amend any information contained in this Prospectus, whether as a result of new additional information or as a result of future incidents or otherwise. As a result of this, as well as other risks, uncertainties and assumptions, future expectations and circumstances discussed in this Prospectus might not occur in the manner expected by the Company or may not occur at all. New investors should consider all forward-looking statements in the light of these explanations and should not place undue reliance on forward-looking statements

## Company's Directory

Board of Directors (BOD) and Secretary Company's BOD Appointed on 01/06/1442H (corresponding to 14/01/2021G)											
Name	Position	On Behalf of	Nationality	Age	Membership Status			Owned Shares		Date of Membership	
					Executive	Independent	Direct	Indirect***	Total		Percentage %
Muhammad Yaaqoub Yusuf Al-Makhdhab	Chairman of the Board	Himself	Saudi	44	Non-Executive	Independent	100	-	100	0.0012958	01/06/1442H (Corresponding to 14/01/2021G)
Mohammed Hindi Shujaa Al-Otaibi	Vice Chairman of the Board	Himself	Saudi	45	Non-Executive	Independent	4,995	-	4,995	0.0647269	01/06/1442H (Corresponding to 14/01/2021G)
Iyad Abdul Rahman Muhammad Al-Bunyan	Board Member	Himself	Saudi	47	Non-Executive	Independent	12,000	-	12,000	0.1555001	01/06/1442H (Corresponding to 14/01/2021G)
Mohammed Saud Abdullah Al-Semari	Board Member	Himself	Saudi	48	Non-Executive	Independent	1,000	-	1,000	0.0129583	01/06/1442H (Corresponding to 14/01/2021G)
Faisal Mohammed Abdul Aziz Al-Khudairi	Board and Delegate Member	Himself	Saudi	45	Executive	Non-independent	10	-	10	0.0001295	01/06/1442H (Corresponding to 14/01/2021G)
Faisal Abdullah Mohammed Jaldeh Al-Qahtani	Board Member	Himself	Saudi	47	Non-Executive	Independent	100	-	100	0.0012958	01/06/1442H (Corresponding to 14/01/2021G)
vacancy***	--	--	--	--	--	--	--	--	--	--	--
<b>Secretary of the Board</b>											
Salah Ali Mahjoub	--	Himself	Saudi	71	Executive	Non-independent	--	--	--	--	05/06/1442H (Corresponding to 18/01/2021G)

Source: The Company

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\* On 01/06/1442H (corresponding to 14/01/2021G), the Ordinary General Assembly (No. 36 - First Meeting) approved the dismissal of the members of the previous BOD, based on a request submitted by some of the Company's shareholders, who own shares representing (7.14%) of the Company's capital. The convened General Assembly elected the above-mentioned BOD for the current session (12th session), which starts from the date of the Ordinary General Assembly meeting on 01/06/1442H (corresponding to 14/01/2021G), and for a period of three years ending on 01/07/1445H (corresponding to 13/01/2024G).

On 05/06/1442H (corresponding to 18/01/2021G), the assembled BOD decided to appoint Muhammad Yaqoub Yousef Al-Makhdhab as the Board's Chairman, and Muhammad Hindi Shuja Al-Otaibi as his deputy. It was also decided to appoint Faisal Muhammad Abdulaziz Al-Khudairi as a Managing Director, and Salah Ali Mahgoub as the Board's Secretary.

\*\* It means the shares indirectly owned by the Company's Board Members through their ownership in companies owning shares in the Company, or the shares owned by the Board Members' relatives, either directly or through their ownership in companies owning shares in the Company.

\*\*\* On 28/03/1443H (corresponding to 03/11/2021G), the former Board Member, Muhammad Abdul Razzaq About Al-Baghdadi, submitted his resignation, and the BOD approved it by virtue of Resolution No. (12-11) dated 29/03/1443H (corresponding to 04/11/2021G) provided that it is considered valid from the date of its submission.

## Company's Address and Representatives

### Wafrah Company for Industry and Development

Riyadh - Third Industrial City  
Street 252 - Building 1  
P.O. Box: 131 Riyadh 11383  
Kingdom of Saudi Arabia  
Phone: 011 – 4023456  
Fax: 011 – 4035888  
Website: [www.wafrah.com](http://www.wafrah.com)  
E-mail: [info@wafrah.com](mailto:info@wafrah.com)



#### First Authorized Representative of the Company

**Mohammed Hindi Shujaa Al-Otaibi**  
Deputy Chairman of the Board  
P.O. Box: 31031 Khobar 31952  
Phone: 013 811 3888  
Fax: 013 881 3999  
Website: [www.wafrah.com](http://www.wafrah.com)  
E-mail: [mh.alotaibi@wafrah.com](mailto:mh.alotaibi@wafrah.com)

#### Second Authorized Representative of the Company

**Faisal Mohammed Abdulaziz Al-Khudairi**  
Managing Director  
P.O. Box: 68225 Dammam 31527  
Phone: 013 815 0606  
Fax: 013 815 0185  
Website: [www.wafrah.com](http://www.wafrah.com)  
E-mail: [f.alkhudairi@wafrah.com](mailto:f.alkhudairi@wafrah.com)

### Stock Market

#### Saudi Exchange (Tadawul)

King Fahd Road - Olaya 6897  
Unit No.: 15  
P.O. Box: 60612, Riyadh 11555  
Kingdom of Saudi Arabia  
Phone: +966 (11) 2181200  
Fax: +966 (11) 2181260  
Website: [www.saudiexchange.sa](http://www.saudiexchange.sa)  
E-mail: [csc@saudiexchange.sa](mailto:csc@saudiexchange.sa)



## Advisors

### Financial Advisor, Lead Manager and Underwriter

#### Al Jazira Capital

King Fahd Road - Al Rahmaniya District  
P.O. Box: 20438, Riyadh 11455  
Kingdom Saudi Arabia  
Phone: +966 (11) 2256000  
Fax: +966 (11) 2256182  
Website: [www.aljaziracapital.com.sa](http://www.aljaziracapital.com.sa)  
E-mail: [contactus@aljaziracapital.com.sa](mailto:contactus@aljaziracapital.com.sa)



### Legal Advisor

#### Al-Saleh & Al-Sahli Law Firm

Al-Seif Center - King Abdullah Road - Al-Wurud District  
PO Box 90549 Riyadh 11623  
Kingdom of Saudi Arabia  
Phone: +966 (11) 2054555  
Fax: +966 (11) 2054222  
Website: [www.ssfirm.com.sa](http://www.ssfirm.com.sa)  
E-mail: [@corporatesssfirm.com.sa](mailto:@corporatesssfirm.com.sa)



### Financial Due Diligence Advisor

#### PricewaterhouseCoopers - Certified Public Accountants

Kingdom Tower, King Fahd Road  
P.O. Box 8282, Riyadh 11482  
Kingdom of Saudi Arabia  
Tel: +966 (11) 211 0400  
Fax: +966 (11) 211 0401  
Website: [www.pwc.com/middle-east](http://www.pwc.com/middle-east)  
E-mail: [mer\\_project\\_treat@pwc.com](mailto:mer_project_treat@pwc.com)



### Independent Auditors The Company's Auditor for the Years 2018G, 2019G and 2020G

#### Al-Azem, Al-Sudairy, Al-Shaikh & Partners, CPA's & Consultants - Member of Crow International

Prince Muhammad Bin Abdulaziz Street - Unit No. 11  
P.O. Box: 10504 Riyadh 11443  
Kingdom of Saudi Arabia  
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Fax: +966 (11) 217 6000  
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## The Company's Auditor for the Nine-Month Period Ended September 30, 2021G

### Al Kharashi & Co.

#### Certified Accountants and Auditors

7425 Sahab Tower - Takhassusi Street

P.O. Box: 8306 Riyadh 11482

Kingdom of Saudi Arabia

Phone: 920028229

Fax: 114774924

Website: [www.alkharashicaa.com](http://www.alkharashicaa.com)

E-mail: [general@alkharashicaa.com](mailto:general@alkharashicaa.com)



Note: All of the aforementioned Advisors have given and not withdrawn, as of the date of this Prospectus, their written consent to the publication of their names, logos and statements in the manner set forth in this Prospectus. Neither the Advisors nor any of their employees or relatives hold any shares or any interest of any kind in the Company as of the date of this Prospectus.

## Offering Summary

Investors wishing to subscribe to shares of this offering must read the entire Prospectus before deciding to invest in the offered Company shares, as the offering summary is not sufficient to make an investment Decision. Below is a summary of the offering:

<b>Issuer's Name, Description and Information of its Incorporation</b>	<p>Wafrah for Industry and Development Company (hereinafter referred to as the “<b>Company</b>” or “<b>Wafrah Company</b>”), was established as a joint stock company with the trade name “<b>Food Products Company</b>” pursuant to Ministerial Resolution No. (893) dated 25/11/1409H (corresponding to 29/06/1989G) authorizing the formation of the company having the following trade name “Food Products Company” as a Saudi joint stock company, and Ministerial Resolution No. (834) dated 20/09/1410H (corresponding to 16/04/1990G) announcing the formation of the company having the following trade name “<b>Food Products Company</b>” as a Saudi joint stock company. The articles of association was attested by the Ministry of Commerce and notarized by the notary public of Riyadh in the registry (from p.1 till the end of p.12) of the third volume, Number (208) for the year 1409H on 19/09/1409H (corresponding to 25/04/1989G). Upon incorporation the share capital amounted to two hundred million (200,000,000) Saudi riyals divided into two million (2,000,000) shares of equal value, the nominal value of each share being one hundred (100) Saudi riyals, all of which are ordinary and cash shares. The Company was registered in the Commercial Registry of joint stock companies in Riyadh according to commercial registration certificate = number (1010076996) dated 24/10/1410H (corresponding to 19/05/1990 G). The Company's Head Office is located in Riyadh - Third Industrial City, P.O. Box 131, Postal Code 11383, Tel: 4023456. It should be noted that on 24/08/1434H (corresponding to 03/07/2013G), the Extraordinary General Assembly (second meeting) was held to amend the Company's trade name from “<b>Food Products Company</b>” to “<b>Wafrah for Industry and Development Company</b>”. The Company's current capital is seventy-seven million one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals, divided into seven million seven hundred and seventeen thousand and thirty-five (7,717,035) nominal shares of equal value, the value of each is ten (10) Saudi riyals, all of which are ordinary cash shares.</p>
<b>Issuer's Business Activities</b>	<p>The Company's activities, as stated in the Commercial Registration Certificate, are as follows: production of chilled and frozen meat, the manufacture of food products made from potatoes, including (potato chips), the manufacture of breakfast foods from cereals in the form of flakes, including (cornflakes, chips, etc.), the manufacture of pasta of all kinds.</p>
<b>Issuer's Substantial Shareholders, their Ownership Percentages and Number of Shares Pre-offering</b>	<p>Those who own more than 5% of the Company's shares. As of the date of this Prospectus, the Company has no substantial (major) shareholders.</p>
<b>Nature of the Offer</b>	<p>Capital increase through a Rights Issue</p>
<b>Purpose Beyond the Proposed Rights Issue</b>	<p>The Company intends to increase its capital by offering Rights Issue Shares to expand its activities, automate production lines, and make optimal use of the spread of its brand to cover all regions of the Kingdom, which is expected to bring profit to the Company and help it achieve its goals (for more information, please refer to Section No. (6) “<b>Use of Offering Proceeds and Future Projects</b>”).</p>

<p><b>Total Proceeds Expected to Be Raised and a Detailed Breakdown and Description of the Proposed Use of Proceeds</b></p>	<p>It is expected that the total proceeds from the subscription of the Rights Issue will be one hundred fifty-four million three hundred forty thousand seven hundred (154,340,700) Saudi riyals. The net proceeds of the subscription, after deducting all offering costs, will be used to finance the Company's plans and future projects and to expand its various activities by developing and renewing production lines in its factories and supporting working capital needs (for more information, please refer to section No. (6) "<b>Use of Offering Proceeds and Future Projects</b>"). The following table shows the uses of the offering proceeds:</p> <table border="1" data-bbox="438 515 1412 1265"> <thead> <tr> <th colspan="3">Table of the Use of Net Offering Proceeds (in SR)</th> </tr> <tr> <th>Use of Proceeds</th> <th>Amount (SR)</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Increase production lines in the frozen meat factory</td> <td>44,000,000</td> <td>28.51%</td> </tr> <tr> <td>Improving production line efficiency by developing and increasing the vegetable factory production line</td> <td>40,000,000</td> <td>25.92%</td> </tr> <tr> <td>Develop and increase the pasta factory production lines</td> <td>18,000,000</td> <td>11.66%</td> </tr> <tr> <td>Develop and increase production lines in the cereal factory</td> <td>18,000,000</td> <td>11.66%</td> </tr> <tr> <td>Support the working capital needs</td> <td>30,000,000</td> <td>19.44%</td> </tr> <tr> <td>Offering Expenses</td> <td>4,340,700</td> <td>2.81%</td> </tr> <tr> <td><b>Total</b></td> <td><b>154,340,700</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Table of the Use of Net Offering Proceeds (in SR)			Use of Proceeds	Amount (SR)	Percentage	Increase production lines in the frozen meat factory	44,000,000	28.51%	Improving production line efficiency by developing and increasing the vegetable factory production line	40,000,000	25.92%	Develop and increase the pasta factory production lines	18,000,000	11.66%	Develop and increase production lines in the cereal factory	18,000,000	11.66%	Support the working capital needs	30,000,000	19.44%	Offering Expenses	4,340,700	2.81%	<b>Total</b>	<b>154,340,700</b>	<b>100%</b>
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<p><b>Offering Costs</b></p>	<p>The offering costs are expected to be around four million three hundred forty thousand seven hundred (4,340,700) Saudi Riyals, which includes the fees of: the financial advisor, the lead manager, the underwriter, the legal advisor, the auditor, in addition to marketing expenses, printing, distribution and other expenses related to the subscription, (please refer to Section No. (6) "<b>Use of Offering Proceeds and Future Projects</b>").</p>																											
<p><b>Net Offering Proceeds</b></p>	<p>It is expected that the net offering proceeds will amount to about one hundred fifty million (150,000,000) Saudi Riyals (Please refer to Section No. (6) "<b>Use of Offering Proceeds and Future Projects</b>").</p>																											
<p><b>Issuer's Capital Before Offering</b></p>	<p>Seventy-seven million one hundred seventy thousand three hundred fifty (77,170,350) SR.</p>																											
<p><b>Issuer's Capital After Offering</b></p>	<p>Two hundred thirty-one million and five hundred eleven thousand fifty (231,511,050) SR.</p>																											
<p><b>Issuer's Total Number of Shares Before Offering</b></p>	<p>Seven million seven hundred seventeen thousand thirty-five (7,717,035) Ordinary Shares.</p>																											

<b>Nominal Value of Share</b>	Ten (10) SR Saudi Riyals per share.
<b>Total Number of Offered Shares</b>	Fifteen million four hundred thirty-four thousand seventy (15,434,070) Ordinary Shares.
<b>Percentage of Offered Shares to the Capital</b>	200%
<b>Price of Offering</b>	Ten (10) SR Saudi Riyals per share
<b>Total value of Offering</b>	One hundred fifty-four million three hundred forty thousand seven hundred (154,340,700) SR.
<b>Number of Shares Underwritten</b>	Fifteen million four hundred thirty-four thousand seventy (15,434,070) Ordinary Shares.
<b>Total Underwritten Sum</b>	One hundred fifty-four million three hundred forty thousand seven hundred (154,340,700) SR.
<b>Types of Targeted Investors</b>	Registered Shareholders and New Investors.
<b>Registered Shareholders</b>	Shareholders at the end of the trading day of the Extraordinary General Assembly approving the Capital Increase who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly approving the Capital Increase on 15/11/1443H (corresponding to 14/06/2022G).
<b>New Investors</b>	All investors whether individual and institutional investors - other than Registered Shareholders - who have purchased Rights during the Trading Period.
<b>Rights Issue</b>	Rights are tradable securities giving their holder the right to subscribe to the New Shares offered, after approval of the capital increase. These securities are considered a right acquired by all Registered Shareholders. The Rights may be traded during the Trading Period. Each Right grants its holder eligibility to subscribe to one New Share at the Offering Price. The Rights will be deposited in the portfolio of Registered shareholders within two business days following the meeting of the Extraordinary General Assembly at which the capital increase has been approved. The Rights will appear in the portfolios of the Registered Shareholders under a newcode designated for Rights.
<b>Number of Issued Rights</b>	Fifteen million four hundred thirty-four thousand seventy (15,434,070) Rights
<b>Eligibility Factor</b>	Each registered shareholder is granted (2) rights for each (1) share he owns, and this factor is the result of dividing the number of New Shares by the number of existing shares of the Company.
<b>Eligibility Date</b>	Shareholders at the end of the trading day of the Extraordinary General Assembly approving the Capital Increase who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly approving the Capital Increase on 15/11/1443H (corresponding to 14/06/2022G).

<b>Trading Period</b>	The Trading Period starts on Monday 21/11/1443H (corresponding to 20/06/2022G) and continues until the end of Monday 28/11/1443H (corresponding to 27/06/2022G). It is permissible during this period for all Rights issue holders - whether they are Registered Investors or New Investors - to trade Rights.
<b>Subscription Period</b>	The Subscription Period starts on Monday 21/11/1443H (corresponding to 20/06/2022G) and continues until the end of Thursday 01/12/1443H (corresponding to 30/06/2022G). During this period, all Rights holders - whether they are Registered Investors or New Investors - may exercise their rights to subscribe for the New Shares.
<b>Subscription Procedure</b>	Eligible persons wishing to subscribe for the New Shares must apply electronically through electronic broker sites and platforms that offer this service to subscribers or through any other mean offered by the brokers.
<b>Practicing Subscription in Rights Issue</b>	<p>Eligible Persons are entitled to subscribe for Rights Issue Shares electronically through the electronic websites and platforms of brokers that provide these services for subscribers or through any other means provided by brokers. Eligible Persons can also exercise their Rights as follows:</p> <ol style="list-style-type: none"> <li>1. Registered Shareholders shall be entitled during the Subscription Period to exercise the Rights granted to them on the Eligibility Date and any additional Rights they have purchased during the Trading Period. They are also entitled to take no action on the Rights they own.</li> <li>2. During the Subscription Period New investors have the right to exercise the Rights they have purchased during the Trading Period. They are also entitled to take no action on the Rights they own.</li> </ol> <p>In the event that neither the Registered Shareholders nor the New Investors exercise their rights to subscribe for the New Shares during the Subscription Period, the shares associated with such rights shall be offered in the Rump Offering Period.</p>
<b>Indicative Value of the Right</b>	The indicative value of the Right is the difference between the market value of the Company's shares during the Trading Period and the Offering price. Tadawul will calculate and publish the indicative value of the Right during the Trading Period on its website, five (5) minutes late. Market information providers will also publish this information, so that investors can see the indicative value of the Right when entering orders.
<b>Trading Price of the Right</b>	It is the price at which the Right is traded. This price is determined by the market supply and demand mechanism, and therefore may differ from the indicative value of the Right.
<b>Rump Offering</b>	In the event that shares remain unsubscribed for at the end of the Subscription Period (the " <b>Rump Shares</b> "), those shares will be offered to a number of Institutional Investors (" <b>Institutional Investors</b> "), and such Institutional Investors shall submit offers to purchase the Rump Shares. Receipt of such offers will start at 10 am on Tuesday 06/12/1443H (corresponding to 05/07/2022G) until 5pm on Wednesday 07/12/1443H (corresponding to 06/07/2022G) (The Rump Offering Period). Rump Shares will be allocated to Institutional Investors with the highest bid, then the lowest and the lowest (provided that it is not less than the Offering Price). The shares will be allocated proportionately to the Institutional Investors submitting the same offer. As for the Fractional Shares (if any), they will be added to the Rump Shares and treated similarly.

<b>Methods of Allocation and Excess Refund</b>	Shares will be allocated to each investor based on the number of Rights properly and fully exercised. Fractional shares (if any) will be added together and offered to Institutional Investors during the Rump Offering Period. The Company will receive the total Offering price of the sale of the Rump Shares and Fractional Shares. The rest of the proceeds (the amount over the Offering Price, if any) will be distributed to those who have not fully or partially subscribed for the New Shares and to the persons entitled to Fractional Shares (please refer to section (12) " <b>Terms, Conditions and Subscription Instructions</b> "). Excess Funds (if any) will be returned to subscribers without any commissions or deductions by the Lead Manager.
<b>Allocation Date</b>	Shares will be allocated no later than Sunday 18/12/1443H (corresponding to 17/07/2022G)
<b>Payment of Compensation (if any)</b>	Cash compensation will be paid to Eligible Persons who have not fully or partially exercised their right to subscribe in the New Shares and to those who are entitled to fractional shares, without any deductions, by no later than Thursday 06/01/1444H (corresponding to 04/08/2022G). Note that the amounts of compensation represent the remaining proceeds of the sale of the Rump Shares and fractional shares (the amount over the Offering Price) of the Rump Offering.
<b>Adjusted Price</b>	The Company's share price on the Saudi Stock Exchange (Tadawul) has been adjusted to SR (44.65) per share, by the end of trading day of the Extraordinary General Assembly approving the Capital Increase. This represents a decrease in the share price by SR (69.35) per share.
<b>Trading of New Shares</b>	Trading of new shares in Tadawul begins after completing all procedures related to registering, allocating and listing the new shares.
<b>Listing and Trading of Rights</b>	Tadawul is preparing mechanisms to regulate Rights trading in its systems, and a separate Rights symbol will be designated, distinct from the symbol used for the Company's existing shares on Tadawul's interface. During the Trading Period, the shareholders have several options, including selling the Rights or any part thereof in the Exchange, purchasing additional Rights through the Exchange or abstaining from taking any action on the Rights Issue Shares either by selling them or purchasing additional Rights. During the Trading Period, New Investors will have the right to buy Rights in the Exchange, or sell it all or in part, or take no action on Rights acquired during the Trading Period. "Tadawul" system will void the Company's Rights symbol after the end of the Trading Period, and the trading of Rights will cease upon the end of this period.
<b>Legibility for Profits</b>	Owners of the new shares will be entitled to any dividends the Company announces after the date it is issued.
<b>Voting Rights</b>	All shares of the Company are of one class, and no share gives its holder preferential rights. The new shares will be fully valued and equal to the existing shares. Each share gives its holder the right to one vote, and every shareholder in the Company has the right to attend the meeting of the general assembly of shareholders (whether ordinary or extraordinary) and vote in it.
<b>Limitations of Rights Trading</b>	There are no restrictions imposed on trading the Company's shares, except for regulatory restrictions imposed on publicly listed shares.
<b>Limitations of Rights Trading</b>	There are no restrictions imposed on trading rights.

<p><b>Previously Listed Shares</b></p>	<p>The Company is one of the first companies which shares were listed on the Saudi Stock Exchange. The Company began trading shares on 07/09/1413H (corresponding to 02/01/1993G). During the year 2000G, the Company split its shares, hence the capital became equal to two hundred million (200,000,000) Saudi riyals divided into four million (4,000,000) shares with a nominal value of fifty (50) Saudi riyals per share. After the issuance of the Capital Market Authority Resolution No. (4-145-2006) dated 27/02/1427H (corresponding to 27/03/2006G), which stipulated the splitting of joint stock companies' shares on four stages according to the Council of Ministers Decision stipulating that the nominal value of the Joint stock companies shares shall be SR(10) ten Saudi riyals per shares, the Company's four million (4,000,000) shares have been divided, with a nominal value of SR (50) fifty Saudi riyals per share, to twenty million (20,000,000) shares of equal value (each of SR (10) ten Saudi riyals), and all of which are ordinary cash shares. On 15/08/1441H (corresponding to 04/08/2020G), the EGA decided - based on the recommendation of the Board of Directors (BOD) on 20/07/1441H (corresponding to 15/03/2020G) amending the previous recommendation on 22/04/1441H (corresponding to 19/12/2019G) - to reduce the capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million one hundred seventy thousand three hundred fifty (77,170,350) Saudi riyals. The reduction percentage has reached (61.4%), in order to extinguish the accumulated losses at a value of one hundred twenty-two million eight hundred twenty-nine thousand six hundred fifty (122,829,650) Saudi riyals, and thus twelve million two hundred eighty-two thousand nine hundred sixty-five (12,282,956) shares were cancelled. The Company's existing shares are currently traded on the Saudi Stock Exchange ("<b>Tadawul</b>" or the "<b>Market</b>").</p>
<p><b>Terms of Subscription for New Shares</b></p>	<p>Eligible persons wishing to subscribe must meet the relevant subscription requirements. To review the Offering's terms, conditions, and instructions, kindly refer to section (12) "<b>Information Related to the Shares and the Terms and Conditions of the Offering</b>" of this Prospectus.</p>
<p><b>Risk Factors</b></p>	<p>Investment in this Rights Issue Shares involves certain risks, and these risks can be classified into:</p> <ol style="list-style-type: none"> <li>1) Risks related to the Company's activities;</li> <li>2) Risks Related to the market and industry ; and</li> <li>3) Risks Related to the New shares.</li> </ol> <p>These risks are described in Section (2) "Risk Factors" of this Prospectus, and they must be carefully studied before making any investment decision in the Rights Issue.</p>

Note: The "**Important Notice**" on page "iii" and section (2) "**Risk Factors**" of this Prospectus should be carefully considered prior to making a decision to invest in this Rights Issue Shares in accordance with this Prospectus.

## Important Dates and Subscription Procedures

Event	Date
Date of the Extraordinary General Assembly approving the Capital Increase and setting the Eligibility Date and Eligible Shareholders. Eligible Shareholders are the shareholders who own shares at the end of the trading day of the Extraordinary General Assembly and are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly	15/11/1443H (corresponding to 14/06/2022G)
Trading Period	The Trading Period starts on Monday 21/11/1443H (corresponding to 20/06/2022G) and ends on Monday 28/11/1443H (corresponding to 27/06/2022G). During this period, all Rights holders of - whether they are Registered Shareholders or New Investors - to trade Rights.
Subscription Period	The Subscription Period starts on Monday 21/11/1443H (corresponding to 20/06/2022G) and lasts until the end of Thursday 01/12/1443H (corresponding to 30/06/2022G). During this period, all Rights holders - whether they are Registered Shareholders or New Investors - may exercise their right to subscribe to the new shares.
Date of End of the Subscription Period	The Subscription Period and the receipt of subscription requests ends with the end of Thursday 01/12/1443H (corresponding to 30/06/2022G).
Rump Offering Period	The Rump Offering Period starts from 10:00 am on Tuesday 06/12/1443H (corresponding to 05/07/2022G) until 5:00 pm on Wednesday 07/12/1443H (corresponding to 06/07/2022G).
Final Allocation Notice	On Sunday 18/12/1443H (corresponding to 17/07/2022G).
Payment of Compensation (if any) for Eligible Person who did not participate in the subscription in whole or in part and for those who are eligible for fractional shares(if any)	On Thursday 06/01/1444H (corresponding to 04/08/2022G).
Trading date of the New Shares	The shares offered for subscription will be traded upon completion of all relevant regulatory procedures. It will be announced later on the Tadawul website( <a href="http://www.saudiexchange.sa">www.saudiexchange.sa</a> ).

Note: All dates mentioned in the above timeline are approximate. Actual dates will be announced on the website of the Saudi Stock Exchange (Tadawul) ([www.tadawul.com.sa](http://www.tadawul.com.sa)).

## Key Announcement Dates

Announcement	Announcer	Date
Announcement regarding the invitation to the Extraordinary General Assembly on the capital increase	The Company	Monday 22/10/1443H corresponding to 23/05/2022G
Announcement of the Extraordinary General Assembly on the Capital Increase result	The Company	16/11/1443H corresponding to 15/06/2022G
Announcement of the amendment of the Company's share price adjustment, the deposit of the Rights and the indicative value of the Right.	Tadawul	16/11/1443H corresponding to 15/06/2022G
Announcement on adding the Rights	Edaa	20/11/1443H corresponding to 19/06/2022G
Announcement of the Trading Period and Subscription Period	The Company	16/11/1443H corresponding to 15/06/2022G
A reminder of the start of the rights trading period and the new shares subscription period	Tadawul	20/11/1443H corresponding to 19/06/2022G
A reminder of the start of the rights trading period and the new shares subscription period	The Company	21/11/1443H corresponding to 20/06/2022G
A reminder a about the last day for trading of the Rights and the importance of selling the Rights for those who do not wish to subscribe	The Company	27/11/1443H corresponding to 26/06/2022G
Announcement of: <ul style="list-style-type: none"> <li>▪ Results of the subscription</li> <li>▪ Details of the sale of Rump Shares (if any) and the commencement of the Rump Offering Period</li> </ul>	The Company	04/12/1443H corresponding to 03/07/2022G
Announcement of the results of the Rump Offering and notice of final allocation	The Company	18/12/1443H corresponding to 17/07/2022G
Announcement of the deposit of the New Shares in the investors' portfolios	Edaa	22/12/1443H corresponding to 21/07/2022G
Announcement regarding distribution of the compensation amounts (if any).	The Company	06/01/1444H corresponding to 04/08/2022G

Note: The above-mentioned timetables and dates are indicative. Actual dates will be announced on the website of the Saudi Stock Exchange (Tadawul) ([www.tadawul.com.sa](http://www.tadawul.com.sa)) in coordination with the Depository Center Company (Edaa) to determine date for depositing the shares.

It should also be noted that if an advertisement related to the offering is published in a local newspaper after the publication of the Prospectus, the announcement must include the following:

- 1- The name and commercial registration certificate of the issuer.
- 2- The securities that are subject of the relevant application for registration and offer and their value, type and class.
- 3- The addresses and locations where the public may obtain the Prospectus.
- 4- The date of publication of the Prospectus.
- 5- A statement that the disclosure is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.
- 6- The names of the lead manager, the underwriter, the financial and legal advisors.
- 7- A disclaimer as follows: **"The Capital Market Authority and the Saudi Stock Exchange (Tadawul) take no responsibility for the contents of this disclosure, 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 disclosure they have"**.

## How to Apply for the Offering

Subscription to Rights issue shares is limited to Eligible Persons, whether they are Registered Shareholders or New Investors. In the event that the Rights of Eligible Persons are exercised, any Rump Shares that were not subscribed for by Eligible Persons shall be offered to Institutional Investors during the Rump Offering Period.

The Eligible Persons wishing to subscribe for New Shares must submit their subscription application through the means and services provided by the broker to the investors, provided that the subscribing Eligible Person has an investment account with one of the brokers who provide these services.

Subscription applications are submitted through the investment portfolio in the trading platforms (through which buy and sell orders are entered) in addition to the possibility of subscribing through any other means provided by the broker to the investors and the custodian of shares.

The Company reserves the right to reject any application for the New Shares subscription in whole or in part if it does not fulfill any of the conditions or requirements of the subscription. It is not permissible to amend or withdraw the subscription application after its submission and delivery. The subscription application, upon submission, constitutes a binding contract between the Company and the Eligible Person.

## Questions and Answers on Rights Issue

### What is a Rights Issue?

Rights are tradable securities that give their holder the right to subscribe to the new shares offered, upon approval of the capital increase. All shareholders registered in the Company's shareholders register (at the Depository Center) at the end of the second trading day following the date the Extraordinary General Assembly at which the capital increase has been approved will be entitled to receive the Rights. Each right grants its holder eligibility to subscribe for one new share at the offering price.

### Who is granted the Rights?

All registered shareholders in the Company's shareholders register at the Depository Center at the end of the second trading day following the the Extraordinary General Assembly approving the capital increase .

### When are the Rights deposited?

After the Extraordinary General Assembly convenes and its approval of the capital increase through the offering of Right Issue Shares, the Rights are deposited as securities in the shareholders 'own portfolios in the Company's shareholders' register at the Depository Center at the end of the second trading day after the extraordinary general meeting; and will be listed in the shareholders' portfolios under a new symbol. These rights will only be traded or subscribed to at the beginning of the Trading and Subscription Period.

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

The notification is made through announcement on the Tadawul website, as well as through the (Tadawulaty) service provided by the Securities Depository Center Company, and short text messages (SMS) sent through the brokerage companies.

### How many Rights Issue can be acquired by a registered shareholder?

The number is subject to the rights issue ratio and the number of the current shares held by the registered shareholder as at the end of the second trading day following the Extraordinary General Assembly approving the capital increase .

### What is the Rights Issue ratio?

It is the ratio that enables registered shareholders to know how many Rights he/she is entitled to in relation to the current shares that he/she already owned at the end of the second trading day following the Extraordinary General Assembly approving the capital increase. This factor is calculated by dividing the number of new shares by the

number of the current shares of the Company, and accordingly, the eligibility factor is (2) rights approximately for every (1) share owned by the registered shareholder on the eligibility date, thus, if a registered shareholder owns (1,000) shares on the eligibility date, then he will be allocated (2,000) rights in exchange for the shares he owns.

### **Will the name and symbol for trading these rights differ from the name and symbol of the Company's shares?**

Yes, the acquired rights will be deposited in the investors' portfolios under the original name, adding the Rights Issue term as well as a new symbol for these rights.

### **What is the right value upon the commencement of trading?**

The opening price of the Rights is the difference between the closing price of the Company's shares on the day prior to the inclusion of the rights and the offering price.

For example (using hypothetical prices), For if the closing price of a share on the preceding day is SAR (40) forty Saudi Riyals and the offering price is SAR (10) ten Saudi Riyals, then the opening price for the Rights will, at the beginning of trading, be SAR (20) twenty Saudi Riyals (which is the difference between the above mentioned two prices).

### **Who is a Registered Shareholder?**

Any shareholder owning shares at the end of trading on the day of the extraordinary general assembly approving the capital increase, and registered in the company's shareholders registry at the Depository Center at the end of the second trading day following the extraordinary general assembly approving the capital increase

### **Can the registered shareholders subscribe for additional shares?**

Yes, the registered shareholders can subscribe for additional shares by purchasing new rights through the market during the Trading Period.

### **Is it possible for a shareholder to lose his eligibility to subscribe even if he has the right to attend the Extraordinary General Assembly and vote on increasing the capital through a rights issue?**

Yes, the shareholder loses his right to subscribe if he sells his shares on the day of the Extraordinary General Assembly approving the capital increase or one business day before it.

### **How does the offering take place?**

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

### **Can the eligible person subscribe to more shares than the rights owned by him?**

The eligible person cannot subscribe to more shares than the rights owned by him.

### **In the event that the Company's shares are owned through more than one investment portfolio, in which portfolio the Rights will be deposited?**

Rights will be deposited in the same portfolio where the Company's rights-related shares are deposited. For example, if a shareholder owns (1,000) (one thousand) shares in the company, (800) of them in portfolio (A) and (200) shares in portfolio (B), then the total number of rights to be deposited are (2,000) (two thousands) rights, on the basis that each share has (2) rights. In this case, (1,600) one thousand six hundred rights shall be deposited in portfolio (A) and (400) four hundred rights shall be deposited in portfolio (B).

### **Are share certificate holders allowed to subscribe and trade?**

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their share certificates in investment portfolios through brokers or the Tadawul's Securities Depository Center Company ("Edaa") and as well as submitting the requisite documents.

**Are additional Rights purchasers entitled to trade them once again?**

Yes, purchaser of additional rights may sell them and purchase other rights only during the trading period only.

**Is it possible to sell part of these rights?**

Yes, the investor can sell part of these rights and subscribe to the remaining part.

**When can a shareholder subscribe to the rights, he/she purchased during the Trading Period?**

After settlement of the purchase of Rights (which is two business days), provided that the subscription for Rights is completed during the Subscription Period.

**Can the holder of Rights sell or assign the Rights after the end of the Trading Period?**

No, it cannot. After the expiry of the Trading Period, the Eligible Person may only exercise the right to subscribe to the share capital increase or not exercise it. In the event that the Right is not exercised, the investor may be vulnerable to loss or decline in the value of his/her investment portfolio.

**What happens to Rights that are unsold or unsubscribed during the trading and subscription period?**

In the event that the new shares are not fully subscribed during the subscription period, the remaining new shares shall be offered during the Rump Offering organized by the Lead Manager, and the compensation value (if any) is calculated for the rights owner after deducting the subscription price. Note that the investor may not receive any consideration if the sale is made in the Rump offering period at the offering price.

**Who has the right to attend the Extraordinary General Assembly and vote to increase the Company's capital by offering Rights issue shares?**

A shareholder who is registered in the Company's shareholders' register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly Day, has the right to attend the Extraordinary General Assembly and vote on increasing the Company's capital by offering Rights issue shares.

**When is the share price adjusted as a result of the Company's capital increase by offering Right issue shares?**

The share price is adjusted by the market before the start of trading on the day following the day of the Extraordinary General Assembly.

**If an investor purchases security on the day of the assembly, is he entitled to obtain the Rights resulting from the issuer's capital increase?**

Yes, as the investor will be registered in the Company's shareholders' register two business days from the date of purchasing the shares (i.e., at the end of the second trading day following the day of the Extraordinary General Assembly approving the capital increase), taking into consideration that the rights issue will be granted to all shareholders registered in the Company's shareholders' register at the end of the second trading day following the date of the Extraordinary General Assembly approving the capital increase. However, he/she will not be entitled to attend or vote in the Extraordinary General Assembly of the capital increase.

**If the investor has more than one portfolio with more than one brokerage firm, how will the rights be calculated for him?**

The investor's share will be distributed to the portfolios owned thereby, according to the percentage of ownership in each portfolio. If there are fractions, those fractions will be added together and if they came to a whole number, that number is added to the portfolio in which the investor has the largest number Rights.

**What are the Trading and Subscription periods?**

Trading Period and Subscription Period commence on the same day until the end of Trading on the sixth day, while the Subscription Period continues until the ninth day, according to what is mentioned in this Prospectus and the Company's announcements.

**Is it possible to subscribe during the weekend?**

No, it is not possible.

**Can public investors other than registered shareholders subscribe to rights issue shares?**

Yes, after completing the purchase of Rights through the market during the Trading Period.

**Further Assistance:**

In the event of any inquiries, please contact the Company on the e-mail: [info@wafrah.com](mailto:info@wafrah.com) and for legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of issuing rights or even provide financial advice or Tax, legal or investment.

For more information on the subscription terms, conditions and instructions of the offering, please see section (12) **“Information Related to Shares and the Terms and Conditions of the Offering”** and the rest of the information contained in this Prospectus

## Summary of Key Information

This summary is a brief overview of the key information contained in this Prospectus. As a summary, it does not contain all of the information that may be of interest to shareholders and other general institutional and individual investors. Recipients of this Prospectus should read it in full and carefully before making any investment decision related to the Rights or the New Shares.

### Overview of the Company

Wafrah Company for Industry and Development Company (hereinafter referred to as the “**Company**” or “**Wafrah Company**”), a Saudi Joint Stock Company that was established initially as a joint stock company with the trade name “**Food Products Company**” pursuant to Ministerial Resolution No. (893) dated 25/11/1409H (corresponding to 29/06/1989G) to authorizing the establishment of the “**Food Products Company**” as a Saudi Joint Stock Company, and Ministerial Resolution No. (834) dated 20/09/1410H (corresponding to 16/04/1990G), declaring the formation of the “**Food Products Company**” as a Saudi Joint Stock Company. The Articles of Association was attested by the Ministry of Commerce and notarized by the notary of public of Riyadh in the registry (from p.1 till the end of p.12) of the third volume, number (208) for the year 1409H on 19/09/1409H (corresponding to 25/04/1989G). The Company’ share capital upon incorporation amounted to two hundred million (200,000,000) Saudi riyals, divided into two million (2,000,000) shares of equal value, the nominal value of each share being one hundred (100) Saudi riyals, all of which are ordinary and cash shares. The Company was registered in the Commercial Registry in Riyadh as a joint stock company pursuant to the commercial registration certificate number (1010076996) dated 24/10/1410H (corresponding to 19/05/1990G). The Company’s head office is located in Riyadh - Third Industrial City, P.O. Box 131, Postal Code 11383, Tel: 0114023456.

### The Company’s Capital Structure

- Wafrah for Industry and Development Company was established as a joint stock company with the trade name “**Food Products Company**” pursuant to Ministerial Resolution No. (893) dated 25/11/1409H (corresponding to 29/06/1989G) authorizing the formation of the “**Food Products Company**” as a Saudi Joint Stock Company, and Ministerial Resolution No. (834) dated 20/09/1410H (corresponding to 16/04/1990G), by declaring the formation of the “**Food Products Company**” as a Saudi Joint Stock Company. The Articles of Association was attested by the Ministry of Commerce and notarized by the notary public of Riyadh in the registry (from p.1 till the end of p.12) of the third volume, number (208) for the year 1409H on 19/09/1409H (corresponding to 25/04/1989G). The share capital upon incorporation amounted to two hundred million (200,000,000) Saudi riyals, divided into two million (2,000,000) shares of equal value, the nominal value of each share being one hundred (100) Saudi riyals, all of which are ordinary and cash shares. The founders subscribed for nine hundred sixty-five thousand (965,000), as for the remaining one million thirty-five thousand (1,035,000) shares, they were offered for public subscription.
- During the year 2000G, the Company divided the nominal value of each share from one hundred (100) SR to fifty (50) SR, and the share capital of two hundred million (200,000,000) Saudi riyals was divided into four million (4,000,000) shares with a nominal value of fifty (50) Saudi riyals per share.
- On 27/02/1427H (corresponding to 27/03/2006G), and following the issuance of the CMA Resolution No. (4-154-2006), which stipulated the division of shares of joint stock companies over four stages, and based on the Council of Ministers Decision that the nominal value for the shares of joint-stock companies shall be ten (10) Saudi riyals per share, the Company’s four million (4,000,000) shares, with a nominal value of fifty (50) Saudi riyals per share, have been divided into twenty million (20,000,000) shares of equal value, each with a value of ten (10) Saudi riyals, all of which are ordinary cash shares.
- On 15/08/1441H (corresponding to 08/04/2020G), the Extraordinary General Assembly - based on the recommendation of the Board of Directors (BOD) on 20/07/1441H (corresponding to 15/03/2020G) amending the previous recommendation on 22/04/1441H (corresponding to 19/12/2019G) - approved the capital reduction of the Company via dilution of shares. Accordingly the shares capital is reduced from two hundred million (200,000,000) Saudi riyals to seventy-seven million one hundred and seventy thousand three hundred fifty (77,170,350) Saudi riyals. The capital reduction percentage has reached (61.4%) of the existing paid up capital. In order to reduce the accumulated losses at a value of one hundred twenty-two million eight hundred twenty-nine thousand six hundred fifty (122,829,650) Saudi riyals, and thus twelve million two hundred eighty-two thousand nine hundred sixty-five (12,282,956) shares were cancelled.
- The Company’s current capital is seventy-seven million one hundred seventy thousand three hundred and fifty (77,170,350) Saudi riyals, divided into seven million seven hundred seventeen thousand thirty-five (7,717,035) nominal shares of equal value, the value of each is ten (10) Saudi riyals, all of which are ordinary cash shares.

Modifications Made to the Company's Capital (Capitalization Change)				
Type of the Capital Changes Increase/ Decrease	Number of Shares after Modification	Shares Nominal Value (SR)	Company's Capital (SR)	Year
Company's Capital Upon Incorporation	2,000,000	100	200,000,000	1989G
The Shares' Nominal Value Decrease from SR (100) to SR (50)	4,000,000	50	200,000,000	2000G
The Shares' Nominal Value Decrease from SR (50) to SR (10)	20,000,000	10	200,000,000	2006G
The Company's Capital Reduction by (61.4%) via dilution of listed shares (for the purpose of reducing the Accumulated Losses)	7,717,035	10	77,170,350	2020G

Source: The Company

## Summary of the Company's Main Activities

Article (3) of the Company's By-laws stipulates that the Company is allowed to carry out the following activities:

1. Manufacturing, canning, preserving, processing and developing foodstuffs, and marketing them domestically and internationally, including the following:
  - a. Benefit from the seasonal surplus of agricultural crops, especially perishable crops, and present them to the consumer after processing and subjecting them to varying degrees of food processing services.
  - b. Have a better exploitation of some secondary plant and animal products whose burning and disposal constitutes a loss for the national economy, such as poultry and ruminant slaughterhouses, fish and fish residues, such as internal guts, heads and bones, and using them to produce animal feed with a high nutritional value.
  - c. Manufacture some food products using their raw materials, such as extracting vegetable oils and sugar, and utilizing their residues after processing as fodder.
  - d. Encourage producers in the agricultural sector to introduce new agricultural crops, which will lead to the expansion and diversification of the agricultural production base in order to achieve one of the most important goals of agricultural development.
  - e. Increase opportunities to export local agricultural products, especially perishable crops, such as manufactured or processed food commodities.
2. Investing in the establishment, development and ownership of industrial projects for the Company's benefit.
3. Investing in land and real estate, including:
  - Purchase and sale of land for the Company.
  - Management and leasing of owned or leased (residential) real estate.
  - Management and leasing of owned or leased (non-residential) real estate.
  - Management, maintenance, operation, ownership and establishment of industrial projects.

The Company carries out its mentioned activities after having obtained all necessary licenses and permits from the competent authorities, if any.

- The Company's Commercial Register Data indicates that the activity it is licensed to practice (is the production of chilled and frozen meat, the manufacture of food products made from potatoes, including (potato chips), the manufacture of breakfast foods from cereals in the form of flakes, including (corn flakes, chips, etc.), pasta products of all kinds).
- The Company may establish branches, offices or agencies for it inside or outside the Kingdom by a Board Resolution. As of the date of this prospectus, the Company has ten (10) branches in addition of its main branch, inside the Kingdom.

- Moreover, the Company may establish companies on its own (as limited liability or closed joint stock), provided that the capital is not less than five million (5,000,000) Saudi riyals. It may also own shares in other existing companies or merge with them, and it has the right to participate with others in the establishment of joint stock or limited liability companies, after fulfilling the requirements of the regulations and instructions followed in this regard. Further, the Company may dispose of these shares, provided that it does not mediate in their trading.

As of the date of this Prospectus, the Company does not have any subsidiary company, whether inside or outside the Kingdom of Saudi Arabia, but it has investments in three (3) companies: (1) East Asia Agricultural Development and Investment Company and (2) Jannat Agricultural Investment Company (under liquidation) inside the Kingdom, and (3) Rakhaa for Agricultural Investment and Development outside the Kingdom (in Egypt).

(For more information about the licenses obtained by Wafrah for Industry and Development Company in order to carry out its activities, please refer to sub-paragraph no. (9-2) "**Licenses and Permits obtained by the Company**" of Section No. (9) "**Legal Information**").

- The Company conducts its activities through its head office and branches. The main activities of the Company are as follows:

#### 1. Manufacturing and Distribution of Food Products:

It is the Company's main activity which includes the manufacture of the following food products:

- Pasta, spaghetti and vermicelli.
- Frozen, chilled and cooked meat.
- Frozen potato fingers.
- Breakfast cereal products (corn flakes), nuts and peanuts products and spice packaging.

The Company owns and operates four modern and technically advanced factories:

- Pasta, Spaghetti and Vermicelli Factory:** The Pasta Factory offers a wide variety of pasta products under several brand names, including "Wafrah" and "Caprini" and "Saudi Gardens & Nemah", as the Company produces various pasta products under the names of the largest supermarket groups under its own brand names. The Company uses imported durum wheat semolina, and Saudi wheat flour to produce pastries and products of different levels.

The factory consists of four production lines:

- Production of short pasta of all kinds (2 lines)
- Production of long pasta (spaghetti)
- Vermicelli production
- Factory of Frozen, Chilled and Cooked Meat:** The meat factory produces frozen meat products, including burgers, kebabs, sausages, and cooked meat slices such as mortadella, minced meat, and others, with the flexibility to produce more types of meat and chicken products. These products are marketed under two brands "Wafrah" and "Aghsan" with other special products manufactured under the private names of other distributors and a number of fast-food operators.
- Wafrah Vegetable Factory (Frozen Potato Fingers):** The factory has two independent lines:
  - Frozen Potato Chips, Potato Corners and Rings Production Line: Products are packaged under the "Wafrah" brand and "Luxurious Foods" and "Aghsan". Thanks to the great quality and balanced price preserved by the Company, "Wafrah" commercial brand became one of the most favorite brands in the Saudi potato chips market.
  - Pickles Production Lines: The pickles production line was stopped in 1998G by a BOD Resolution due to the unavailability of the appropriate raw materials for the production of the required quality pickles.

- The Breakfast Cereals Factory (corn flakes), Nuts and Spices Filling: This factory produces breakfast cereals under high quality brands and at competitive prices which are “**Saudi Gardens**” and “**Caprini**”, such as cornflakes frosted, bran flakes, crispy rice and coco. As for the other factory line, it is for the production of peanut products, where the factory produces varieties of peanut butter and roasted salted peanuts. It should be noted that the sales of breakfast cereals and nut lines have been modest for years compared to the Company's other factories, but efforts have begun to bear fruit in contracting with various parties to produce their own brands of breakfast cereals and nuts. In addition, the Company started introducing its products in some supermarkets and hypermarkets to raise the factory's contribution to its total revenues.
- Dates Factory in Al Kharj: The factory is designed to manufacture date processing products such as dates paste, dates molasses and vinegar and to produce fodder from dates waste. It also includes a line for the production of jam from dates and other fruits. The Company reported that the factory was suspended from work because it was located on the course of Wadi Al Ghaylanah and because it did not comply with the environmental health requirements to approve the issuance of the municipality license. Revenues Distribution According to the Group 's Activities

The following table shows the Company's total revenues and percentage from its factories during the years 2018G, 2019G, 2020G and the nine-month period ended September 30, 2020G and 2021G:

Factory	Revenues (SR)					Percentage of Total Revenues (%)				
	2018G	2019G	2020G	30/09/2020G	30/09/2021G	2018G	2019G	2020G	30/09/2020G	30/09/2021G
Pastry Factory	40,726,752	38,178,633	41,837,908	33,097,231	21,137,915	41.8%	39.0%	42.3%	46%	35.7%
Food and Meat Factory	6,372,642	5,904,552	19,946,419	13,067,610	7,955,587	6.5%	6.0%	20.2%	18.1%	13.4%
Breakfast Cereals Factory	264,129	540,426	3,235,779	2,187,762	1,807,048	0.3%	0.6%	3.3%	3.0%	3%
Vegetables Factory	49,978,760	53,247,738	33,794,595	23,562,433	28,282,815	51.3%	54.4%	34.2%	47.7%	32.7%

Source: Financial statements for the years 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2020G and 2021G.

## 2. Real Estate Activity:

According to its Bylaws, the Company's real estate activity is represented in land plots and real estate investments as follows:

- Purchase and sale of land plots for the Company's benefit
- Management and leasing of owned or leased real estates (residential and non-residential)
- Management, maintenance, operation, ownership and establishment of industrial projects for the Company's benefit

The Company has purchased investment lands in the Jizan region from Tanmiyat Commercial Investment Company, pursuant to the Board Resolution issued during its seventh session on 12/02/1436H (corresponding to 04/12/2014G). These lands consist of eighteen (18) plots in the Muhammadiyah investment scheme in Jizan city, and their total area is (10,803.60) square meters.

Based on the Executive Committee recommendation, the BOD approved, by virtue of minutes no. (12-6) dated (corresponding to 12/09/2021G), the sale of all these investment lands in the Muhammadiyah Investment Scheme in Jizan City (Buyer: Omar Abdullah Abdul Rahman), which has a total area of (10,803.6) square meters, at a total price of ten million five hundred and sixteen thousand (10,516,000) Saudi riyals. The value was paid by certified checks, and the reason for holding this transaction is the Company's desire to increase liquidity and support working capital.

As of the date of this Prospectus, the Company does not have any real estate registered in its name.

### Investment Activity:

Wafrah for Industry and Development Company has invested in three (3) companies. The following is a summary of these investments:

- East Asia Agricultural Development and Investment Company, a closed joint stock company. The investment percentage represents (14.285%) of the paid-up capital of seventy million (70,000,000) Saudi riyals.
- Jannat Agricultural Investment Company is a Saudi limited liability company (under liquidation). The investment percentage represents (11.1%) of the paid-in capital of sixty-three million (63,000,000) Saudi riyals. The Company's share amounted to fifty thousand (50,000) Saudi riyals in the establishment expenses.
- Rakhaa for Agricultural Investment and Development, an Egyptian joint stock company. The investment percentage represents (8.628%) of the paid-in capital of eighty million (80,000,000) Egyptian pounds. Wafrah for Industry and Development Company invested in Rakhaa for Agricultural Investment and Development (an Egyptian joint stock company), after the Jannat Agricultural Investment Company waived the ownership of a number of its shares in favor of Wafrah Company.

For more information on these companies, kindly refer to sub-paragraph (3-5) "Investment Activity" of Section 3 "Overview of the Company and the Nature its Business".

## The Company's Vision

Providing distinct and preferred products to consumers.

## The Company's Mission

Providing healthy, high-quality food products by committing to apply international quality standards and use advanced industrial technologies that take into account the requirements of the environment, with a team spirit in order to achieve excellence, the optimal investment of available resources, and the satisfaction of shareholders, customers and employees.

## The Company's Strategic Goals and Directions

The Company's strategic goals are as follows:

- Develop the Company's employees and improve their performance
- Develop production lines and enhance the quality of products to reduce the percentage of damaged ones
- Increase profits
- Increase domestic sales
- Increase international sales (export)

## The Company's Strengths and Competitive Advantages

The Company's strengths and competitive advantages are as follows:

- The Company owns four (4) factories that produce a large number of basic and diversified food products which are strongly present on a daily basis at the table of consumers of all tastes.
- The Company owns a large number of brands at different competitive prices, which enables all consumers to purchase its products according to their different tastes.
- The Company's high-quality products and its adherence to international, Gulf and Saudi standards constitute its great competitive advantage.

## Market Overview

The Kingdom of Saudi Arabia is the leading country in the food processing industry in the East middle due to the continuous population growth, high income and government support. Investment in the food processing and manufacturing sector is expected to exceed (SR 220 billion) in 2021G, with a compound annual growth of approximately 35% since 2016G.

## Pasta Market

The value of pasta sales of all kinds amounted to 666.8 million Saudi riyals in 2021G, and a compound growth rate of 8.3% from 2016G to 2020G. The market achieved its strongest performance in 2020G, when it grew by 18.3% from 2019G, and is expected to grow to 731.0 million Saudi riyals by 2026G, at a compound growth rate of 1.9% from 2021G. This rise in the sector is due to the rapid lifestyle change of consumers and the increase in consumption of processed foods in the country and is the main driver of the food and beverage industry locally. The food and beverage sector represent one of the largest shares of total household spending in the Kingdom of Saudi Arabia. The rapid population growth is also expected to affect spending positively, in addition to the increasing growth in the local industry.

Modern retailers such as supermarkets dominate the outlets in the Kingdom for the pasta sector of all kinds, as they represent more than 70% of the market share of outlets, and the supermarket is the preferred destination for consumers to buy pasta. Supermarkets represent 44% of the modern retail sector, followed by hypermarkets with 25.1%, and groceries and small stores with 1.2%. Also, traditional retail distributors, such as small grocery stores, represent 28.9% of the sector's distributors. There are five pasta suppliers in the Kingdom that control 92% of the total market, including Wafrah Company for Industry and Development, where the company ranks fourth with 5.2% of the total market.

## Vegetable Market

In the processed fruits and vegetables segment, shelf-stable fruits and vegetables account for 71.8% of the market share while frozen fruits and vegetables share 28.2%, and the compound growth rate is 1.6% for shelf-stable fruits and vegetables valued at SAR 1,817.7 million and the compound growth rate of frozen fruits and vegetables 2.2%, with a value of 715.3 million Saudi riyals. In particular, the value of the frozen potato market amounted to 300.8 million Saudi riyals in 2021G, as it is the product that Wafrah Company focuses on, with a compound growth rate of 2.3% between 2016G and 2021G. The sector as a whole is worth 2,533 million Saudi riyals in 2021, as it grew from 1,988.7 million Saudi riyals from 2016G to 2021G, with a compound growth rate of 5.0%, and is expected to grow at a compound growth rate of 1.8% to 2026G.

During 2020G, the COVID-19 pandemic had a positive impact on the demand for processed fruit and vegetable products, with sales increasing at the fastest rate in eight years, as local consumers spent more time at home and some were stockpiling these products. The demand for frozen fruit and vegetable products (especially frozen potatoes) was generally strong, and decreased significantly during 2021, as the threat posed by the Corona epidemic (Covid 19) diminished somewhat. On the other hand, the food service sector is an important source of demand for processed fruits and vegetables in Saudi Arabia. As it represented the largest part of the total sales volume of the fruit and vegetable market before the emergence of the Corona (Covid 19) epidemic. The volume of sales of the fruits and vegetables sector for the food services sector decreased by half during the year 2020, coinciding with the closure of food service outlets such as restaurants and others for a long period due to the Corona epidemic (Covid 19).

Modern retailers such as supermarkets and hypermarkets dominate the outlets for the fruits and vegetables sector, as they represent 69.2% of the sector, and supermarkets and hypermarkets are the two preferred destinations for consumers to purchase fruits and vegetables. Supermarkets represent 35.7% of the sector, followed by hypermarkets with 30.1%, and groceries and small stores with 3.5%. Traditional retailers, such as small vegetable shops, account for 30.5%.

The ten largest suppliers of fruits and vegetables in the Kingdom account for 71.1% of the total market, and Wafrah Company for Industry and Development has a share of 1.8% of the total market.

## Meat and Seafood Market

The value of processed meat and seafood sales is 4,084.1 million Saudi riyals in 2021G, with a compound growth rate of 8.7% from the years 2016G to 2021G. Processed meat, including red meat and poultry, represented 68.1% of the total market, while processed seafood accounted for 30.8% of the market in the same year. Chilled and frozen meat is worth 2,348.4 million Saudi riyals with a compound growth rate of 7.2%, of which red meat represented 750.7 million Saudi riyals and a compound growth rate of 4.7%, while poultry represented 1,597.8 million riyals and a compound growth rate of 8.5%. While the value of processed seafood amounted to 1,640.2 million Saudi riyals, and recorded a compound growth rate of 8.9%. The largest proportion of processed seafood is shelf-stable products in contrast to processed meat, where chilled and frozen products represent the largest proportion of processed meat, reaching its fastest growth rate in more than a decade during the year 2020G.

The perceived credibility of Saudi manufacturers of halal food, especially meat and meat products, has helped the expansion of food manufacturing facilities in the kingdom as Saudi consumers tend to believe that locally produced meat products meet higher halal standards than products imported from non-Muslim countries. Processed meat and seafood outlets for the modern retail sector represent 56% of the total market share of the distribution, while supermarkets represent 35.9% of modern retail sales, then hypermarkets account for 19.9%, followed by groceries and small stores with 0.1%. The traditional retail sector, such as butcher shops and small fish shops, represented 43.6%. Wafrah Company for Industry and Development accounts for 0.3% of the total market.

### Breakfast Cereals Market

The value of the breakfast cereals market is 777.2 million Saudi riyals as in 2021G. It recorded a compound growth rate of 2.9% from 2016G to 2021G and is expected to grow at a compound growth rate of 1.8% to 2026G. Also in the future, the market is likely to grow at a compound annual growth rate of 3.2% in terms of volume and 1.8% in terms of value to reach 33,600 tons in terms of volume and 850.3 million Saudi riyals in terms of value. The market will be driven by the growing popularity of Saudi brands, increased female participation in the workforce, and the continued dominance of hot cereals in the market. Retail sales increased 0.2% in present value in 2021G to reach SAR 777.1 million. Hot cereals are the best performing category in 2021G, as retail sales grew by 1% in current value to reach SAR 261 million. Hot cereals are relatively popular among local consumers, accounting for just over half of retail breakfast cereal sales in the Kingdom during 2021G.

Retail outlets in the breakfast cereal sector are dominated by modern retailers such as supermarkets and hypermarkets as they represent 59.6% of the market size. Supermarkets are the preferred destination for consumers to purchase breakfast cereals. Supermarkets represent 32.3% of the modern retail sector, followed by hypermarkets with 26.2%, and groceries and small stores with 1%. Also, the traditional retail sector, such as small grocery stores, represents 39.3%. Wafrah Company for Industry and Development holds an estimated share of 0.4% of the total market.

(Source: Euromonitor International, trade associations, press articles, internal company research)

# Risk Factors Summary

There are several risks related to this Rights Shares Issue. These risks have been covered in three main categories: 1) Risks related to the Company's Activity and Operations, 2) Risks related to the Market and Sector, and 3) Risks related to Shares. They are discussed in details in Section (2) "Risk Factors" in this Prospectus which ought to be carefully studied and examined before deciding to invest in the Rights Shares Issue, subject of the Offering.

## 1. Risks Related to The Company's Activities and Operations

- Risks Related to The Contamination of Meat Products
- Risks Related to Manufacturing Defects
- Risks Related to Machinery and Other Work Equipment
- Risks Related to Poor Inventory Management
- Risks Related to Malfunctions in the Company's Factories
- Risks Related to the Distribution and Transportation of the Company's Products
- Risks Related to the Availability and High Prices of Raw Materials
- Risks Related to Accumulated Losses
- Risks Related to Leased Sites
- Risks Related to The Outbreak of Infectious Diseases or Other Threats to Public Health, Including the Continuing Global Spread of the Coronavirus Pandemic (COVID-19)
- Risks Related to Non-Issuance or Non-Renewal of Licenses and Certificates
- Risks Related to Non-Compliance with Quality Standards and Specifications Required by Customers
- Risks Related to Contracts Concluded with Third Parties
- Risks Related to the Lack of Signed Supply Contracts with Some Major Suppliers
- Risks Related to Obtaining the Certificate of Products Slaughtered in the Islamic Way (Halal) by the Company and Suppliers
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- Risks Related to The Saudi Economic Risks Impact on The Company's Operations
- Risks Related to Political and Economic Instability in The Region
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- Risks Related to Changing the Mechanism for Calculating Zakat and Income Tax
- Risks Related to The Application of Value-Added Tax (VAT)
- Risks Related to The Imposition of New Duties or Taxes
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- Risks Related to Low Ownership Percentage Decline
- Risks Related to Not Exercising Subscription to Rights Issue in a Timely Manner
- Risks Related to Dividend Distribution to Shareholders
- Risks Related to Selling a Large Number of Shares
- Risks Related to The Issuance of New Shares
- Risks Related to Future Data
- Risks Related to a Decrease in The Demand for Rights Issue and Company Shares

## Summary of Financial Information

The summary of the financial information presented below is based on the Company's audited financial statements for the financial years ended December 31, 2018G, 2019G, 2020G and the financial period ended September 30, 2021G and the notes attached thereto.

The audited financial statements of the Company for the financial years ended December 31, 2018G, 2019G and 2020G have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia and the standards and publications approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The financial statements for the financial years 2018G and 2019G, and 2020G were reviewed by Al-Azem, Al-Sudairi, Al-Sheikh & Partners, CPA's & Consultants - Member of Crowe International. As for the financial statements for the financial period ended September 30, 2021G, they were reviewed by Sulaiman Abdullah Company Al Kharashi & Co. Certified Accountants and Auditors.

The Company issues its financial statements in Saudi riyals.

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### Statement of Financial Position:

SR	Financial year ended December 31, 2018G	Financial year ended December 31, 2019G	Financial year ended December 31, 2020G	Annual Growth (2018G-2019G)	Annual growth (2019G-2020 G)	Compound Growth (2018G-2020G)	Nine Month Interval Ended September 30, 2020G	Nine Month Ended September 30, 2021G	Change for the Interval 2020G - 2021G
Total non-current assets	123,719,667	117,152,515	110,306,223	-5.3%	-5.8%	-6%	110,306,223	94,022,574	-14.8%
Total current assets	49,802,508	46,893,843	51,017,019	-5.8%	8.8%	1%	51,017,019	62,962,635	23.4%
Total assets	173,522,175	164,046,358	161,323,242	-5.5%	-1.7%	-4%	161,323,242	156,985,209	-2.7%
Total non-current liabilities	17,427,240	40,637,966	32,124,547	133.2%	-20.9%	36%	32,124,547	27,566,105	-14.2%
Total current liabilities	54,573,506	47,712,401	66,853,749	-12.9%	40.1%	10%	66,853,749	71,525,923	7.0%
Total liabilities	72,000,746	88,350,367	98,978,296	22.7%	12.0%	17%	98,978,296	99,092,028	0.1%
Total shareholders' equity	101,521,429	75,695,991	62,344,946	-25.4%	-17.6%	-22%	62,344,946	57,893,181	-7.1%
Total liabilities and shareholders' equity	173,522,175	164,046,358	161,323,242	-5.5%	-1.7%	-4%	161,323,242	156,985,209	-2.7%

Source: Consolidated financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the periods ended September 30, 2020G and 2021G.

## Income Statement:

SR	Financial year ended December 31, 2018G	Financial year ended December 31, 2019G	Financial year ended December 31, 2020G	Annual Growth (2018G-2019G)	Annual growth (2019G-2020 G)	Compound Growth (2018G-2020G)	Nine Month Interval Ended September 30, 2020G	Nine Month Ended September 30, 2021G	Change for the Interval the Interval 2020G-2021G
Sales	80,131,972	82,816,966	83,777,853	3.4%	1.2%	2.2%	62,148,620	52,688,084	-15.2%
Sales Cost	(66,952,488)	(66,058,166)	(64,363,423)	-1.3%	-2.6%	-2.0%	(44,349,144)	(42,006,763)	-5.3%
Operating Profit (Loss)	(13,528,917)	(10,482,052)	(6,494,577)	-22.5%	-38.0%	-30.7%	(1,477,830)	(6,192,263)	319.9%
Net Revenue (Loss) Prior to Zakat	(22,529,754)	(24,080,971)	(8,856,191)	6.9%	-63.2%	-37.3%	(1,183,075)	(3,922,840)	231%
Zakat	(3,971,408)	(1,288,762)	(3,522,897)	-67.5%	173.4%	-5.8%	(900,000)	(595,463)	-33.8%
Net Profit (Loss) for the Period	(26,501,162)	(25,369,733)	(12,379,088)	-4.3%	-51.2%	-31.7%	(2,083,075)	(4,518,303)	116.9%

Source: Consolidated Financial Statements for Wafrah for Industry and Development Company for the financial years ended December 31, 2018G, 2019G and 2020G, and the periods ended September 30, 2020G and 2021G.

## Statement of Cash Flows:

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SR	Financial year ended December 31, 2018G	Financial year ended December 31, 2019G	Financial year ended December 31, 2020G	Nine Month Interval Ended September 30, 2020G	Nine Month Interval Ended September 30, 2021G
Net cash generated from/ (used in) operating activities	4,236,180	1,844,112	2,520,090	3,305,044	4,527,647
Net cash generated from/ (used in) investing activities	(2,175,363)	(3,478,335)	(1,580,315)	-1,231,757	10,431,162
Net cash generated from/ (used in) financing activities	(3,536,473)	(656,023)	(271,771)	-1,161,823	-1,357,695
Net change in cash and cash equivalents for the year/period	(1,475,620)	(2,290,246)	668,004	911,464	13,601,114
Cash and cash equivalents at the beginning of the year/period	5,489,742	4,014,122	1,723,876	1,723,876	2,391,880
Cash and cash equivalents at the end of the year/ period	4,014,122	1,723,876	2,391,880	2,635,340	15,992,994

Source: Source: Consolidated Financial Statements of Wafrah for Industry and Development Company for the financial years ended December 31, 2018G and 2019G and 2020G and the periods ended September 30, 2021G.

**Key Performance Indicators:**

Percentage	Financial year ended December 31, 2018G	Financial year ended December 31, 2019 G	Financial year ended December 31, 2020G	Nine-Month Interval Ended September 30, 2020G	Nine-Month Interval Ended September 30, 2021G
Operating Profit Margin	-16.9%	-12.7%	-7.8%	-2.38%	-11.75%
Profit Margin	-33.1%	-30.6%	-14.8%	3.35%	-8.58%
Return on Assets	-15.3%	-15.5%	-7.7%	-1.18%	-2.88%
Return on Equity	-26.1%	-33.5%	-19.9%	-2.72%	-7.80%
Debt to Equity Ratio	27.6%	37.0 %	44.9%	-137.65%	171.16%

Source: Wafrah for Industry and Development Company consolidated financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the periods ended September 30, 2020G and 2021G.

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## Definitions and Terms

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# 1- Definitions and Terms

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Term	Definition
The Company, Wafrah Company, or the Issuer	Wafrah for Industry and Development Company, a Saudi public joint stock company
The Underwriting Agreement	Underwriting agreement between the Company and the underwriter
The Administration	The Company's management team
Listing	To list securities on the main market or – where applicable – to submit an application for listing to the Saudi Stock Exchange (Tadawul)
Shares	The Company's current shares are seven million seven hundred seventeen thousand thirty-five (7,717,035) ordinary shares, with a nominal value of ten (10) SR Saudi riyals per share
New Shares	Fifteen million four hundred thirty-four thousand seventy (15,434,070) ordinary shares, which will be issued to increase the Company's capital.
Rump Shares	The shares which were not subscribed for during the Subscription Period.
Eligible Persons	All holders of Rights, whether they are Registered Shareholders or those who purchased Rights during the Trading Period
Related Parties	<p>According to the Rules on the Offer of Securities and Continuing Obligations, the list of terms used in the CMA Regulations, Capital Market and its Rules issued by the CMA Board according to Decision 4-11-2004 G dated 20/08/1425H (corresponding to 04/10/2004G) and amended by CMA Board Resolution 22-2-2021G dated 12/07/1442H (corresponding to 24/02/2021G), the Related Parties are meant to be the following:</p> <ol style="list-style-type: none"> <li>1- Affiliates of the Issuer.</li> <li>2- Substantial Shareholders of the Issuer.</li> <li>3- Directors and senior executives of the Issuer.</li> <li>4- Directors and senior executives of affiliates of the Issuer.</li> <li>5- Directors and senior executives of substantial shareholders of the Issuer.</li> <li>6- Any relatives of persons described at (1, 2, 3, 4 or 5) above.</li> <li>7- Any Company controlled by any person described at (1, 2, 3, 4, 5 or 6) above.</li> </ol>

Term	Definition
Tadawul	<p>Saudi Tadawul Group (Holding Company) (formerly the Saudi Stock Exchange). On 25/08/1442H (corresponding to 07/04/2021G), the Saudi Stock Exchange (Tadawul) announced its transformation into a holding Company in the name of (Saudi Tadawul Group), with a new structure that supports the development of the Saudi financial market future and ensures its continuity of development, and as another step towards readiness The group will be offered for the initial public offering during the current year 2021G.</p> <p>(Tadawul Saudi Group) includes four subsidiaries: (Saudi Tadawul) as a stock exchange, the Securities Clearing Center Company (Muqassa), the Securities Depository Center Company (Edaa), and (Wamed) Company, which specializes in innovation-based services and technology solutions.</p> <p>The group will benefit from the integration of the services of its subsidiaries and joint businesses, and the independence of the companies will provide a working environment characterized by flexibility and innovation to keep pace with the rapid developments in the global and local markets.</p>
Nationalization / Saudization	Replacement of expatriate workers by Saudi citizens in private sector jobs.
General Assembly	The General Assembly that is held in the presence of the Company's Shareholders in accordance with the provisions of the Companies Law and the Company's Bylaws. It may be ordinary or extraordinary.
Ordinary General Assembly (OGA)	The Ordinary General Assembly of the Company's Shareholders.
Extraordinary General Assembly (EGA)	The Extraordinary General Assembly of the Company's Shareholders.
The Public	<p>As per the Rules on the Offer of Securities and Continuing Obligations, the public is formed of the persons who are not mentioned below:</p> <ol style="list-style-type: none"> <li>1- Affiliates of the Issuer.</li> <li>2- Substantial Shareholders of the Issuer.</li> <li>3- Directors and senior executives of the Issuer.</li> <li>4- Directors and senior executives of affiliates of the Issuer.</li> <li>5- Directors senior executives of substantial shareholders of the Issuer.</li> <li>6- Any relatives of the persons described at (1, 2, 3, 4 or 5) above.</li> <li>7- Any Company controlled by any persons described at (1, 2, 3, 4, 5 or 6) above.</li> <li>8- Persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.</li> </ol>
Rights Issue	Rights are issued as tradable securities giving their holders the priority to subscribe for the New Shares offered, upon approval of the capital increase. All shareholders registered in the Company's register at the end of trading and on the day of the EGA will be entitled to receive the Rights. Each right grants its holder eligibility to subscribe for one New Share at the Offer Price. Rights Issue will be deposited after the EGA dated 15/11/1443H (corresponding to 14/06/2022G) at which the capital increase has been approved. The Rights will appear in the Registered Shareholders portfolios under a new symbol specifying the Rights Issue. Registered Shareholders will be notified of the deposit of Rights in their portfolios.
The Government	The Government of the Kingdom of Saudi Arabia, and the word " <b>Governmental</b> " shall be interpreted accordingly.

Term	Definition
Vision 2030	The National Strategic Economic Program, which aims to reduce dependence on oil and the petrochemical industry, diversify the Saudi economy, and develop services.
Riyal, Saudi Riyal or the Riyal	The official currency of the Kingdom of Saudi Arabia.
Right Trading Price	It is the price at which the right is traded, noting that such price is set through the offer and demand mechanism; therefore, it may differ from the Indicative Value of the Right.
Offer / Subscription Price	Ten (10) SR Saudi riyals per share.
Financial Year(s)	It is the period set to present the result of the establishment's activity. Its start and end are specified in the incorporation contract or the concerned Company's By-laws. Noting that the Company's financial year ends on December 31 of each Gregorian calendar year.
The Saudi Stock Market, the financial market or the stock market or the market	The Saudi Stock Exchange
Person	A natural or legal person
Security Depository Center Company ("Edaa")	A closed joint stock Company wholly owned by the Saudi Tadawul Group (Tadawul), established in 2016 under the Saudi Companies Law issued by Royal Decree No. M/3 on 01/28/1437H (corresponding to 11/11/2015G).
Net Offering Proceeds	The net proceeds of the offering, after deducting offering expenses, will reach an amount SAR (150,000,000) one hundred fifty million Saudi riyals. (For more information, please refer to Section No. (6) " <b>Use of Offering Proceeds and Future Projects</b> ").
Value-added Tax (VAT)	<p>On 02/05/1438H (corresponding to 30/01/2017G), the Council of Ministers decided to approve the unified agreement for value-added tax for the GCC countries, which came into effect on January 1, 2018G, as a new tax was added to the regulations of taxes and other fees must be applied by specific sectors in KSA and GCC countries. The amount of this tax is (5%), and some products are excluded from (such as basic foods, and services related to health care and education).</p> <p>The Board of Directors of the General Authority for Zakat and Tax (2-3-20) dated 17/10/1441H (corresponding to 09/06/2020G) decided to amend the VAT Law to become 15%, starting from 01/07/2020G, according to its authorities and based on Article 5 of the General Authority for Zakat and Tax Organization issued by Cabinet Resolution 465 dated 20/07/1438H after reviewing Royal Decree A / 638 dated 15/10/1441H regarding the amendment of the VAT regulations to allow an increase the basic tax rate to 15% as on July 1, 2020G.</p>
Offering Period	The period starting from Monday 21/11/1443H (corresponding to 20/06/2022G) and ended Monday 28/11/1443H (corresponding to 27/06/2022G).
Rump Offering Period	The period from 10:00 a.m. on Tuesday 06/12/1443H (corresponding to 05/07/2022G) to 5:00 p.m. on Wednesday 07/12/1443H (corresponding to 06/07/2022G).

Term	Definition
The Listing Rules	Listing rules issued by the Saudi Stock Exchange (Tadawul) and approved by CMA Board Resolution No. (3-123-2017), dated 09/04/1439H (corresponding to 27/12/2017G) and amended by Resolution No. (1-104-2019), dated 01/02/1441H (corresponding to 30/09/2019G). The last amendment is pursuant to Resolution No. (01/22/2021) dated 12/07/1442H (corresponding to 04/02/2021G)
Rules on the Offer of Securities and Continuing Obligations	Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority (CMA), pursuant to Resolution No. (3-123-2017) dated 09/04/1439H (corresponding to 27/12/2017G), according to the Capital Market Law issued by Royal Decree No. M/30 dated 06/02/1424H, as amended by the CMA Board Resolution No. 3-45-2018 dated 07/08/1439H (corresponding to 23/04/2018G) and by the Authority Council's Decision No. (1-104-2019) dated 01/02/1441H (corresponding to 30/09/2019G). The last amendment was issued pursuant to the Authority's Board Resolution No. (1-7-2021) dated 01/06/1442H (corresponding to 14/01/2021G).
Rules for Qualified Foreign Financial Institutions Investment in Listed Securities	The purpose of these rules is to regulate investment in securities by non-Saudis residing outside the Kingdom (QFI: Qualified Foreign Investors), issued by the Board of the Capital Market Authority pursuant to its Resolution No. (1-422015) dated 15/07/1436H (corresponding to 04/05/2015G) and amended by the CMA Board's Resolution No. (3-65-2019) dated 14/10/1440H (corresponding to 17/06/2019G).
Right Indicative Value	The indicative value of a Right reflects the difference between the market value of the Company's share during the Trading Period and the Offer Price.
Corporate Governance Regulations	The Corporate Governance Regulations in KSA issued by the Board of the CMA under Resolution No. (8-16-2017G) dated 16/05/1438H (Corresponding to 13/02/2017G) based on the Companies Law issued by Royal Decree M/3 dated 28/01/1437H and amended by CMA Board Resolution (3- 57-2019G), dated 15/09/1440H (corresponding to 20/05/2019G), and its latest amendment by the CMA Resolution No. (1-7-2021) dated 01/06/1442H (corresponding to 14/01/2021 G).
Underwriter and Lead Manager	Al-Jazira Capital
The Board, The Board of Directors or The Board Members	The Company's Board of Directors whose names appear on page (vi).
Headquarters	Wafrah is headquartered in Riyadh - Third Industrial City, PO Box 131, Postal Code 11383, Tel: 4023456.

Term	Definition
The National Center for Monitoring Environmental Compliance	<p>After reviewing what was submitted by His Excellency the Minister of Environment, Water and Agriculture, and after reviewing the recommendation prepared in the Council of Economic and Development Affairs No. (10-31/40/d) and dated 06/16/1440 AH (corresponding to 02/21/2019 AD), the Council of Ministers decided in its session held On 19/07/1440 AH (corresponding to 03/26/2019 AD), the following:</p> <ol style="list-style-type: none"> <li>1. Establishing the National Center for Meteorology, the National Center for the Development of Vegetation Cover and Combating Desertification, the National Center for Monitoring Environmental Compliance, and the National Center for the Development of Wildlife, in accordance with their regulations, and the plan for establishing national centers affiliated with the environment sector.</li> <li>2. Cancel the General Authority of Meteorology and Environmental Protection and the Saudi Wildlife Authority, provided that they continue to carry out their work until the centers referred to above exercise their powers, in accordance with the relevant provisions contained in their establishment plan.</li> </ol> <p>The National Center for Environmental Compliance aims to (1) Improving environmental commitment by reducing environmental pollution and raising the efficiency of supervisory and regulatory performance, (2) strengthening the capabilities of responding to environmental emergencies related to the Center's competence in coordination with the relevant authorities, (3) raising the participation of the private sector in providing high-quality environmental commitment services, and including It enhances Saudization opportunities, (4) encourage research and innovation in the fields of monitoring, evaluation and environmentally friendly technologies in cooperation with universities and local and international research centers, and (5) enhance human competencies, technical capabilities and infrastructure to improve the effectiveness of the center.</p>
Registered Shareholder	The investor registered in the issuer's securities ownership registry.
Substantial Shareholders	Shareholders who own 5% or more of the Company's shares. As of the date of this Prospectus, the Company has no substantial shareholder.
Eligible Shareholders	Shareholders registered in the Company's Shareholder Register at the end of the trading day following the eligibility date.
Registered Shareholders	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly Meeting (EGAM) for the capital increase, and who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly (EGA) on 15/11/1443H (corresponding to 14/06/2022G).
Advisors	The Company's advisors regarding the offering process and whose names are shown on page (ix)and (x).
New Investors	General individual and institutional investors - with the exception of the Registered Shareholders - who have purchased the Rights Issue during the Trading Period.

Term	Definition
International Financial Reporting Standards (IFRS)	International Financial Reporting Standards (IFRS) approved by the Saudi Organization for Auditors and Accountants, which includes international standards in addition to further requirements and disclosures required by the Saudi Organization for Auditors and Accountants, and other standards and statements approved by the Saudi Organization for Auditors and Accountants, which include standards and technical publications related to issues not covered by international standards like the issue of Zakat. (International Financial Reporting Standards).
Eligibility Factor	Result of dividing the number of new shares by the number of the Company's current shares.
Subscriber	Any person subscribing to shares offered for subscription.
Institutional Investors	<p>It includes a group of institutions, which are as follows:</p> <ol style="list-style-type: none"> <li>1- Governmental entities and companies owned by the government, directly or through a private portfolio manager, or any international body recognized by the CMA or the market, and any other financial market recognized by the CMA or the depository center "Edaa".</li> <li>2- Public investment funds established in KSA that are publicly offered in addition to private funds that invest in securities listed on the Saudi Stock Exchange if the fund's terms and conditions allow it, while adhering to the provisions and restrictions stipulated in the investment funds regulations.</li> <li>3- Persons authorized to deal in securities in a Principal capacity, while adhering to the requirements of financial sufficiency.</li> <li>4- Agents of a person authorized to conduct management business, provided that that authorized person has been appointed under conditions that enable him to make decisions regarding accepting participation in the offering and investment in the Saudi Stock Exchange on the agent's behalf without the need to obtain prior approval from him.</li> <li>5- Any other legal persons who may open an investment account in KSA and an account with the Depository Center, taking into account the investment controls of companies listed in securities, provided that the participation of the Company does not lead to any conflict of interest.</li> <li>6- Gulf investors with legal personality, which include companies and funds established in the GCC countries.</li> <li>7- Eligible Foreign Investors.</li> <li>8- An ultimate beneficiary of legal person in a swap agreement concluded with a licensed person in accordance with the terms and conditions of the swap agreements.</li> </ol>
General Organization for Social Insurance	The General Organization for Social Insurance in the Kingdom of Saudi Arabia.
Gross Domestic Product (GDP)	The GDP of Saudi Arabia, which is the market value of all final goods and services locally recognized.
Prospectus	This document prepared by the Company concerning the Offering of Rights Shares.

Term	Definition
Nitaqat	<p>The Saudization program (Nitaqat) was approved pursuant to Resolution No. (4040) of His Excellency the Minister of Labor dated 28/01/1432 AH (corresponding to 10/09/2011G) based on Cabinet Resolution No. (50) dated 13/05/1415 AH (corresponding to 10/27) /1994 G), and the Ministry of Human Resources and Social Development in the Kingdom launched the program to provide incentives for establishments to employ Saudis. The program evaluates the performance of the facility on the basis of specific ranges (Platinum, Green, and Red) according to the activity and sector under which the Company falls. On 29/03/1441 AH (corresponding to 11/16/2019 G), Ministerial Resolution No. 63717 was issued, which stipulated the abolition of the yellow band in the Nitaqat program.</p> <p>On 11/10/1442H (corresponding to 23/05/2021G), the Ministry of Human Resources and Social Development launched the developed “<b>Nitaqat</b>” program (a Saudi nationalization scheme), which offers three main advantages: The first: a clear vision and transparent Saudization plan for the next three years in order to increase organizational stability in the private sector. The second: the direct relationship between the number of workforce and the required Saudization percentages for each facility is based on a linear equation that is proportionally related to the number the facility’s workforce, instead of the current Saudization percentage system, based on the classification of establishments into specific and fixed sizes. The third: simplifying the design of the program and improving the customer experience by integrating the categories of activities with common characteristics, to be 32 instead of 85 activities in “<b>Nitaqat</b>”. This program will also contribute to providing more than 340,000 jobs until 2024.</p>
Bylaws	<p>The Bylaws of Joint Stock Companies is the legal document that contains the rules and regulations established to organize the Company’s internal management. They should be issued in accordance with the provisions of the Saudi Companies Law and approved by the Shareholder General Assembly; as for Wafrah Company, the Bylaws’ articles and clauses have been approved by all shareholders, and have been last modified according to the EGA’s Resolution dated 12/14/1441H (corresponding to 04/08/2020G). The Corporate Bylaws were also audited and approved by the Ministry of Commerce (Corporate Governance Department) on 12/21/1441H (corresponding to 11/08/2020G), and can be viewed either at the Company’s headquarters or on its website.</p>
Tadawul System	<p>The automated system for trading of securities on the Saudi Stock Exchange</p>
Law of Commercial Register	<p>The Law of Commercial Register issued by Royal Decree No. (M/1) dated 21/02/1416H (19/07/1995G), and its regulations issued pursuant to Ministerial Decree No. (1003) dated 21/09 /1416H (corresponding to 11/02/1996G).</p>
Capital Market Law	<p>The Capital Market Law pursuant to Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G), amended by the Capital Market Authority’s Board Resolution No. (3-45-2018) dated 07/08/1439H (corresponding to 23/04/2018G), amended by the Authority’s Board Resolution No. (1-104-2019) dated 01/02/1441H (corresponding to 30/09/2019G), and pursuant to Royal Decree No. (M/16) dated 19/01/1441H (corresponding to 18/ 09/2019G).</p>
Companies Law	<p>The Companies Law in the Kingdom of Saudi Arabia pursuant to Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) which came into force on 25/07/1437H (corresponding 02/05/2016G), and was then amended by Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G).</p>
The Law of Trademarks	<p>The Law of Trademarks issued by Royal Decree No. (M/21) dated 28/05/1423H (corresponding to 07/08/2002 G).</p>

Term	Definition
The Saudi Food Law and its Executive Regulations	The Food Law and its Executive Regulations in the KSA, issued on 06/01/1436H (corresponding to 30/10/2014G) pursuant to Royal Decree No. (M/1). This Law aims to (1) Ensure food safety and work to improve its quality. (2) Protect the general health of the consumer by reducing the risks associated with food, and spreading sound nutritional awareness. (3) Protect the consumer from harmful, adulterated, misleading or unfit for consumption food. (4) Not impede the movement of food trade.
Labor law	The Saudi Labor Law pursuant to Royal Decree No. (M/51) dated 23/08/1426H (corresponding to 27/09/2005G), the implemented amendments, and the latest amendment to it pursuant to Royal Decree No. (M/5) on 07/01/1442H (corresponding to 26/08/2020G).
H	Hijri calendar
G	Gregorian calendar
Zakat, Tax and Customs Authority	<p>The Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia*.</p> <p>The General Authority for Zakat and Revenue (formerly the Department of Zakat and Revenue Tax), which is one of the government agencies that are organizationally linked to the Minister of Finance, and it is the body entrusted with the work of levying zakat and tax collection.</p> <p>*On 22/09/1442H (corresponding to 04/05/2021G), the Council of Ministers approved the merging of the General Authority of Zakat and Tax (GAZT) and the General Authority of Customs ((GAC) to form the "Zakat, Tax and Customs Authority (ZTCA)".</p>
The Saudi Authority for Industrial Cities and Technology Zones (MODON)	The Saudi Authority for Industrial Cities and Technology Zones (MODON) is interested in developing industrial lands and integrated infrastructure. As of the date of this Prospectus, MODON supervises 36 existing and under development industrial cities in various parts of the KSA, in addition to its supervision over private industrial parks and cities.
The Saudi Organization for Chartered and Professional Accountants (SOCPA)	The Saudi Organization for Chartered and Professional Accountants in the Kingdom of Saudi Arabia. (Formerly the Saudi Organization for Certified Public Accountants).
Capital Market Authority or Authority	The Capital Market Authority in the Kingdom of Saudi Arabia.
Saudi Food & Drug Authority (SFDA)	The Food and Drug Authority in the Kingdom of Saudi Arabia, which was established under the Council of Ministers Resolution No. (1) dated 07/01/1424H and functions as an independent body that reports to the President of Council of Ministers. SFDA is entrusted with all procedural, executive and oversight tasks carried out by the current authorities to ensure the safety of food and medicine for humans and animals and the safety of biological and chemical preparations as well as electronic products that affect human health.
Ministry of Commerce	The Ministry of Commerce in the Kingdom of Saudi Arabia (formerly the Ministry of Commerce and Investment).
Ministry of Interior	The Ministry of Interior in the Kingdom of Saudi Arabia.

Term	Definition
Ministry of Municipal & Rural Affairs & Housing	The Ministry of Municipal and Rural Affairs and Housing* in the Kingdom of Saudi Arabia.  * On 11/06/1442H and 24/01/2021G pursuant to Royal Decree No. A/322 to combine the Housing Ministry and the Ministry of Municipal and Rural Affairs, and modify its name to become The Ministry of Municipal and Rural Affairs and Housing.
Ministry of Industry and Mineral Resources	Ministry of Industry and Mineral Resources* in the Kingdom of Saudi Arabia. (Formerly the Ministry of Energy, Industry and Mineral Resources).
Ministry of Human Resources and Social Development	The Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia (Formerly the Ministry of Labor and Social Development).
Intermediaries	A Capital Market Institutions licensed by the CMA to engage in the activity of dealing in securities as agents.
Business Day	A business day means any day except any Friday, any Saturday, or any day which is a federal legal holiday in KSA or any day on which banking institutions are authorized or required by law or other governmental action to close.
“Wafrah”	One of Wafrah Company’s trademarks for pasta, ready-to-eat foods and vegetable products.
“Saudi Gardens”	One of Wafrah Company’s brand/trademark for pasta products.
“Caprini”	One of Wafrah Company’s brand/trademark for pasta products.
“Aghsan”	One of Wafrah Company’s brand/trademark for vegetable products.



## Risk Factors

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## 2- Risk Factors

Prospective investors should carefully consider all of the information contained in this Prospectus, including the risks described below, prior to making any investment decision with respect to the Rights and the New Shares. However, the risks listed below do not necessarily comprise all risks that the Company may encounter or additional risks that are not currently known by the Company, which may have an adverse effect on the Company's operational performance if they occur. The Board Members declare that they are not aware of any other material risks than those set out below that may have an adverse effect on the Company's business, its financial position, results of operations, cash flows and future expectations as of the date of this Prospectus.

Investing in the offered shares is only suitable for investors who are able to assess the risks and benefits of that investment and who have sufficient resources to bear any loss that may result from that investment. A prospective investor who is doubtful about investing in the New Shares should seek advice from a specialist licensed by the CMA.

The BOD's Members also acknowledge, to the best of their knowledge and belief, that there are no material risks that may affect the investors' decision as of the date of this Prospectus. Moreover, they state that this section contains all substantial information, without any lack or prejudice, according to which investors may take a decision to invest as of the date of this Prospectus.

In the event of the occurrence of one of the risks that the Company's management ("the Management") currently believes to be important, or any other risks that the Management could not identify or which it believes to be immaterial, the Company's activity, its financial headquarters, financial statements, business results, cash flows and future expectations which may have an adverse and material effect. The occurrence of one or some of these risks may lead to the price of the Company's shares decreasing in the market and investors losing part of or all their investments in the New Shares.

It should be noted that the risks set out below are not ordered based on their importance. Additional risks and uncertainties, including those unknown or deemed non-essential at the present time, may have the effects described above.

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

#### 2-1-1 Risks Related to Contamination of Meat Products

Meat products may contain disease-causing microorganisms, and since these microorganisms may be present in the environment, there are concerns that they may be present in Company's processed meat products as a result of the food industry process. In addition, the product may be subject to contamination due to the use of materials such as metals, plastics or other materials used in the Company's factories during the food manufacturing processes. Also, the Company's products may be affected by polluting or used materials after they are shipped to customers, consumers or third parties. Hence, the Company may bear the responsibility for this, whether it is, or its customers, consumers or other parties are negligent. The spread of news about the presence of contaminated products or diseases resulting from contaminated food products will have a negative and material impact on the Company's business and reputation.

The Company is keen to conform to national and international approved standards in order to reduce the quantities of meat that are destroyed, and to comply with the specified quantities in accordance with the standards set by the Food and Drug Authority. It has actually committed to establishing its own meat factory in accordance with the latest standards, especially the sewage system and the adopted environmental system, which are key factors in factories' pollution and high rates of bacterial load. The factory is also designed as an integrated refrigeration unit, including the packing and production area, where you can control the temperature to below ten degrees Celsius. Therefore, the Company is compliant with the Saudi standards regarding the temperatures required in the production and packing halls of meat factories. It also abides by the standards set by the Food and Drug Authority in all the followed manufacturing stages in the meat factory and its other factories.

Although the Company has taken the necessary measures to avoid pollution in its processed meat products and therefore the necessity of destroying them and the other attendant risks, it may have to withdraw its products from the market or close its factories in the future, in the event of contamination or damage of its products. A matter that may result in the emergence of claims (the filing of lawsuits) against the Company and its incurring

high losses represented in the destruction of the product's stock, or a decline in sales, or the loss of customers, either due to the unavailability of the product, or because of negative publicity that may harm its reputation and consumers' confidence in its products. The occurrence of any of the above-mentioned factors will have a material negative impact on the Company's business, financial condition, results of operations and future prospects.

### 2-1-2 Risks Related to Manufacturing Defects

The Company's business revolves around the manufacture and sale of foodstuffs, and these operations are exposed to some risks related to defects that may occur in these materials during their production, packaging or transportation, or defects resulting from errors as a result of misconduct or behavior of employees. Any defect in the products manufactured by the Company or its non-compliance with the specifications may expose it to the risk of withdrawing its products from markets and stores and claiming it to hold full responsibility for those products, and thus negatively affecting its reputation. In addition, the Company will incur costs and compensation to any damages and will face claims regarding its liability for the products withdrawn from the market, which would have a material negative impact on the Company's business prospects, results of operations and financial condition.

### 2-1-3 Risks Related to Machinery and Other Work Equipment

The Company has specialized machines and equipment used in production. Its depreciation rates range from (2.5%) to (5%) annually, and the combined depreciation percentage of the total machinery and equipment is (71.7%), (73.3%) and (74.8%) as of December 31, 2018G, 2019G and 2020G respectively, and (76.3%) as of the nine-month period ended September 30, 2021G.

The equipment and machinery used in the manufacturing process are extremely important to the success of its operations. Therefore, the Company relies on the reliable and consistent operating equipment in order to achieve its financial goals and forecasts. Any unexpected malfunction that occurs to machines or equipment, or any prolonged maintenance thereto, would disrupt the Company's production and weaken its ability to produce sufficient quantities of products on an ongoing basis or secure the quality of its products in a way that meets the demands of its customers or adheres to its contractual requirements. In the event of any failure, this will negatively and fundamentally affect the Company's business, prospects and the results of operations.

### 2-1-4 Risks Related to Poor Inventory Management

The Company relies on its experience in the food industry and knowledge of demand forecasts for food products to manage its inventory of food ingredients and products. Fundamental changes may occur in the demand for the Company's products other than what was expected, as the demand may be affected by the launch of new products in the market, or changes in product cycles, pricing, customer spending patterns, or the entry of new competitors to the market in addition to many other factors. As a result, customers' demands for its products may decrease. Thus, if it is unable to accurately estimate the volume of products its customers are looking for or adequately manage production quantities, more food products may be produced than customers may demand, leading to an increase in inventory levels.

The inventory balance amounted to about seventeen million two hundred and sixty-four thousand five hundred and eighty-two (17,264,582) Saudi riyals and seventeen million, six thousand six hundred and fifty-nine (17,006,659) Saudi riyals, and twenty-one million two hundred forty-eight thousand seven hundred ninety-one (21,248,791) Saudi riyals. This represents (9.94%), (10.36%) and (13.17%) of the Company's total assets as of December 31, 2018G, 2019G and 2020G, respectively. On the other hand, the Company allocated three hundred and seven thousand two hundred and fifty-four (307,254) Saudi riyals, nine hundred and twenty-seven thousand sixty (927,060) Saudi riyals, and two million thirty-two thousand nine hundred sixty-one (2,032,961) Saudi riyals as provisions for inventory as of December 31, 2018G, 2019G and 2020G, respectively. It should be noted that the Company succeeded in not recording of inventory waste for the financial years ended December 31, 2018G, 2019G and 2020G. The inventory balance for the period ended September 30, 2021G amounted to twenty million three hundred and sixty-three thousand five hundred seventy-six (16,283,378) Saudi riyals, representing (10.37%) of the Company's total assets. The balance of the inventory provision as of September 30, 2021G amounted to three million and eighty-seven thousand one hundred and fifty-four (29,164,054) Saudi riyals. It is worth noting that the provision for slow moving inventories amounted to (4.8%), (9.5%) and (12.4%) as on December 31, 2018, 2019 and 2020, respectively.

Note that the company enters purchase orders twice a week with an expected lead time of 3 to 5 days from local suppliers and 10 to 14 days from external suppliers. The raw materials are converted into finished goods within one day.

It should be noted that the Company does not have a strict policy regarding the minimum levels of raw materials and finished goods that make up the Company's inventory, the company's general policy is to strive to maintain an optimal level of inventory to control inventory acquisition costs and increase working capital efficiency, while ensuring timely delivery of manufactured products and maintaining the quality of products available to customers. Since production depends largely on the availability and price of raw materials in the company's inventory, if the company is not able to maintain optimal stock levels and monitor stock periodically, this will lead to a severe drop or surplus in stock levels, which may cause the company to lose inventory, in the case of customers being able to meet the first losses which may affect the company's business operations in a negative and material way, its financial position, and the results of its operations.

#### **2-1-5 Risks Related to Malfunctions in the Company's Factories**

For the continuation of its operations, the Company depends on the functioning and effectiveness of its production lines and work systems. Considering that industrial facilities, in all cases, are subject to significant operational risks as a result of several factors, including the Company's failure to carry out periodic maintenance, obsolescence of spare parts, fires and natural disasters, interruption of production lines, computer and electrical equipment, or power supplies. These risks may cause tremendous damage to the facilities of the industrial establishments or their workforce, or lead to disruption to the production process and the Company's ability to deliver its products. Consequently, the Company will incur losses which will have a negative impact on its future operations and business. It is worth noting that the Company has never experienced sudden malfunctions that led to the interruption of its business.

#### **2-1-6 Risks Related to the distribution and transportation of the Company's Products**

Vegetable and pasta products constitute the company's main sales, the distribution process of which and the rest of the company's products are focused on a number of distribution channels, most notably supermarkets and wholesalers. The company's total sales to these channels constitute about (60.3%), (59.7%) and (65.5) % of the company's total sales for the years 2019G and 2020G and the period ending on September 30, 2021G, respectively. The occurrence of any factor such as the entry of new competitors and changing consumer tastes, or the decrease in the company's sales through supermarkets or wholesalers, may negatively affect the company's sales and thus its revenues and its financial position.

The Company provides transportation services for its products to its customers to all cities of the KSA, and it relies on providing transportation services on a fleet of (22) vehicles of different sizes. It has also contracted with a number of specialized companies for dry and frozen transportation of its products. While not directly charging customers with transportation costs, the Company has been keen to provide insurance coverage for all types of products during transportation.

Any disruption in the availability of these transport services, due to the transport fleet owned by the Company or other contracted companies, or the changing laws and regulations of transport or requirements for the regular transportation of products, or high costs associated with transportation such as gasoline costs, maintenance, spare parts and labor, all these factors will temporarily affect the Company's ability to provide customers with products, which will negatively and fundamentally affect its business, results of operations, financial position and future expectations.

#### **2-1-7 Risks Related to the Availability and High Prices of Raw Materials**

The company has four factories, each with major production lines. The production process of these factories is mainly affected by the availability of raw materials and their prices, in addition to the supply chain, the purchase of raw materials and the inventory that the company maintains.

For the continuation of its operations, the Company relies on supplies of raw materials used in the production process from local and external suppliers, such as potatoes, flour, semolina, meat, poultry meat and corn starch, which represented (59.7%), (61.9%) and (63.5%) of the Company's total revenue for the fiscal years ended December 31, 2018G, 2019G and 2020G, respectively. The proportion of supplies reached (96%) from local suppliers and (4%) from external suppliers of the total cost of the company's revenues as in the nine-month period ending on September 30, 2021G. The percentage of raw materials usage, which included all the company's factories, ranged between (35.2%) to (53%) from the year 2018G until September 30, 2021 G.

The prices of raw materials are subject to fluctuations, and the costs of these materials increase significantly when production is limited, and may be in addition subject to fluctuations in the future for any reason, including, for example, a change in the laws of the countries from which the Company imports raw materials, or any change in the laws and regulations of the KSA regarding local materials, such as the increase in fees and costs associated

with the process of importing and transporting raw materials, or the rise in the prices of raw materials globally, as a result of factors related to demand or supply, or any other influences. In addition, the Company always works to maintain a certain level of inventory to avoid problems in market supplies, in order not to be significantly affected in the event of an increase in the prices of raw materials. If there is a significant increase in the cost of these raw materials, this will negatively and fundamentally affect the Company's business, financial position, results of operations and future prospects.

## 2-1-8 Risks Related to Accumulated Losses

On 01/02/1441H (corresponding to 30/09/2019G), the Company's accumulated losses amounted to ninety-eight million eight hundred and seventy-six thousand nine hundred and five (98,876,905) Saudi riyals, representing (49.44%) of the capital. As a result, the BOD recommended on 22/04/1441H (corresponding to 19/12/2019G) to reduce the Company's capital from two hundred million (200,000,000) Saudi riyals to one hundred and one million, one hundred and twenty-three thousand and one hundred (101,123,100) Saudi riyals, with a reduction rate of (49.438%) of the capital. In view of the Company's losses, which amounted to one hundred twenty two million eight hundred twenty-nine thousand six hundred and fifty-nine (122,829,659) Saudi riyals as of December 31, 2021G, representing (61%) of its capital, the BOD decided on 20/07/1441H (corresponding to 15/03/2020G) to amend its previous recommendation issued on 22/04/1441H (corresponding to 19/12/2019G) and to recommend to the EGA the reduction of the Company's capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million one hundred seventy thousand three hundred fifty (77,170,350) Saudi riyals.

It should be noted that on 23/01/1438H (corresponding to 24/10/2016G), the CMA has issued an amendment to the "Procedures and Instructions Related to Listed Companies with Accumulated Losses amounting to (50%) or more of its Share Capital", which has been implemented since 4/9/1435H corresponding to 1/7/2014G, to be named after the amendment as the "**Procedures and Instructions Related to Listed Companies with Accumulated Losses amounting to (20%) or more of its Share Capital**".

Accordingly, the Company is subject to these procedures and instructions, especially Articles (5) and (6) thereof. Article (5) of these procedures and instructions states that in the event that the Company's accumulated losses amount to (50%) or more of its share capital, it must immediately disclose to the public without delay an independent announcement when its cumulative losses reach (50%) or more of its share capital. The CMA adds a mark next to the Company's name on the Market's website, symbolizing that the accumulated losses have reached (50%) or more of its share capital as soon as the Company's announcement is issued.

After this announcement, stating that accumulated losses reached (50%) or more of the capital, the Company should announce (1) the last date on which the BOD can invite the EGA to meet, and the last day of the EGA to address the accumulated losses, (2) the BOD's recommendation to the EGA regarding its accumulated losses as soon as it is issued - in accordance with the requirements of Article (150) of the Companies Law - either by increasing or decreasing the Company's capital, or dissolving the Company before the deadline specified in its Bylaws and (3) the last date of the completion of the subscription process in the capital increase to address accumulated losses (where applicable). On the other hand, in the event that accumulated losses are reduced by (50%) of the capital, the Company must immediately disclose this to the public and without delay by an independent announcement, provided that it includes the measures taken by the Company to improve its position. After that, the market will delete the aforementioned mark, as soon as the Company announces the improvement of its position.

Since the Company's accumulated losses amounted to (50%) or more of its share capital, it is subject to the requirements of Article (150) of the Companies Law, which obliges any company official or the auditor to inform the Chairman of the BOD immediately upon his knowledge that the Company's accumulated losses reached (50%) of its paid capital. The Chairman of the Board must inform the Board members immediately. Within (15) days of the Board's knowledge of such losses, the Board must call for convening of the EGA within 45 days from the date of their knowledge of the losses. The EGA must decide to either increase or decrease the company's capital – in accordance with the Companies Law and other related laws and regulations- to the degree where the percentage of losses would decrease below (50%) of the paid capital, or to dissolve the Company before the prescribed date in its Bylaws. In addition, according to the Companies Law, the Company will be deemed dissolved by force of law in any of the following cases: If the EGA does not convene during the specified period above. If a meeting was held but failed to issue a resolution on the matter. If it decided to increase the capital in accordance with the above but not all capital increase was subscribed for within (90) days from the issuance of the EGA's decision to increase. If the Company is dissolved under Article (150) of the Companies Law or by a decision of the EGA, this will have a negative and material impact on its financial results and future prospects. It should be noted that in accordance with Article (5) of the procedures and instructions for companies listed in the market whose accumulated losses amounted to (20%) or more of their paid capital, the Company's shares shall be canceled when the Company expires by force of law or if the EGA decides to dissolve the Company before the specified deadline. It should be noted that on 03/16/1442H (corresponding to 11/2/2020G), Royal Decree No. (15016)

was issued regarding the suspension of some provisions of the Companies Law Articles, and the decision of His Excellency the Minister of Commerce No. (348) dated 10/04/1442H (corresponding to 25/11/2020G) based on the honorable Royal Order to suspend the work of Article (150) of the Companies Law for a period of two years from 01/08/1441H (corresponding to 25/03/2020G).

The Company complied with the procedures and instructions of the companies listed in the market, whose accumulated losses amounted to (20%) or more of their capital, in addition to Article (150) of the Companies Law. However, if the Company will incur additional losses in the future, this will affect the availability of the necessary liquidity or solvency to conduct its business and achieve its expansion plans, and will negatively affect the results of its operations and financial position. It should be noted that, as in the consolidated financial statements for the period ended September 30, 2021G, the accumulated losses of the Company amounted to seventeen million seven hundred five thousand five hundred seventy-one (17,705,571) Saudi riyals.

### **2-1-9 Risks Related to Leased Sites**

The Company has lease contracts with the Saudi Authority for Industrial Cities and Technology Zones and other lessors (for more details, please see sub-paragraph (9.5.2) "Leasing Contracts" of Paragraph (9.5) "Summary of Material Contracts" from Section (9) "Legal Information" from this Prospectus). The inability of the Company to maintain the continuity of the lease contracts related to these sites and to renew them on the same current or preferential terms, or its inability to use the leased property for the purpose assigned to it for any reason, will force it to vacate the leased property and find other more suitable places to carry out its activity, without guaranteeing favorable lease terms as those currently in existence. In the event of the occurrence of any of the aforementioned risks associated with lease contracts for the leased sites, the Company's expected business results and its operational and financial statements might be negatively affected.

The Council of Ministers issued Resolution No. (292) dated 16/05/1438H (corresponding to 13/02/2017G), which stipulated not considering the lease contract that is not registered in the electronic network a valid contract that produces its administrative and judicial effects, and since the electronic network for leasing services was launched in cooperation between the Ministries of Justice and Housing on 17/05/1439H, and a circular was issued by the Ministry of Justice approving the application of this service to all contracts concluded after 04/05/1440H (corresponding to 10/01/2019G). As of the date of this Prospectus, the Company has nine (9) lease contracts concluded with the Saudi Authority for Industrial Cities and Technology Zones, and all of which are documented on the Emodon system. The Company has concluded (4) lease contracts with private parties, one (1) contract is electronically documented on Ejar platform, while the rest of the contracts (3) are not documented, and therefore in the event of any dispute arising between the company and any of the lessors in relation to lease contracts that are not registered electronically, it may not be considered by the Saudi courts and therefore the company, as a plaintiff, may not be able to protect its rights in the event of a breach by any of the lessors of their contractual obligations and this will negatively and materially affect the company's business and future aspirations.

### **2-1-10 Risks Related to the Outbreak of Infectious Diseases or Other Threats to Public Health, Including the Continuing Global Spread of the Coronavirus Pandemic (COVID-19)**

In view of the negative effects on the Kingdom's economy and the global economy as a whole resulting from the consequences of the outbreak of the emerging Coronavirus pandemic (Covid-19), which began to spread since late December 2019G, beginning in China and then all over the world, and the accompanying decisions issued by the competent authorities in the KSA regarding precautionary and preventive measures to address and limit the spread of the pandemic, which requires, but is not limited to: imposing a partial or complete curfew in some cities and governorates of the Kingdom, closing all shopping centers and retail showrooms, reducing the number of working hours for some sectors or obligating some of them to work remotely, suspending all domestic flights, buses, taxis and trains, and entry from outside the Kingdom for the purposes of Umrah or to visit the Prophet's Mosque, imposing temporary restrictions on all pilgrims and Umrah performers residing in the Kingdom to prevent them from visiting the cities of Mecca and Madinah, and closing malls and all activities inside them, except for food stores and pharmacies. In addition to the health measures taken by the government to contain the outbreak of this pandemic, the government has taken economic measures to contain the consequences of the pandemic through financial support for citizens and those affected by the pandemic, family and sick leave paid by the state, expansion of unemployment compensation, delaying tax payments, and other measures to support companies.

As for the Company's operations, they were not fundamentally affected, in which the company's sales at hypermarkets witnessed an increase in demand during the pandemic, as a result of the state of "panic buying" among consumers, in contrast to a decrease in the demand for the company's products by restaurants and wholesalers whose sales decreased at a compound annual growth rate of (-21.3%) and (-18.7%), respectively. The company's revenue has reached eighty-two million eight hundred sixteen thousand nine hundred sixty-six

(82,816,966) Saudi riyals as of December 31, 2019G, compared to eighty-three million seven hundred seventy-seven thousand eight hundred fifty-three (83,777,853) Saudi riyals as of December 31, 2020G. Moreover, the Company's revenues amounted to seventy-one million nine hundred fifteen thousand thirty-six (71,915,036) Saudi riyals as of September 30, 2020G, compared to forty million one hundred fifty-nine thousand two hundred forty-one (40,159,241) Saudi riyals as of September 30, 2021G.

The spread of the (Covid-19) variants, notably the Omicron variant (B.1.1.529) and Delta in addition to other variants that may appear in the future, and the possible outbreak of an infectious disease – such as: the Middle East Respiratory Syndrome (MERS), the Severe Acute Respiratory Syndrome (SARS) - in the Middle East or any other region, the re-imposition of complete or partial closures in some cities of the Kingdom may be required which will negatively affect the Kingdom's economy in general. It is difficult to predict the impact of the Coronavirus pandemic on the Company's activity if the full or partial curfew is re-imposed in the cities of the Kingdom, which will have a negative and fundamental impact on the Company's business, financial position, results of operations and future prospects.

## 2-1-11 Risks Related to Non-issuance or Non-renewal of Licenses and Certificates

The Company is required to obtain and maintain various permits, licenses and regulatory approvals in relation to its activities. These licenses include: company registration certificate issued by the Ministry of Commerce, Chamber of Commerce membership certificate, Saudization certificate, Zakat and income certificate, value-added tax and social insurance registration certificate, municipality license and civil defense permit. In addition to the certificates related to specialized activities carried out by the Company, such as licenses issued by the Ministry of Industry and Mineral Resources and operating licenses issued by the Saudi Authority for Industrial Cities and Technology Zones, it must also obtain approvals from the Food and Drug Authority, and permits from the National Center for Environmental Compliance Control (for more information about the licenses and certificates obtained by the Company, please refer to sub-paragraph (9-2) "**Licenses and Permits Obtained by the Company**" and sub-paragraphs (9-4-7), (9-4-8), (9-4-9) and (9-4-10) from Paragraph (9.4) "**Continuing Obligations Imposed by Governmental Entities on the Company as the License Holder**" of Section No. (9) "**Legal Information**").

The Company, as (the license holder), must comply with the terms and conditions of each license and certificate obtained. In the event that the Company is unable to do so, it may not be able to renew these licenses and certificates or obtain other new licenses that it may require from time to time for the purposes of expanding its activities, which may result in the suspension or faltering of the Company's business or the imposition of financial penalties and fines from governmental agencies. Hence, the Company's business, financial position, results of operations and future prospects will be negatively and materially affected.

The Company is required to obtain municipal and civil defense licenses to carry out its activities. Except for the Company's branches located in sites leased from the Saudi Authority for Industrial Cities and Technology Zones, where it is not obligated to obtain municipal licenses, in addition to the Company's branch in Dammam, for which the Company obtained a valid municipal license, the Company did not obtain municipal licenses for its branches in the cities of Jeddah and Khamis Mushait and Al-Kharj. As a result, the Company is in violation of the municipal regulations, which will expose it to the penalties stipulated in the regulation of fines and penalties for municipal violations issued on 05/02/1442H (corresponding to 22/09/2020G), and may reach the point of the closure of the site (branch) which may negatively affect its operations, results of operations and financial position.

The Company is not compliant with the safety requirement and has not issued a certificate for its branches in the cities Jeddah and Khamis Mushait, and didn't renew the safety certificate for the Dammam branch, which is considered a violation that may expose it to the sanctions and fines stipulated in Article (30) of the Civil Defense Law, which states the following: "**Any person violating the provisions of this law shall be punished by imprisonment for a period not to exceed six (6) months, or by a fine not to exceed thirty thousand SAR (30,000), or both.**" The Company may even face the closure of the leased site, which will negatively and materially affect the Company's business, financial condition, results of operations, and future prospects.

Furthermore, the Company is not in compliance with the Commercial Register Law, as it did not issue a certificate of participation in the Chamber of Commerce and Industry for its branches in cities Jeddah, and Khamis Mushait and Al-Kharj, which exposes it to the penalties provided for in Article (15) from the Commercial Register Law that does not exceed the value of SR (50,000) for each violation. Consequently, the Company's financial position and results of operations may be negatively and materially affected.

Accordingly, the inability of the Company to renew its current licenses, permits and certificates, or to obtain any of the licenses necessary to conduct its business, or if any of its licenses are suspended or expired, or if any of those licenses are renewed on conditions that are not suitable for it, or if the Company is unable to obtain additional licenses, permits and certificates that may be requested in the future, it will be exposed to suspension and

prohibition from carrying out its business, which will result in disrupting its operations and incurring additional costs. As a consequence, the Company's business, financial position, results of operations and future prospects will be negatively and fundamentally impacted.

### **2-1-12 Risks Related to Non-compliance with Quality Standards and Specifications Required by Customers**

The Company seeks to maintain the satisfaction of its customers by continuing to maintain the level of quality of its offered products, but in the event that it is unable to continue providing its products at the same quality level, or if it is unable to provide its products, its reputation will be hugely affected among its customers. Consequently, they will become reluctant to make business or deal with it, which will negatively and fundamentally affect the Company's sales, hence the results of its operations, financial position and future expectations.

It is worth noting that the sales returns amounted to SR (265,000), SR (1.1 million) and SR (900,000) as of December 31, 2018G, December 31, 2019G and December 31, 2020G, respectively. While sales returns amounted to SR (1,410,478). Most of these returns were related to potato products because the potato factory utilized different raw materials than the factory used to utilize. This shift in the production pattern led to a change in the customers' taste and the return of these quantities to the Company.

### **2-1-13 Risks Related to Contracts Concluded with Third Parties**

The Company has entered into many framework contracts and agreements for the supply and marketing of its products, (for more details about the material contracts entered into by the Company, please see paragraph (9.5) "Summary of Material Contracts" of Section (9) "Legal information"). There is no guarantee that the Company will not breach the contractual terms under these contracts and agreements or renew those contracts. If renewed, there is no guarantee that they will be renewed on similar terms to the current conditions. The Company's breach of the contractual terms of its contracts with third parties, or its inability to renew any of those contracts or renew them on terms that are not suitable for the Company, will have a negative and material impact on its business, results of operations, financial position and future prospects.

### **2-1-14 Risks Related to the Lack of Signed Supply Contracts with Some Major Suppliers**

The Company deals with major suppliers for the supply of raw materials (and for more details about supply contracts, please see sub-paragraph No. (9-5-3) "Supply Contracts" from Paragraph No. (9-5) "Summary of Material Contracts" from Section No. (9) "Legal Information" the Company's dealings are based on contracts, supply agreements, or on purchase orders and invoices and on a contractual relationship based on concluded contracts or agreements. Accordingly, it may be difficult for the Company to ensure the continuity of supply and that the work is not affected in the absence of contracts or agreements with these major suppliers, so it may not be able to meet the requirements of its customers in terms of the continued supply of products and brands that they are accustomed to. In the event that any of these major suppliers terminate their dealings with the Company in the future, the Company's business and relationship with its customers will be negatively affected, which will negatively and materially affect its business, results of operations, financial position and future prospects.

### **2-1-15 Risks Related to Obtaining the Certificate of Products Slaughtered in the Islamic Way (Halal) by the Company and Suppliers**

According to the regulations in force in the KSA, it is only allowed to sell Halal meat products approved in the Kingdom. Since some food products require the Company to comply with the applicable laws and regulations related to the certification of products slaughtered in the Islamic method (Halal). If the Company does not conform to these laws and regulations, it will be unable to preserve this certificate and consequently to sell its products in or outside the Kingdom's markets, which will have a negative and material impact on its business, financial condition, and results of operations or future prospects.

Moreover, if the Saudi competent authorities change the criteria for obtaining the certificate of products slaughtered according to the Islamic way (Halal), the concerned Company's suppliers may not obtain the necessary certificates when they do not comply with these standards. The failure of these suppliers to comply with the applicable regulations and standards related to the certification of products slaughtered according to the Islamic method (Halal) will lead to the Company's inability to import their products and hence to sell them in the Kingdom's markets, which will have a negative impact on the Company's business, financial position, results of operations and future expectations.

### **2-1-16 Risks Related to Operating Systems and Information Technology**

The Company's equipment operates according to the information technology systems. The Company also relies in effectively managing its business on the efficiency and capacity of these systems, which enable it to

use the Oracle Enterprise Resource Planning (ERP) software system used by all its departments. Oracle ERP is a cloud-based software solution used to automate back-office processes and day-to-day business activities. It is a business management software suite that includes financial management, supply chain management, project management, accounting, and procurement. Any potential failure to manage this system will have a negative and material impact on the Company's business, financial condition, results of operations and future prospects.

The Company's IT systems may be damaged by computer viruses, natural disasters, hacker or pirates' attacks (cyber-attacks), hardware or software failures, power fluctuations, cyber terrorism and other similar disturbances. In addition, a breach of the Company's cyber security measures could also result in the loss, destruction or theft of confidential or proprietary data, which could expose the Company to liability or incur financial losses to its customers, suppliers or dealers. Similar risks exist with regard to external parties who may possess confidential data of the Company which if exposed to any of the above-mentioned risks, will be subject to a material negative impact on its business, financial position, results of operations and future prospects.

## 2-1-17 Risks Related to Dealings with Related Parties

Within the scope of transactions with related parties, transactions with sister companies, BOD members, managing director and senior management staff, provided that these transactions take place within the framework of the normal work context, and without the Company offering any preferential terms than the transactions available to the public in the market. As of the date of this Prospectus, it turned out that the Company had transactions with related parties as follows:

- "Rakhaa Agricultural" and Development Investment Company (a sister company): The volume of transactions as of September 30, 2021G amounted to seven hundred twenty-five thousand five hundred seventy-six (725,576) Saudi riyals.
- "Alam Al Taam" Company (a party related to a member of the BOD): The volume of transactions as of September 30, 2021G, amounted to six hundred forty-two thousand three hundred fourteen (642,314) Saudi riyals as purchases, three hundred seventy-five thousand three hundred seventy-three (375,373) Saudi riyals as sales.
- "Al Louhoum Al Moutamayiza" / Premium Meat Company (a party related to a Board member): The volume of transactions as of September 30, 2021G amounted to three thousand seven hundred ninety-five (3,795) Saudi riyals.

(For more details about transactions with related parties, please see Paragraph No. (9-5-1) "Contracts and Transactions of Related Parties" of Section (9) "Legal Information").

The Company shall adopt, regarding transactions with related parties, a policy based on obtaining approval or authorization of all related party transactions by the BOD and the GA, in compliance with all laws and regulations regulating related party transactions, including guidelines, rules and regulations issued by The CMA and Financial Accounting Standards issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Until the date of this Prospectus, the Company has not obtained the approval of the GA of shareholders on these transactions because their nature does not involve a direct or indirect interest for any of the Board members, and it is a financing due from related parties in favor of the Company. As for transactions in which the former Board member Muhammad al-Baghdadi had an interest, which is the World Food Company and the Premium Meat Company, (as of the date of this Prospectus, he resigned from his position), it was - when it was concluded and during Mr. Muhammad Al-Baghdadi's tenure as a member of the board of directors - not submitted to the OGA for approval. While Article (71) of the Companies Law stipulates that a Board member may not have any direct or indirect interest in the business and contracts carried out on behalf of the Company, except with prior authorization from the OGA that is renewed every year.

All commercial transactions with related parties shall be subject to the approval of the GA of shareholders. In the event that they do not agree to these transactions, the Company will have to search for other unrelated parties to deal with. Moreover, if contracts and transactions with related parties are not documented under future framework agreements, or they are not concluded on commercial grounds, or they do not obtain the approval of the GA, or if the Company's is unable to collect these amounts, its business, financial position, results of operations and future prospects will be negatively and fundamentally affected.

## 2-1-18 Risks Related to the Existing and Potential Legal Zakat Entitlements

The Company is compliant with the submission of its Zakat declaration for the period ended 31/12/2020G, and obtained the final Zakat certificate from the Zakat, Tax and Customs Authority with the number (1110848131), dated 09/11/1442H (corresponding to 19/06/2021G) and valid until 29/ 09/1443H (corresponding to 30/04/2022G).

During 2018G, the Zakat, Tax and Customs Authority issued preliminary assessments for the years from 2008G to 2011G, and accordingly the Company objected to them and received the revised Zakat assessment, which resulted in Zakat differences of four million and twenty-one thousand four hundred and twenty-five (4,021,425) Saudi riyals. The Company has paid the full amount of the Zakat differences and recorded it within the estimated Zakat provision for the year 2018G.

During the year 2020G, the Zakat, Tax and Customs Authority issued preliminary assessments for the years from 2014G to 2018G, and based on these assessments, the Company objected to them, and the revised Zakat assessment was received, which resulted in Zakat differences of three million five hundred eighty-two thousand thirty-nine (3,582,039) Saudi riyals. The company has then objected to the modified Zakat assessment. After that, an amended Zakat assessment of two million seven hundred twenty-eight thousand nine hundred forty-six (2,728,946) Saudi riyals was received, and the Company objected to it and is awaiting a response from the Zakat, Tax and Customs Authority. It should be noted that these differences have been recorded in the estimated Zakat provision for the year 2020G.

The Zakat provision amounted to three million nine hundred seventy-one thousand four hundred and eight (3,971,408) Saudi riyals and one million two hundred eighty-eight thousand seven hundred sixty-two (1,288,762) Saudi riyals and three million five hundred twenty-two thousand eight hundred ninety-seven (3,522,897) Saudi riyals as in the fiscal years ending on 31 December 2018G, 2019G and 2020G.

Accordingly, the Company can't predict what will occur after the objection to the Zakat assessments for the years 2014G to 2018G, or whether the Zakat, Tax and Customs Authority will accept its Zakat estimates or require it to pay any Zakat differences in the future. If the Zakat, Tax and Customs Authority asks the Company to pay such differences, this will negatively and materially affect its profits, results of operations, financial position and future expectations (for details of Legal Zakat entitlements, please see paragraph No. (9-4-2) "**Continuing Obligations According to the Requirements of the Zakat, Tax and Customs Authority**" from Section (9) "**Legal Information**").

## 2-1-19 Risks Related to the Qualified Auditor's Opinion

The financial statements for the financial year ended December 31, 2020G, included a qualified opinion of the independent auditor based on his insufficient conviction about the validity of the bases and assumptions used in evaluating property and equipment as of December 31, 2020G. Moreover, the independent auditor was not able, through alternative procedures, to reach a conviction that the value of property, plant and equipment was not impaired for the same period. Hence, he was not able to determine whether it was necessary to make any adjustments related to the balance of property, plant and equipment in the statement of financial position, and the items that make up the comprehensive consolidated income statements and the changes in the shareholders' equity and cash flows. Accordingly, the auditor has built his qualified opinion.

It should be noted that the consolidated financial statements for the nine-month period ended September 30, 2021G did not include the auditor's qualified opinion. However, any opinion that may be included in the interim or annual financial statements in the future may negatively affect the Company's operations and financial position.

## 2-1-20 Risks Related to the Auditor's Material Uncertainty About the Company's Continuity

The consolidated financial statements for the fiscal year ended December 31, 2020G and the consolidated financial statements for the period ending September 30, 2021G included a great doubt on the part of the auditor regarding the Company's ability to continue conducting business, due to a loss of approximately twelve million three hundred seventy-nine thousand eighty-eight (12,379,088) Saudi riyals and twenty-five million three hundred sixty-nine thousand seven hundred thirty three (25,369,733) Saudi riyals for the two fiscal years ended December 31, 2019G and 2020G, respectively, and a loss of four million five hundred eighteen thousand three hundred and three (4,518,303) Saudi riyals as on September 30, 2021G. Besides, the Company's current liabilities as of December 31, 2020G exceeded its current assets by fifteen million eight hundred thirty-six thousand seven hundred thirty (15,836,730) Saudi riyals, and eight million five hundred sixty-three thousand two hundred eighty-eight (8,563,288) Saudi riyals as on September 30, 2021G. The company's accumulated losses amounted to seventeen million seven hundred five thousand five hundred seventeen (17,705,517) Saudi riyals.

Although the Company's current liabilities exceeded its current assets by an amount of eight million five hundred and sixty-three thousand two hundred and eighty-eight (8,563,288) Saudi riyals as of September 30, 2021G, the doubt related to the continuity of the Company still exists. In the event that the Company does not succeed in increasing its revenues and current assets, it will face risks related to its financial performance and continuity, which will negatively and fundamentally affect its ability to remain as a going concern in the future.

### 2-1-21 Risks Related to Potential Obligations

Some potential obligations may arise, such as costs related to Zakat and taxes, and other obligations or costs related to the Company's activity, such as issuing government licenses necessary to practice the activity, and if this is achieved, these obligations will negatively affect the Company's financial position, results of operations and future expectations. (for more information on Wafrah Company's continuing obligations, please see subparagraph (9-4) "**Continuing Obligations Imposed by Governmental Entities on the Company as a License Holder**" from Section (9) "**Legal Information**" of this Prospectus).

### 2-1-22 Risks Related to Funding Sources

On 18/06/1433H (corresponding to 09/05/2012G), the Company obtained a loan No. (1247) from the Saudi Industrial Development Fund, for the purpose of financing the expansion project of a factory for the production of frozen vegetables and potatoes. The total value of the loan, upon its conclusion, was fifty-seven million, three hundred and forty-five (57,345,000) Saudi riyals. Since the Company has paid an amount of the total loan amounting to twenty-nine million three hundred and forty-five thousand (29,345,000) Saudi riyals as of 03/03/1441H (corresponding to 31/10/2019G), the payment of the existing amount of twenty-eight million (28,000,000) has been rescheduled according to six (6) semi-annual installments. Provided that the value of one installment ranges from three million (3,000,000) Saudi riyals to five million five hundred thousand (5,500,000) Saudi riyals, and the first installment is due after rescheduling on 15/04/1442H (corresponding to 30/11/2020G) and the last installment on 15/10/1444H (corresponding to 05/05/2023G). The installments were rescheduled again and the entitlement of the first installment was postponed to be paid during the year 2021G, with the full amount outstanding to be paid during the year 2023G. (for more information, please see Paragraph No. (9-5-6) "**Loans and Facilities**" from Section No. (9) "**Legal Information**").

Loan No. (1247) includes conditions and pledges borne by the Company, and it is required to provide guarantees under it. The following are the highlights of this loan:

a) Risks of non-compliance with the terms and commitments of the loan:

The conditions of the existing loan limit the Company's ability to carry out certain types of procedures. The Company is required to make financial commitments in terms of the working capital ratio not being less than one (1) to one (1) throughout the term of the loan, and the ratio of liabilities to net tangible assets not exceeding three (3) to one (1) for the entire term of the loan. In addition, the Company pledged under this loan to abide by the conditions set by the Fund, such as maintenance, operation, compliance with laws and regulations, insurance, and others.

b) The guarantees provided by the Company under the loan:

- A mortgage deed that includes: (1) the entire Company's plant for freezing vegetables, buildings and facilities existing or to be built on the plot of land with an area of (27,661 square meters) in the second industrial city in Riyadh, with the factory's machinery, equipment, accessories, and (2) the entire Company's meat production factory located on the land area of (15,631 square meters) in the second industrial city in Riyadh.
- Irrevocable and unconditional guarantee of thirty-four million (34,000,000) Saudi riyals issued in the name of the Company.

If the Company is unable to meet its payment obligations under loan no. (1247), or breaches in the future any of the obligations or covenants related to the debts arising from it, the Saudi Industrial Development Fund may request immediate payment of the debt and the collection of the guarantees provided by the Company. In this case, there is no guarantee that the Company will be able to obtain sufficient alternative sources of financing to meet the repayment of those debts. Any of these factors will have a material negative impact on the Company's business and financial condition.

### 2-1-23 Risks Related to the Availability of Financing in the Future

The Company may need to obtain loans and bank facilities to finance its expansion plans in the future. It is worth noting that obtaining financing depends on the Company's capital, its cash flow and its financial position and the guarantees offered and its credit record. The Company does not give any assurance or guarantee on access to appropriate funding if needed, so if it is not capable to obtain the needed funding from the funding entities, or financing according to acceptable preferential terms commensurate with it, its performance, and future plans will be significantly and negatively affected.

## 2-1-24 Risks Related to low Levels of Liquidity and Working Capital

Liquidity risks are represented in the inability of the Company to meet its obligations related to financial liabilities as they become due. The Company's liabilities consist of loans and payables represented in trade receivables, lease contract obligations to lessors, and accrued expenses. The Company may not be able to meet its current or future obligations on their due dates, especially the short-term ones, as its quick liquidity ratio reached (59.6%), (62.6%) and (44.5%) for the years ended December 31, 2018G, 2019G and 2020G, respectively, and (65.62%) for the period ended September 30, 2021G.

The accumulation of trade receivables, due to the delay in settling the receivables against the backdrop of restrictions imposed by the company's liquidity, led to a significant decrease in the working capital levels from about seventeen million three hundred thousand (17,300,000) Saudi riyals as on December 31, 2018G to five hundred eleven thousand (511,000) Saudi riyals as on September 30, 2021 G. The average payable days increased from 133 days as in the year 2018G to 244 days as on September 30, 2021G, and the percentage of payables over 120 days (78.5%) as on September 30, 2021G.

In the event that the Company is unable to effectively manage the payable accounts and settle them on time, the debts' owners may resort, including but not limited to, to terminate business with the Company which may thus face difficulties in providing the necessary revenues to conduct its business. In addition, the Company may be subject to legal procedures and lawsuits that may result in financial losses and damage to its reputation. Accordingly, these risks will negatively and fundamentally affect the Company's business, financial position, results of operations and future prospects.

## 2-1-25 Risks Related to Credit and Collection

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. The Company may face credit risks in several temporary or permanent cases, including the existence of debit balances from customers, and the failure of other creditors to fulfill their obligations to the Company. It should be noted that the Company's net receivables amounted to eighteen million five hundred sixty-seven thousand eight hundred forty-nine (18,567,849) Saudi riyals, eighteen million four hundred fifty-nine thousand eight hundred forty-eight (18,459,848) Saudi riyals, and twenty million six hundred thirty thousand seven hundred ninety-five (20,630,795) Saudi riyals as of December 31, 2018G, 2019G and 2020G, respectively, the company's net receivables amounted to twenty-one million eight hundred eighty-two thousand two hundred sixty-five (21,882,265) Saudi riyals as on September 30, 2021G. The average revenue collection days increased from 97 days as on December 31, 2019G and December 31, 2020 to 135 days as on September 30, 2021G.

And as on September 30, 2021 G, receivables with an age of more than (365) days amounted to about ten million six hundred thousand (10,600,000) Saudi riyals, and those that are more than (121) days and less than (265) days amounted to about nine million nine hundred thousand (9,900,000) Saudi riyals.

Accordingly, the Company cannot guarantee that the parties it deals with will not fail to fulfill their obligations, and it also cannot accurately predict the future ability of those parties to comply. In the event of non-fulfilment of obligations by these parties, the company may resort to filing lawsuits against these parties to collect the dues, and this will negatively affect the Company, its financial position and the results of operations. In addition, the non-compliance of these parties may be a result of the Company's inability to collect its dues from third parties, which will negatively affect its business and financial position.

## 2-1-26 Risks Related to the Application of Developed International Financial Reporting Standards (IFRS) or New International Financial Reporting Standards (IFRS) in the Future

The change in the applicable and well known (IFRS) into amended or new ones may lead to the inability to compare the Company's previous financial statements easily. In particular, the Company's financial statements for the financial years and periods beginning after December 31, 2020G, which may be prepared and presented under revised or new (IFRS), may not be easily comparable with those of the previous financial periods contained in this Prospectus that were prepared and submitted under currently recognized (IFRS). This will negatively and materially affect the Company's operations and financial condition.

### 2-1-27 Risks Related to Reliance on Major Human Resources

The Company aims to attract and employ qualified people to ensure the efficiency and quality of its business through effective management and proper operation, given that the Company's success depends on its ability to attract and retain qualified employees. It may however resort to employees' layoffs to cut payroll costs and reduce expenses, as happened previously.

Therefore, the Company's loss of qualified human resources or inability to retain them will negatively affect its business and profitability, notably if it is obliged to pay higher salaries and benefits to retain them.

The total number of employees as of the date of this Prospectus is equivalent to (293), including (74) Saudis and (219) non-Saudis. Among the factors that may affect the Company's ability to retain qualified non-Saudi employees is the imposition by the Saudi government of additional fees for each non-Saudi employee and financial fees for the dependents and bodyguards of non-Saudi employees (for more information, kindly refer to Paragraph (2.11) "Risks Related to Government Fees Applicable to Non-Saudi Employees" of Section (2) "Risk Factors".

### 2-1-28 Risks Related to Employees Error or Misconduct

The Company is required to adopt an internal work regulation according to the form prepared by the Ministry of Human Resources and Social Development. The Company may include in its internal work regulations additional terms and provisions that do not contradict the provisions of the Labor Law, its implementing regulations and ministerial resolutions thereto. The Company must announce the aforementioned internal work regulations, as well as any amendment thereto, in a public place in its premises or via any other method that is clear to all its employees.

The Company has an internal work regulation approved by the Ministry of Human Resources and Social Development under the number (399363) dated 23/08/1442H (corresponding to 05/04/2021G). All employees and staff have been informed of it upon joining the Company, and any amendments are sent via modern technology means (e-mail) and are placed in the employees' offices.

However, the Company cannot guarantee to avoid employees' misconduct or mistakes such as fraud, intentional or unintentional errors, embezzlement, theft, forgery, misuse of property and unauthorized acting on behalf of the Company. Consequently, these actions may entail consequences and responsibilities for the Company, statutory penalties, or financial liability. Therefore, the Company cannot guarantee that the misconduct of its employees will not materially harm its financial position or its operations results.

### 2-1-29 Risks Related to Reliance on Non-Saudi Employees

The percentage of Saudi employees in the Company represents about (20.62%) of the total employees, and the percentage of non-Saudi employees in leadership positions is (54.54%). According to developed Nitaqat program, the Company was classified as a medium facility (Category C) operating in industries activity, and the Company falls in the medium green band, so that the Saudization rate has reached (24.87%).

Accordingly, if the Company is not able to maintain its cadres of non-Saudi employees or find replacements for them with the same skills and experience, or if there is a change in the policies and regulations of the Ministry of Human Resources and Social Development resulting in an increase in the percentage of Saudization in the sector, the Company's business results and financial position will be affected in a fundamentally negative way.

On the other hand, there is a discrepancy in the number of Saudi employees registered under the Company's name with various government departments, and the Company must update its data with various government agencies to indicate its commitment to the Labor and Residence laws, which may result in penalties and fines for violating them. In the event of imposing such penalties or fines, this may adversely affect the Company's business and financial position.

### 2-1-30 Risks Related to Government Fees Applicable for Non-Saudi Employees

During the year 2016G, the government of the KSA approved a number of decisions aimed at carrying out comprehensive reforms of the labor market in the Kingdom, such as approving the imposition of additional fees for every non-Saudi employee working for a Saudi entity as of 01/01/2018G at four hundred (400) Saudi riyals per month for each non-Saudi employee for the year 2018G, increasing to six hundred (600) Saudi riyals per month for the year 2019G, and then to eight hundred (800) Saudi riyals per month for the year 2020G. This will lead to an increase in the Company's costs in general, which will adversely affect its business, financial performance and results of operations.

In addition, the government-imposed fees in exchange for money on the dependents and escorts of non-Saudi employees as of 01/07/2017G, at the rate of one hundred (100) Saudi riyals per month for each dependent in 2017G, and it rises annually to reach four hundred (400) Saudi riyals per month for each. Thus, the financial fees that the non-Saudi employee will bear on behalf of his families will result in an increase in his cost of living, which will encourage him to work in other countries where the cost of living is lower. In this case, the Company will face some difficulties in maintaining non-Saudi employees, and will hence be obliged to directly or indirectly bear all or part of the cost of non-Saudi employees' fees, by raising their wages. Consequently, the Company's costs will increase, and its results of its operations will be adversely affected.

### 2-1-31 Risks related to Saudization

Compliance with the Saudization policy is considered to be a systematic requirement issued by the Ministry of Human Resources and Social development and implemented by the Ministry of Labor and Social Development in KSA, whereby Saudi companies and enterprises are required to fill up their workforce with Saudi nationals up to certain levels and maintain them according to developed Nitaqat program which is a program of Saudization, increasing the employment of Saudi nationals in the private sector. According to the Ministry of Human Resources and Social Development, Saudization rate of the company entity reached approximately (24.87%) which is classified in the mid green category.

On October 11, 1442H (corresponding to 23/05/2021G), the Ministry of Human Resources and Social Development launched the developed "Nitaqat" program, which offers three main advantages: the first: a clear-vision and transparent Saudization plan for the next three years with the aim of increasing organizational stability among Private sector establishments, the second: the direct relationship between the number of employees and the required Saudization rates for each establishment is based on a linear equation that is proportionally related to the number of employees at the establishment, instead of the current Saudization rates system based on classifying establishments into specific and fixed sizes, and the third: simplifying the design of the program by improving the customer experience and integrating the categories of activities with common characteristics to be 32 activities instead of 85 activities in Nitaqat. This program will also contribute to providing more than three hundred and forty thousand (340,000) jobs until 2024G. The developed Nitaqat program may impose requirements on the Company, and it may be difficult for it to maintain the same percentage of Saudi citizens in the future, or to meet the requirements of the Nitaqat program. If the Company is not able to comply with the requirements of the Nitaqat program, and its classification becomes within the red scale, it may be subject to a number of penalties, including:

- The suspension of the Company's applications for new work visas
- The suspension of its requests to transfer sponsorship of a current or potential employee
- The forbiddance of non-Saudi employees working for the Company to change their professions on the work visas
- The possibility of a number of its non-Saudi employees to transfer their guarantees to other companies that fall within the green or (platinum) range without obtaining the Company's approval
- The exclusion of the Company from participating in government auctions or accessing to government loans.

In addition, the government is taking measures to regulate the employment of non-Saudi workers in the Kingdom in accordance with the Labor Law and Residence Regulations in the KSA. These procedures include taking strict measures against non-Saudi employees: 1) who do not work for their sponsor and 2) whose nature of work does not match their job requirements (as stated in their work permit), especially after the abolition of the sponsor system (starting from the second quarter of 2021G). As a result, any foreign employee will be able to change work from one party to another without the consent of the employer, when his work contract is terminated, as part of "The Improvement of Contractual Relationship" initiative for workers in private sector establishments.

The Company faces the risks of workforce availability and the high cost of foreign manpower, so it confronts these factors by equipping modern training centers to train Saudi cadres who will replace foreign workers. The Company also uses, when necessary, licensed companies to hire labor force.

There is no guarantee that the Company will be able to secure the necessary manpower or employ the required number of foreign workers according to favorable terms for the Company. The Company may also face challenges in maintaining its employees of Saudi nationals, and in the event of a decrease in the number of this category of employees, this will lead to a decrease in its total Saudization rate. The occurrence or realization of any of the above-mentioned events will have a materially negative impact on the Company's business, financial condition, results of operations and future prospects.

### 2-1-32 Risks Related to Capital Management

When managing capital, the Company aims to ensure its ability to continue so that it can continue to provide returns to shareholders, and to maintain adequate basic capital to support its business. The Company's management manages capital by monitoring returns on net assets and monitoring the ratio of the Company's total liabilities to its total assets, and it may make adjustments to the capital in proportion to changes in economic conditions in the future. For the purpose of maintaining or adjusting the capital, the Company may increase its capital in the future to ensure the achievement of its strategic goals and plans.

### 2-1-33 Risks Related to Management Decisions

The Company's business results depend mainly on the ability of its management to take the right and appropriate decisions in relation to its business and activities. If the Company's management takes wrong decisions regarding its business, the Company's performance, results of operations and profitability will be negatively affected.

### 2-1-34 Risks Related to the Expansion Strategy's Failure

The expected future growth of the Company depends on the success of its expansion strategy and the modernization and expansion of existing activities, as the company intends to develop and renew production lines in its factories (please refer to section (6) "Use of Offering Proceeds and Future Projects" of this Prospectus). The Company's inability to implement its planned expansion plans, or the failure to achieve them, will negatively affect future growth opportunities, which will influence the Company's financial position, and thus the results of its operations. Furthermore, if these expansion plans are implemented, no assurance can be given that the desired results will be achieved from this expansion process, as it is linked to future expectations. Therefore, if the desired results are not achieved in whole or in part, the Company's financial performance and the results of its operations will be negatively impacted.

### 2-1-35 Risks Related to Delaying the Implementation of Future Projects

The Company intends to increase its capital by issuing Rights Shares, the subject of this Prospectus, in order to expand its activities, automate its production lines, and make optimal use of the spread of its trademark to cover all regions of the Kingdom (please refer to section (6) "Use of Offering Proceeds and Future Projects"). Although the Company has prepared an action plan for the implementation of these projects according to a specific timetable, there are several factors outside the control of the Company that, if they occur, could lead to delays in the implementation of projects or temporary suspension of their implementation. These factors include, for example: obtaining government approvals and licenses, the commitment of contractors, as well as reaching agreements with other parties, the availability of manpower and other factors that lead to temporary or permanent work interruption, and thus affect the possibility of achieving the desired benefit from these projects as planned, which will negatively affect the Company's operations and financial position.

### 2-1-36 Risks Related to the Capital Costs of Implementing Future Projects Exceeding the Expected Value

Although the Company has carried out a set of necessary studies to determine the capital costs of future projects, it is possible, due to circumstances beyond its control, that those costs may rise above the expected value, which may affect the financial feasibility of those projects, and the Company will be forced to search for new financing sources to cover this increase. Therefore, the profitability of these projects will be negatively affected, which will negatively influence the Company's profitability and its financial position. If the current projects that the Company intends to enter into in the future do not achieve the desired results and expected profits, or in the event it is exposed to losses, this will negatively affect the results of the Company's operations and its financial position.

### 2-1-37 Risks Related to BOD Former Members' Dismissal and Failure to Discharge BOD Members for the Year 2020G

On 01/06/1442H (corresponding to 14/01/2021G), the OGA (No. 36 - First Meeting) agreed to remove the previous BOD members, based on a request submitted by some of the Company's shareholders, who collectively own shares representing (7.14%) of the Company's capital. The removal took place in accordance with the provisions of the Companies Law, which also recognizes the right of the removed member or members towards the Company to claim compensation, if the removal occurred for an unacceptable reason or at an inappropriate time. The Board may, at all times, remove all or some of the members, without prejudice to their right to damages if the removal is made without acceptable justification or at an improper time.

On 20/10/1442H (corresponding to 01/06/2021G), the convening OGA did not agree to discharge the BOD members

for the financial year ended December 31, 2020G. According to the Board members' discharge, which is considered a formal procedure from a legal point of view, unless it is followed by filing a liability lawsuit against the members that proves the damage to the Company and Shareholders. Provided that this lawsuit shall be instituted before the expiry of its limitation period, which is set by the Companies Law by three years from the date of discovery of the harmful act. With the exception of the cases of fraud and forgery, the liability lawsuit shall not be heard in all cases after the lapse of five years from the date of the end of the fiscal year in which the harmful act occurred, or three years from the expiration of the membership of the relevant Board member, whichever is later.

In addition to the Company's right to file a liability lawsuit in accordance with Article (79) of the Companies Law. Article (80) of the Companies Law and Article (47) of the Company's Bylaws state that each shareholder has the right to file this lawsuit for the Company against the BOD members, if the mistake they made would cause a special harm to him. However, the shareholder may not file the aforementioned lawsuit unless the Company's right to file it still exists. The shareholder must inform the Company of his intention to file a lawsuit, while limiting his right to claim compensation for the special damage he sustained.

As of the date of this Prospectus, the Company has not appointed any external party to conduct the necessary audit to determine the reasons that led to the accumulation of losses which led to the failure to discharge the previous Board members. Nor has the Company or any of the shareholders file a liability lawsuit against the previous BOD members. The Company may incur amounts of money, if it wishes to assign any specialized party to audit its financial position, in addition to the costs and resources that it may have to allocate during the course of the liability lawsuit, if such a lawsuit is instituted in the future. It should be noted in the context that the Company may bear the expenses incurred by the shareholder to file a lawsuit, whatever is the outcome - in accordance with the Companies Law - provided that it is instituted under the following conditions: (1) If he files the lawsuit in good faith, (2) If he submits to the Company the reason for which he instituted the lawsuit and does not receive a response within thirty days, (3) If it is in the interest of the Company to institute such action based on the provision of Article (79) of the Companies Law and (4) If the case is well-founded. The Company, then, faces the risk of incurring the costs of a liability lawsuit in the event that it is instituted by any of the shareholders within the conditions that the Companies Law permits and while bearing its expenses.

In the event that any of the above-mentioned factors are realized, the Company will incur costs and financial burdens that will have a material negative impact on its reputation, business and financial position.

## 2-1-38 Risks Related to Litigation and Lawsuits

The Company is subject to lawsuits and complaints due to the nature of its activities and dealings with third parties within the business sectors in which it operates. These lawsuits may include - but are not limited to — Zakat and tax issues, labor issues and other damages resulting from negligence or fraud by persons or institutions in a manner that is outside its control. The Company is liable to have legal action taken against it or to be a claimant party in any of the claims or actions. Therefore, the Company cannot accurately anticipate the size of the cost of the lawsuits or judicial procedures that may be instituted or evaluated against it, or the final results of those lawsuits or issued judgments, and the compensation and penalties they include. Therefore, any negative consequences of such issues may negatively affect the Company and the results of its operations.

As of the date of this Prospectus, there are a number of lawsuits filed against Wafrah Company as a defendant by individual institutions and companies before labor or commercial courts, and the value of these lawsuits is estimated at about four million five thousand seven hundred and sixty-two (4,005,762) Saudi riyals. There are also other lawsuits filed by Wafrah Company in its capacity as a plaintiff against companies and institutions before the Commercial Court. The value of these lawsuits is estimated at about two million eight hundred and thirteen thousand seven hundred and four (2,813,704) Saudi riyals (for more information, please see paragraph (9.8) "Litigation" of Section (9) "Legal Information" from this Prospectus). In the event that judgments are issued in these lawsuits and cases against the Company obligating it to pay the amounts claimed, this will affect the Company's business, financial position and future prospects.

## 2-1-39 Risks Related to the Adequacy of Insurance Coverage

The Company has provided the necessary insurance coverage by concluding a number of insurance policies to ward off some risks and preserve its assets and property, (for more information on insurance coverage, please refer to subparagraph (9-10) "Insurance" of Section (9) "Legal Information" of this Prospectus).

Noting that the health insurance of the company's employees is no longer valid as on the date of this prospectus, and in addition to the insurance contracts concluded as indicated in subparagraph (9-10) "Insurance" of Section (9) "Legal Information", these contracts include deductible amounts and factors excluded from insurance coverage, in addition to other restrictions related to insurance coverage to be negotiated with insurance companies. The

Company's ability to obtain the compensation due to it by the relevant insurance company depends on its financial solvency and ability to meet the value of this compensation. Hence, insurance may not cover all the losses incurred by the Company, and no guarantee is given that the Company will not incur losses that exceed the limits of the insurance policies or are outside the scope of coverage contained in these documents. It is possible that cases may arise in which the value of the claim exceeds the value of the insurance held by the Company, or the compensation claim submitted by the Company to the relevant insurance company will be rejected, or the claim and compensation period may be prolonged, which will negatively affect the Company's business, future prospects, results of operations and financial position.

#### **2-1-40 Risks Related to Trademarks**

The Company has four (4) trademarks registered in the KSA with the Ministry of Commerce (Trademarks Register) under categories (29) and (30), which are "Wafrah", "Caprini", "Saudi Gardens" and "Aghsan". In addition to the mentioned trademarks, the company applied on 15/04/1443 H (corresponding to 20/11/2021 G) to register a trademark under category (29) bearing the name "Fine Food" (MACOLATE).

The Company registered its electronic domain with the Saudi Network Information Center. It relies on its trademarks in the Kingdom and on its ability to continue to use them and protect its rights with respect to these trademarks in the face of any illegal use (without a license from the Company) by third parties. (For more information, please see sub-paragraph No. (9-9) "Trademarks" of Section No. (9) "Legal Information" of this Prospectus).

On the other hand, the protection period of one of the trademarks has expired (Saudi Gardens) and the Company is in the process of renewing it, also, the application for the registration of the fine food logo is still under study by the Saudi Authority for Intellectual Property as of the date of this Prospectus. Therefore, if the necessary legal protection for these logos is not renewed in accordance with the Trademarks Law and Regulations, the Company's interests, business, position, financial results and operations will be negatively and fundamentally impacted. It should be noted that to defend its trademark, the Company may have to enter into expensive court procedures. This may cause substantial damage to the trademark's reputation, which will have a negative impact on the Company's ability to attract new customers, leading to a decline in its revenues, which will negatively and fundamentally affect its business, financial position, results of operations and future prospects.

#### **2-1-41 Risks Related to the Imposition of a Fine for Violation of Labor Law**

The Labor Law and Regulations stipulates that the employment contract with any employee and worker must be executed in duplicate, with one copy per party. According to the Ministry of Human Resources and Social Development work contracts shall be electronically documented by uploading and updating the information related to the workers' work contracts and giving workers the opportunity to verify the validity of their contract data through the General Organization for Social Insurance's e-service portal (GOSI) pursuant to the Ministerial Resolution No. (156309) and dated 18/08/1440H (corresponding to 23/04/2019G). It should be noted that all contracts concluded after the date of this resolution must be directly documented. As for those concluded prior to that date, the contracts' documentation is mandatory and over time stages expiring at the end of the fourth quarter of the year 2020G. The Company's failure to comply with these regulations may be considered a violation of the Labor Law, hence it will be subject to a fine of SR (1,000) according to the number of violating workers and the table of violations and penalties issued under Ministerial Resolution No. (178743) dated 27 /09/1440H (corresponding to 01/06/2019G), which will negatively affect the Company's business and results of operations.

#### **2-1-42 Risks Related to the Application of the Companies Law**

The Company complied with the Companies Law issued by Royal Decree No. (M/3) dated (28/01/1437H) corresponding to 10/11/2015G (and published in the Official Saudi Gazette Umm Al-Qura) on 22/01/1437H (corresponding to 04/12/2015G), which came into effect on 27/01/1437H (corresponding to 04/05/2016G) and amended by Royal Decree No. (M/79) dated 25/07/1439 H (corresponding to 11/04/2018G). It also adheres to Article (224) of the Companies Law in terms of bylaws' amendments. The latest version of the bylaws has been released pursuant to EGA Resolution dated on 17/09/1440H (corresponding to 22/05/2019G). It was later approved by the Ministry of Commerce on 15/10/1440H (corresponding to 18/06/2019G).

The Companies Law imposes some statutory requirements that the Company must abide by. This will require it to take procedures and measures so as to comply with such requirements, which is time-consuming and may affect its business strategy. The current Companies Law also imposed more stringent penalties for violating its mandatory regulations. According to the Companies Law (Article 213), they may reach SR (500,000), as stipulated in Article (214). The Company will be subject to such penalties in the event of non-compliance with those regulations and provisions, which would adversely and materially affect the Company's business, financial position and results of its operations.

## 2-1-43 Risks Related to Non-compliance with Corporate Governance Regulations

The Company has a Corporate Governance that was prepared in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority (CMA), pursuant to Resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), by virtue of the Companies Law issued by Royal Decree No. M/ 3 dated 28/01/1437H, amended pursuant to the CMA Resolution No. (5.3-2019) and dated 15/09/1440H (corresponding to 20/05/2019G). It was last modified by the Authority's Board Resolution No. (1-7-2021) dated 01/06/1442H (corresponding to 14/01/2021G), and the following are the materials that the Company did not comply with as of the date of this Prospectus:

Table No. (1): The Corporate Governance Regulations that the Company did not comply with:

Article	Details	Responsible Party
5/26	Setting forth the organizational and functional structures of the Company and submitting them to the BOD for approval	Board of Directors
1/61	The Remuneration & Nomination Committee shall prepare a clear policy for the remuneration of Board Members and the committees emanating from the Board and the Executive Management, and submit it to the BOD for consideration in preparation for its approval by the GA, provided that such policy shall follow standards related to performance, disclose them, and verify their implementation.	General Assembly of Shareholders
84	Policies or procedures adopted by stakeholders when submitting complaints or reporting violations	Board of Directors
91/B	Publication of the Audit Committee Report on the Company's website.	Board of Directors

It should be noted that the Company had previously incurred a penalty of suspending the trading of its shares on the Saudi Stock Exchange for violating the Capital Market Law and its executive regulations during the years 2018G and 2020G, in addition to being subject to a fine during the year 2014G (for more details about the penalties and fines that the Company was previously subject to for violating the Capital Market Law and its regulations, please see sub-paragraph (9-4-5) "**Continuing Obligations According to the Requirements of the Capital Market Authority**" of Paragraph (9-4) "**Continuing Obligations Imposed by Governmental Agencies on the Company as the License Holder**" of Section (9) "**Legal information**" of this Prospectus).

The Company's failure to implement the Corporate Governance Regulations issued by the Authority may expose it to financial fines under Paragraph (C) of Article (59) of the Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G), as amended by the Council of Ministers Resolution No. (52) dated 18/01/1441H (corresponding to 17/09/2019G), which states that the Capital Market Authority may - if it finds that the Company has committed or initiated acts that constitute a violation of any of the regulations and provisions issued by the Authority - do all or any of the following:

- 1- Alert the Company.
- 2- Oblige the Company to take the necessary steps to avoid the occurrence of the violation, or to take the necessary corrective steps to address the consequences of the violation.
- 3- Impose a financial fine by the Board on any person responsible for violating the Corporate Governance Regulations, the Market's Regulations, the Depository Center, the Clearing Center and its Regulations, and the fine imposed shall not exceed five million (5,000,000) Saudi riyals for each violation committed by the violator.

In the event that any financial fines are imposed in connection with the implementation of the Corporate Governance Regulations, it will have a negative impact on the Company's business and results of operations.

## 2-1-44 Risks Related to the Suspension of Trading in the Company's Shares or by the CMA

By virtue of Article (36) of the Listing Rules, the Authority has the power to suspend or cancel the listing of listed securities at any time as it deems appropriate, in specific cases, including: non-compliance with the deadlines specified for disclosing periodic financial information in accordance with the relevant executive regulations, when the auditor's report on the issuer's financial statements includes an opposing opinion or an abstention from expressing an opinion, and other cases stipulated in this Article.

The Company faced the risks of suspending the trading in its shares for the delay in publishing its preliminary financial results for the financial period ended 30/06/2018G. On 01/12/1439H (corresponding to 12/08/2018G), the trading of the Company's shares was suspended in the Saudi Stock Exchange (Tadawul), and on 09/01/1440H (corresponding to 19/09/2018G), the Saudi Stock Exchange (Tadawul) announced lifting the suspension of trading in the Company's shares starting from Wednesday 09/01/1440H (corresponding to 09/19/2018G), after the Company announced the interim financial statements for the financial period ended 30/06/2018G.

On 16/08/1441H (corresponding to 09/04/2020G), the trading of the Company's shares in the Saudi Stock Exchange (Tadawul) was suspended for two trading sessions, starting from Thursday 16/08/1441H (corresponding to 09/4/2020G), following the reduction of the Company's capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals, until the Securities Depository Center Company (Edaa) implements the reduction of Wafrah Company shares in the shareholders' investment portfolios. The suspension of trading in the Company's shares has been lifted starting from Sunday 19/08/1441H (corresponding to 12/04/2020G).

The presence of the Company in any of the cases in which the Authority permits to suspend or cancel the listing of its shares, exposes it to the risks of suspending or canceling the listing of its shares, which will negatively and fundamentally affect the interest of the Company's shareholders, its reputation and the results of its operations.

## 2-1-45 Risks related to limitations on financial statements and reports

The company faces some limitations in obtaining its main reports and some financial statements. Where the cost of sales for the company's factories is calculated manually by the company, which hinders the company's ability to accurately assess its profitability according to the factory and according to the production line. The company does not have a clear method for calculating its profitability by sales channels. Which hinders the company from evaluating the performance of each sales channel and stopping or adding new sales channels increases the company's profitability. These restrictions may expose the company to weak internal controls and operational deficiencies, which may adversely affect the company's business and results of operations.

## 2-2 Risks Related to the Market and Sector

### 2-2-1 Risks Related to the Regulatory Rules and Standards Governing the Company's Activity

The Company carries out its activities in the food industry sector mainly under the licenses of industrial establishments issued by the Ministry of Industry & Mineral Resources and the food establishments' licenses issued by the Food and Drug General Authority. Since the Company's activity has laws and regulations that it sponsors in addition to licenses and certificates that the Company must issue. It is subject to the laws and regulations (for more details, please refer to Paragraph (9-2) "**Licenses and Permits Obtained by the Company**" from Section (9) "**Legal Information**" of this Prospectus):

- Regulations and Instructions Related to the Environment, Health and Safety Protection:** The Company's operations are subject to the laws and regulations related to the environment, health and safety protection in the Kingdom, which increasingly impose strict standards that the Company must adhere to on an ongoing basis. The costs of complying with these laws and regulations and the fines resulting from their violation may be significant. Moreover, adherence to new and strict standards requires incurring additional capital expenditures or the emergence of modifications to practices. Accidents may arise related to the environment, health and safety, and could result from the Company's operations a number of emitted pollutants that can lead, if not controlled and managed properly or if left untreated without proper management, to the risk of contamination and pollution. Failure to fully comply with environmental legislations and regulations may lead to the closure of the Company's industrial facilities and will expose it to violations, fines or penalties that may be imposed by the supervisory authorities. The different examples of violations that may be committed in this context, include but are not limited to: violation of the commitment to self-monitoring programs of emission sources, or violation

of negligence in the maintenance of equipment for control and detection, or violation of the prevention and control procedures for pollution control emissions and leakage. A fine not exceeding SR (10,000) may be imposed on the Company for committing any of the aforementioned violations or other violations, which will negatively affect its operations, in a manner that limits the growth of its revenues or suspends its work or licenses for the most part and materially influence its financial position, results of operations and future prospects.

- **The Food Control Law and Executive Laws & Regulations:** The objective of this law and its executive regulations is to ensure food safety, work to improve its quality and protect the consumer's public health by reducing risks associated with food, and spreading sound food awareness, in addition to protecting the consumer from harmful, adulterated, misleading or unfit consumption of food without impeding the food trade movement. This law requires food establishments to adhere to its provisions in terms of registering with the Saudi Food and Drug Authority and obtaining the necessary licenses to practice activities and distribute food products.

And in accordance to the list of health requirements issued by the Ministry of Municipal and Rural Affairs and related to the organization of health control over foodstuffs, their places of circulation and service providers, and where one of the basic conditions that must be met by service providers within the branches is that they have a health card that proves their fitness to work in the food sector and that they are free from infectious diseases, In compliance with these requirements, the company has issued health licenses for workers in the branches. The number of licenses reached (95) health cards, all valid as on the date of this prospectus. However, in the event that the company violates the provisions of the food regulations by not issuing health certificates to any worker whose work requires him to obtain them, a fine of two thousand (2,000) Saudi riyals will be imposed for each worker (a grave violation), and the failure to renew the health certificate for any worker requires a fine for his work A financial value of one thousand (1,000) Saudi riyals for each worker, with a doubling of the fine in the event of repetition, in accordance with the table of municipal violations and penalties issued by Ministerial Resolution No. (4300204497) dated 12/03/1443H (corresponding to 10/18/2021G). In addition to the fine, the violating worker or workers are suspended from work, in addition to the inability of the worker to renew his work permit and residence, with the consequent financial fines imposed by the competent authorities, in addition to the possibility of closing the violating branch or point of sale, which will result in the disruption of the company's operations and incurring additional costs and penalties. According to the relevant regulations, it will negatively affect the company's business, results of its operations and its financial position.

- The food establishment is then responsible for ensuring the application of the provisions of this law and its regulations within the food activity under its responsibility, at the risk of imposing the penalties stipulated in the law, which are: (1) a fine not exceeding one million (1,000,000) riyals, (2) preventing the violator from exercising Any food business, for a period not exceeding one hundred and eighty days, (3) suspending the license for a period not exceeding one year, and (4) canceling the license.

Based on the above, the Company shall be subject to penalties when it violates the laws, regulations and terms of the licenses under which it operates. If it incurs a material penalty and/or a penalty that leads to its inability to temporarily or completely carry out its activity, its performance, operations and future prospects will be negatively impacted.

## 2-2-2 Risks Related to the Withdrawal of Industrial and Operating Licenses and Environmental Permits

The Company carries out food products manufacturing activities under four (4) licenses issued by the Ministry of Industry and Mineral Resources. As each license belongs to one of the Company's factories, the products allowed to be manufactured are specified with an indication of the production capacity of each. The Company also obtained operating licenses for its factories issued by the Saudi Authority for Industrial Cities and Technology Zones. Practicing industrial activity requires obtaining environmental permits, so the Company has obtained environmental permits issued by the National Center for Monitoring Environmental Compliance. The instructions for the implementation of these licenses and permits include a number of conditions and obligations, (for more details about the Company's industrial and operating licenses and environmental permits and their conditions kindly refer to subparagraph (9-4-8) "Continuing Obligations According to the Requirements of the Ministry of Industry and Mineral Resources", sub-paragraph (9-4-9) "Continuing Obligations According to the Requirements of the Saudi Authority for Industrial Cities and Technology Zones", and sub-paragraph (9-4-10) "Continuing Obligations According to the Requirements of the National Center for Environmental Compliance Control" from paragraph (9-4) "Continuing Obligations Imposed by Governmental Authorities on the Company as the License Holder" of Section (9) "Legal Information" of this Prospectus).

In the event that the Company violates these instructions, it is subject to the withdrawal or suspension of its industrial and operating licenses or environmental permits, which will result in its inability to carry on its activity. Hence, the Company's business, results of operations, financial position, future expectations and the price of its shares in the market will be negatively affected.

### 2-2-3 Risks Related to the Economic Performance of the Kingdom

The expected future performance of the Company depends on a number of factors related to the economic conditions in the Kingdom in general, including, for example, factors of inflation, GDP growth, average per capita income, and so on. The Kingdom's macro and micro economy depends mainly on oil and oil industries, which still control a large share of the GDP. Therefore, any unfavorable fluctuations in oil prices will have a direct and fundamental impact on the plans and growth of the Kingdom's economy in general and on government spending rates. Consequently, the Company's financial performance, given its work within the Kingdom's economic system and being influenced by government spending rates, will be substantially affected.

### 2-2-4 Risks Related to the Rise in the Price of Energy and Water

The Council of Ministers issued Resolution No. (95) dated 03/17/1437H (corresponding to December 28, 2015G) to raise the prices of energy products, the tariff for electricity consumption, the price of water and sewage services for the residential, commercial and industrial sectors, as part of the policies related to rationalizing energy consumption and reducing government's subsidies in the Kingdom. The Ministry of Energy also issued a statement on 03/24/1439H (corresponding to 12/12/2017G) regarding the financial balance program's plan to correct energy products' costs, starting on 04/14/1439H (corresponding to 01/01/2018G). The Company and its subsidiaries' operations depend on the availability of energy and electricity products; therefore, any interruption or reduction in the supply of these products or any increase in their costs would significantly affect the Company's profitability, results of operations and future prospects.

### 2-2-5 Risks Related to the Saudi Economic Risks Impact on the Company's Operations

The Company's operations and assets are centered and located in KSA, which is considered to be an emerging market. Although the Kingdom continues to implement economic diversification to increase the contributions of non-oil sectors, the oil sector is still the number one source of Revenue to implement and develop economic plans. Accordingly, any Decrease in oil prices may lead to an economic slowdown or significantly reduce government spending, which will negatively affect the Saudi economy as a whole and all sectors and businesses operating in the Kingdom. Consequently, the Company's business, results of operations and financial position will be adversely influenced.

### 2-2-6 Risks Related to political and Economic Instability in the Region

Some countries in the Middle East region are suffering from economic, political or security instability at the present time. There are no guarantees that these economic, political and security conditions in those countries or any other countries will stabilize. These conditions will have a negative impact on the Company's business, the results of operations, financial position and future prospects.

### 2-2-7 Risks Related to Growth Opportunities

The Company's ability to develop its business depends on the competition in the market, the availability of material and human resources and the capacity of its management team, bylaws and others. There is no guarantee that a continuous growth rate will be maintained, as the Company may face difficulties in expanding its activity, developing its market share and increasing its sales. Therefore, if the Company is not able to positively manage its growth, its ability to develop its activity, increase or maintain its market share, increase the profits of its business and improve the returns to its shareholders, its business, results of operations and financial position will be substantially affected.

### 2-2-8 Risks related to Competition

Competition usually occurs when other companies operate in the Company's business sector of and provide similar or competing services. The transportation sector is one of the highly competitive sectors. Some of the Company's competitors have large financial and non-financial resources, especially local companies that have large market shares and gain the confidence of local customers.

Therefore, there is no guarantee that the Company will be highly and strongly competitive while conducting its business. Moreover, any change in the competitive environment may lead to a change in costs, a Decrease in profit margins or a loss of market share, which will have an adverse effect on the Company's business, financial position, results of operations, and future prospects.

### 2-2-9 Risks related to Natural Disasters

In the event of the occurrence of natural disasters that cannot be controlled by the Company, such as floods, earthquakes, storms, etc., and that may damage the Company's facilities, the Company will incur heavy costs. Natural disasters may also affect the Company's ability to continue its operations and thus reduce its Revenue from those operations. Therefore, if such disasters occur and damage the Company's facilities, the Company's business, results of operations and financial position will be negatively and substantially affected.

### 2-2-10 Risks Related to Changes in Relevant Laws and Regulations

Like other companies operating in the Kingdom of Saudi Arabia, the Company and its subsidiaries are subject to a number of regulations and laws such as the companies' law, the Labor law, the municipal and Civil Defense laws, the CMA laws and regulations and others, which may change or get updated by the competent authorities. Moreover, new laws and regulations may be issued by the relevant official authorities from time to time. Accordingly, the business of the Company and its subsidiaries may be adversely affected if any substantial change in any of the related laws and regulations or the development of additional laws and regulations that have a direct impact on the performance and profitability of the Company occurred.

Likewise, the Company, as a public shareholding Company, may be subject to penalties and fines if it does not fulfil the requirements of the CMA and the rules of offering securities and continuing obligations issued by the CMA and the listing rules issued by Tadawul, in terms of not disclosing some of the substantial events according to Article 62, in addition to the financial reports required on time according to Articles 64 and 65 of the rules on the offer of securities and continuing obligations or in case of delaying the time of disclosure, which will have a negative and substantial impact on the business, results of operations, financial position and future prospects of the Company.

Moreover, the subparagraph (b) of Article (54) of the rules on the offer of securities and continuing obligations also obligates public joint stock companies to disclose to the public in the event of a difference of (5%) or more between the actual use of proceeds of the issue of rights shares as set out in the relevant Prospectus as soon as becoming aware of it.

Sub-paragraph (6-2) "Using the Offering Proceeds" from Section (6) "Using the Offering Proceeds and Future Projects", explains how the Company uses the offering proceeds which is the subject of this Prospectus. In the event that the Company's management does not comply with this usage or if any deviation occurs, the Company will be obliged to directly disclose that on Tadawul's website. Following this event, the Company must also present that at the first meeting of the General Shareholders Assembly in order to approve the amendment or deviation that occurred in the method of using the proceeds disclosed in this Prospectus. In the event of failure to comply with the procedures, legal risks will be entailed on the Company if one of the shareholders protested against obtaining the approval of the General Assembly, which will negatively affect the Company's operations and financial position.

### 2-2-11 Risks Related to Government Fees Applicable to Non-Saudi Employees

During 2016, the government approved a number of decisions aimed at carrying out comprehensive reforms of the labor market in the Kingdom of Saudi Arabia, including the approval of imposing additional fees for each non-Saudi employee working for a Saudi entity as of 01/01/2018G at four hundred (400) Saudi riyals per month for each non-Saudi employee for the year 2018G, increasing to six hundred (600) Saudi riyals per month for the year 2019G, and then to eight hundred (800) Saudi riyals per month for the year 2020G. This will lead to an increase in the company's costs in general, which will adversely affect its business, financial performance and results of operations.

In addition, the government has imposed fees for issuing and renewing residence permits for dependents and companions of non-Saudi employees (escorts fees), which became effective as of 01/07/2017G, noting that it gradually increased from one hundred (100) Saudi riyals per month for each dependent in 2017G. Until it reached four hundred (400) Saudi riyals per month for each dependent in 2020G, and accordingly, the fees for the financial consideration that the non-Saudi employee will bear on behalf of his family will lead to an increase in the cost of living for him, which will lead him to work in other countries as the cost of living is less, and if such a thing happens, the company will face difficulty in maintaining its non-Saudi employees, which may force it to bear those costs for non-Saudi employees or part of them directly, or indirectly by raising the wages of its non-Saudi employees, which will lead to an increase in the company's costs, which will negatively affect the results of its operations.

It is also worth noting that on 03/18/1442H (corresponding to 04/11/2020G), the Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia launched the initiative to improve the contractual relationship, which entered into force on 03/14/2021G, and aims to support The vision of the Ministry of Human Resources and Social Development in building an attractive labor market, empowering and developing human competencies, developing the work environment, and eliminating the sponsorship regulations. The private sector within specific controls that take into account the rights of both parties to the contractual relationship and the terms of the contract between the employer and the expatriate worker. The job mobility service allows the expatriate worker to move to another job upon the expiry of his work contract without the need for the employer's approval.

#### **2-2-12 Risks Related to Changing the Mechanism for Calculating Zakat and Income Tax**

The Zakat, Tax and Customs Authority issued Circular No. (1438/16/6768) on 05/03/1438H (corresponding to 05/12/2016G), which obliges Saudi companies listed on the Market to calculate income and Zakat on the basis of the actual nationality of the shareholders and the ownership between Saudis and Gulf nationals and others, as stated in "Tadawulaty System" at the end of the year. Prior to the issuance of this circular, the companies listed on the Market were generally subject to the payment of Zakat or tax on the basis of the ownership of their founders, in accordance with their Bylaws. The impact of the listed shares was not taken into consideration in the Zakat assessment. This circular was supposed to be applied in the year ended December 31, 2016G and the years thereafter. However, the Zakat, Tax and Customs Authority issued Resolution No. (1438/16/12097) on 19/04/1438H (corresponding to 17/01/2017G), which requires postponing the implementation of the circular for the fiscal year ended December 31, 2017G and the years thereafter. Until the Zakat, Tax and Customs Authority issues its directives regarding the mechanisms and procedures for implementing this circular, its implementation, including the final requirements that must be met, is still under consideration, as well as the regulations imposing income tax on all non-Gulf residents who are shareholders in listed Saudi companies which apply withholding tax to dividends of non-resident shareholders, regardless of their nationalities. The Company has neither assessed the financial impact of this circular nor taken sufficient steps to ensure its compliance with it. If its financial impact upon its application is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance with it, then the Company, its business, results of operations, financial position and future prospects will be negatively affected.

#### **2-2-13 Risks Related to the Application of Value-added Tax (VAT)**

The Council of Ministers decided on the second of Jumada Al-Ula 1438H to approve the unified agreement for value-added tax (VAT) for the GCC, which came into force as of January 1, 2018G, as a new tax amounting to (5%) of the selling price, to be added to the rest of the taxes and other fees on specific sectors in the KSA, including the sectors in which the Company operates. On 17/10/1441H (corresponding to 09/06/2020G), the Zakat, Tax and Customs Authority Board issued Resolution No. (2-3-20) to increase the value-added tax (VAT) rate to become (15%) of the selling price, starting from 01/07/2020G. The Company includes the tax on its customers in return for the services it provides according to the percentage determined by the state.

#### **2-2-14 Risks Related to the Imposition of New Duties or Taxes**

The Company is currently subject to several types of taxes other than Zakat and VAT (15%). If new corporate taxes or fees other than those currently applied are imposed, the net profits of the Company will be directly affected, thus impacting its business, operations results, financial position and future prospects.

#### **2-2-15 Risks Related to Currency Exchange Rate Fluctuations**

Considering that the Company imports some of its goods from outside the Kingdom in foreign currency, notably in US Dollars, and since the Kingdom's policy requires dealing in Saudi Arabian Riyal (SAR), currently pegged to the US Dollar (USD) according to an exchange rate estimated at SAR (3.75) for USD (1.00). Therefore, there are no guarantees that the exchange rate of the Saudi Riyal against the US Dollar will be stable. Accordingly, any depreciation in the value of the Saudi Riyal against other foreign currencies (including the USD) will lead to an increase in the Company's operating costs. If the Company is unable to raise selling prices by passing the increases in operating costs resulting from the depreciation of the Riyal to customers, the Company's business, results of operations, financial position and future prospects will be negatively and fundamentally affected.

#### **2-2-16 Risks Related to business seasonality**

The company's sector, like other sectors, is affected by the fluctuations of supply and demand in the market according to the seasons, so that the company's sales show an upward trend during the period leading up to

Ramadan, and the return to schools in addition to the periods when the company offers discounts on its products, and sales tend to peak in the second and fourth quarters of each financial year.

In the event that the demand for the company's sales decreases, this will negatively affect its revenues and, accordingly, it will negatively affect the company's performance, the results of its operations, its financial position and its future expectations.

## 2-3 Risks Related to Shares

### 2-3-1 Risks Related to Potential Fluctuations in Share Price

The Company's share price may be subject to considerable fluctuations and may not be stable due to several factors including, but not limited to: stock market conditions related to shares, any regulatory changes in the sector in which the Company operates, deterioration of the Company's business results, inability to execute future plans, the entry of new competitors and speculation on the Company's operations. It should be noted that the market price of the Company's shares during the period of Rights issue offering is not an indication of its market price after the offering. Furthermore, there is no guarantee that the market price of the Company's shares, once listed on Tadawul, will not be lower than the Offer Price, which negatively affect the investors.

### 2-3-2 Risks Related to Potential Fluctuations in Rights Issue

The market price of the Rights Issue may be subject to considerable fluctuations due to the change in Tadawul trends in respect of the Company's shares. Such fluctuations may be considerable because of the difference between the daily fluctuation percentages allowed to the Rights compared to the daily fluctuation percentage allowed to Company's shares.

The trading price of the Rights Issue depends on the Company's current share price and the market perception of the Rights' fair price after subscription. These factors (in addition to the abovementioned factors under the "Potential Fluctuations in the Share Price") may also adversely affect the trading price of the Rights Issue.

### 2-3-3 Risks Related to Non-profitability or Sale of Rights Issue

There is no guarantee of the share profitability when it is traded at a higher price. Moreover, there is no guarantee that there will be sufficient demand in the market to exercise the Rights Issue or to receive compensation from the Company for not exercising the Rights Issue.

### 2-3-4 Risks Related to the Lack of Demand for Rights Issue and Company Shares

There is no guarantee that there will be sufficient demand for the Rights during the trading period in order to enable the holders of such Rights (whether a Registered Shareholder or a new investor) to sell the Rights and make a profit from them. There is also no guarantee that there will be sufficient demand for Rump Shares by the Institutional Investors during the Rump Offering. If Institutional Investors do not subscribe for the Rump Shares at a price higher than the Offering Price, there will not be a sufficient compensation amount to be distributed to holders of exercised Rights and holders of the Fractional Shares. Likewise, if Institutional Investors do not subscribe for Rump shares at a price higher than the Offering Price or if they do not subscribe at all, there will not be a sufficient compensation amount to be distributed to holders of exercised Rights and holders of the Fractional Shares.

Moreover, there is no guarantee that there will be sufficient market demand for the New Shares once they are traded on the Exchange. This will negatively affect the share price, the Company and shareholders' profitability.

### 2-3-5 Risks Related to Speculation in Rights Issue

Speculation in Rights Issue is subject to risks that could cause substantial losses. The range of permissible change in the Rights Issue tradable prices ("**Right Indicative Value**") exceeds the percentage that the share is subject to. There is a direct relationship between the Company's share price and the Right's indicative value. Accordingly, the daily price limits for the tradable right are affected by the daily price limits for share trading.

In the event that the speculator does not sell the existing Rights before the end of the trading period, he will be forced to use these rights to subscribe to new shares, and will be thus exposed to losses.

### 2-3-6 Risks Related to Ownership Percentage Decline

If the holders of the Rights do not fully exercise their Rights with respect to the acquisition of the New Shares in the Offering, their shareholding percentage and voting rights will be reduced. In case the registered holder of the Rights wishes to sell its Rights during the trading period, there can be no assurance that returns will be sufficient to fully compensate for the drop of its shareholding percentage in the Company as a result of its capital increase.

### 2-3-7 Risks Related to not Exercising Subscription to Rights Issue in a Timely Manner

The subscription phase starts on Monday 21/11/1443H (corresponding to 20/06/2022G) and ends on Thursday 01/12/1443H (corresponding to 30/06/2022G). Eligible shareholders and their representative financial intermediaries shall act to ensure that all necessary instructions are fulfilled before the subscription period expires. The subscription application may be rejected if Rights' holders and financial intermediaries are unable to follow the necessary procedures (Kindly refer to Section (12) "Information Related to Shares and Offering Terms and Conditions").

If eligible shareholders are not able to properly exercise their subscription rights by the end of the subscription period according to the Rights they hold, there can be no assurance that a compensation amount will be distributed to those who neither subscribed nor exercised subscription properly.

### 2-3-8 Risks Related to Dividend Distribution to Shareholders

Dividend distribution depends on several factors, including future profits, financial position and cash flows, working capital requirements, capital expenditures, distributable reserves, available credit limits and investment requirements of the Company and the general economic situation, in addition to several other factors decided by the Board of Directors. Moreover, the capital increase - if the Company is not able to achieve greater profits in the future - will lead to a Decrease in profitability of shares in the future; so, the profits of the Company will be distributed to a greater number of shares as a result of the increase in the Company's capital.

The Company does not guarantee the payment of any future profit to shareholders, nor does it provide any guarantee regarding the amount that will be paid in any year. Furthermore, dividend is subject to certain conditions and controls stipulated in the Company's By-laws.

### 2-3-9 Risks Related to Selling a Large Number of Shares

Selling a large number of the Company's shares in the financial market after the subscription or anticipating such process will negatively affect the prices of the Company shares in the financial market in general and the Company's shares price in particular.

### 2-3-10 Risks related to the Issuance of New Shares

In the event the Company decides to issue new shares in the future (i.e. rights issue for supporting the Company's projects or increasing its capital to acquire a Company or an asset) after obtaining the required approvals, the ownership of the shares will decrease proportionally, as well as the voting rights and dividends, which may affect negatively the market price of the share.

### 2-3-11 Risks Related to Future Data

The Company's future results and performance data cannot be actually predicted, as the achievements and ability of the Company to develop are determined by actual results. The inaccuracy of information and results is one of the risks that any shareholder must be aware of in order not to affect his investment decision.

### 2-3-12 Risks Related to a Decrease in the Demand for Rights Issue and Company Shares

There is no guarantee that there will be sufficient demand for the Rights Issue during the Trading Period to enable the Rights Issue holder (whether it is a Registered Shareholder or a new investor) to sell Rights and make a profit, or to sell the Rights in general. Moreover, there is no guarantee that there will be sufficient demand for the Company's shares by institutional investors during the Rump Offering Period. If institutional investors do not submit high purchase offers for the rump shares, there may not be insufficient compensation to be distributed to Rights Issue holders who did not exercise their right to subscribe. Furthermore, there is no guarantee that there will be sufficient demand in the market for the shares obtained by a subscriber either through the exercise of the Rights Issue, the Rump Offering or the open market.



## Company Overview and Nature of Business

## 3- Company Overview and Nature of Business

### 3-1 Company Overview

Wafrah for Industry and Development Company (hereinafter referred to as “**The Company**” or “**Wafrah Company**” or “**The Issuer**”), was incorporated as a joint stock company with the trade name “**Food Products Company**” as a Saudi joint stock company pursuant to Ministerial Resolution No. (893) dated 25/11/1409H (corresponding to 29/06/1989G) licensing the establishment of the “**Food Products Company**” as a Saudi joint stock company, and Ministerial Resolution No. (834) dated 20/09/1410H (corresponding to 16/04/1990G), announcing the establishment of the “**Food Products Company**” as a Saudi joint stock company. The Articles of Association was audited by the Ministry of Commerce and authenticated by the notary of Riyadh in the newspaper (from p.1 till the end of p.12) of the third volume, number (208) for the year 1409H on 19/09/1409H (corresponding to 25/04/1989G).

The Company was registered in the Commercial Register in Riyadh, according to a joint stock company registration certificate bearing the number (1010076996) and dated 24/10/1410H (corresponding to 19/05/1990G).

On 25/11/1409H (corresponding to 29/06/1989G), Ministerial Resolution No. (893) was issued licensing the establishment of the “**Food Products Company**” as a Saudi joint stock company. On 20/09/1410H (corresponding to 16/04/1990G), Ministerial Resolution No. (834) was issued announcing the establishment of the “**Food Products Company**” as a Saudi joint stock company. The Company’s Headquarters are located in Riyadh - Third Industrial City, P.O Box 131, Postal Code 11383, Tel: 4023456. It should be noted that on 24/08/1434H (corresponding to 03/07/2013G), the EGA (second meeting) was held to change the Company’s trade name from “**Food Products Company**” to “**Wafrah for Industry and Development Company**”.

The main objectives of the Company, according to its Bylaws, are as follows:

- Manufacturing, canning, preserving, processing and developing foodstuffs, and marketing them nationally and internationally
- Investing in the establishment, development and ownership of industrial projects for the Company’s benefit
- Investing in land plots and real estates

The Company’s Commercial Register data indicates that the activity it is licensed to practice (is the production of chilled and frozen meat, food industry manufactured from potatoes, including (potato chips), the manufacture of breakfast foods from cereals in the form of flakes, including (corn flakes and chips), the manufacture of pasta of all kinds).

### 3-2 Historical Background about the Company and Major Capital Structure Developments

- Wafrah for Industry and Development Company was established as a joint stock company with the trade name “**Food Products Company**” as a Saudi joint stock company, pursuant to Ministerial Resolution No. (893) dated 25/11/1409H (corresponding to 29/06/1989G) to license the establishment of the “**Food Products Company**” as a Saudi Joint Stock Company, and Ministerial Resolution No. (834) dated 20/09/1410H (corresponding to 16/04/1990G), by announcing the establishment of the “**Food Products Company**” as a Saudi Joint Stock Company. The Articles of Association was audited by the Ministry of Commerce and authenticated by the notary of Riyadh in the newspaper (from p.1 till the end of p.12) of the third volume, number (208) for the year 1409H on 19/09/1409H (corresponding to 25/04/1989G). The capital upon incorporation amounted to two hundred million (200,000,000) Saudi riyals, divided into two million (2,000,000) shares of equal value, the nominal value of each share being one hundred (100) Saudi riyals, all of which are ordinary and cash shares. The founders subscribed for nine hundred and sixty-five thousand (965,000), as for the remaining one million and thirty-five thousand (1,035,000) shares, they were offered for public subscription.
- During the year 2000G, the Company divided the nominal value of one share from one hundred (100) SR to fifty (50) SR, so that the capital of two hundred million (200,000,000) Saudi riyals was divided into four million (4,000,000) shares with a nominal value of fifty (50) Saudi riyals per share.
- On 27/02/1427H (corresponding to 27/03/2006G), and following the issuance of the CMA Resolution No. (4-154-2006), which stipulated the division of shares of joint stock companies over four stages, and based on the Council of Ministers Decision that the nominal value for the shares of joint-stock companies shall be ten (10)

Saudi riyals per share, the Company's four million (4,000,000) shares, with a nominal value of fifty (50) Saudi riyals per share, have been divided into twenty million (20,000,000) shares of equal value, each with a value of ten (10) Saudi riyals, all of which are ordinary cash shares.

- On 24/08/1434H (corresponding to 03/07/2013G), the EGA (second meeting) approved the amendment of the Company's trade name from "Food Products Company" to "Wafrah for Industry and Development Company".
- On 01/02/1441H (corresponding to 30/09/2019G), the Company's accumulated losses amounted to ninety-eight million eight hundred and seventy-six thousand nine hundred and five (98,876,905) Saudi riyals, which represents (49.44%) of the capital. As a result, the BOD recommended, on 22/04/1441H (corresponding to 19/12/2019G), to reduce the Company's capital from two hundred million (200,000,000) Saudi riyals to one hundred and one million, one hundred twenty-three thousand and one hundred (101,123,100) Saudi riyals, with a reduction rate of (49.438%) of the capital, given that the Company's losses reached as of 02/07/1441H (corresponding to 26/02/2020G), an amount of one hundred and twenty-one million, two hundred and eighty-two thousand six hundred and forty-five (121,282, 645) Saudi riyals, which represents (61%) of the Company's capital. The BOD decided on 20/07/1441H (corresponding to 15/03/2020G) to amend its previous recommendation issued on 22/04/1441H (corresponding to 19/12/2019G) and to recommend to the EGA the reduction of the Company's capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals. It should be noted that this recommendation is conditional on the Company obtaining approvals from the competent authorities (the CMA "The Authority", the Stock Exchange Company "Tadawul" and the Ministry of Commerce), and the shareholders in the (Extraordinary) General Assembly. The Company obtained the approval of the Authority on 29/07/1441H (corresponding to 24/03/2020G).
- On 15/08/1441H (corresponding to 08/04/2020G), the convening Extraordinary General Assembly - based on the recommendation of the Board of Directors (BOD) on 20/07/1441H (corresponding to 15/03/2020G) amending the previous recommendation on 22/04/1441H (corresponding to 19/12/2019G) - agreed to reduce the Company's capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals. The reduction percentage has reached (61.4%), in order to extinguish the accumulated losses at a value of one hundred twenty-two million eight hundred twenty-nine thousand six hundred and fifty (122,829,650) Saudi riyals, and thus twelve million two hundred and eighty-two thousand nine hundred and sixty-five (12,282,956) shares were cancelled. On 01/11/1441H (corresponding to 06/22/2020G), the company announced that its accumulated losses had decreased to zero (0%) of the capital as on 15/08/1441H (corresponding to 04/08/2020G).
- The Company's current capital is seventy-seven million one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals, divided into seven million seven hundred and seventeen thousand and thirty-five (7,717,035) nominal shares of equal value, the value of each is ten (10) Saudi riyals, all of which are ordinary cash shares.
- On 10/10/1442H (corresponding to 22/05/2021G), the Company's Board recommended increasing its capital by offering Rights Issue shares at a value of one hundred and fifty-four million three hundred and forty thousand seven hundred (154,340,700) Saudi riyals, so that the Company's capital becomes two hundred and thirty-one million five hundred and eleven thousand and fifty (231,511,050) Saudi riyals, after obtaining the necessary regulatory approvals and the approval of the (Extraordinary) General Assembly.

(For more details about the Company's incorporation, its historical background and the changes made to its capital, please see sub-paragraph (9-1-2)." **Establishment of the Company and Stages of Capital Development**" from Paragraph (9-1) "**Introduction about the Company and the Major Occurring Changes**" from Section (9) "**Legal Information**" of this Prospectus).

### 3-3 The Company's Main Activities

Wafrah Company's activities are divided into three (3) main activities:

#### Manufacturing and distribution of food products:

It is the Company's main activity which includes the manufacture of the following food products:

- Pasta, spaghetti and vermicelli.
- Frozen, chilled and cooked meat.
- Frozen potato fingers.
- Breakfast cereal products (corn flakes), nuts and peanuts products and spice packaging.

The Company owns and operates four modern and technically advanced factories:

- **Pasta, Spaghetti and Vermicelli Factory:** The Pasta Factory offers a wide variety of pasta products under several brand names, including: "Wafrah" and "Caprini" and "Saudi Gardens and Nemah", as the Company produces various pasta products under the names of the largest supermarket groups under its own brand names. The Company uses imported durum wheat semolina, and Saudi wheat flour to produce pastries and products of different levels.

The factory consists of four production lines:

- Production of short pasta of all kinds (2 lines)
  - Production of long pasta (spaghetti)
  - Vermicelli production
- **Factory of Frozen, Chilled and Cooked Meat:** The meat factory produces frozen meat products, including burgers, kebabs, sausages, and cooked meat slices such as mortadella, minced meat, and others, with the flexibility to produce more types of meat and chicken products. These products are marketed under two brands "Wafrah" and "Aghsan" with other special products manufactured under the private names of other distributors and a number of fast-food operators.
  - **Wafrah Vegetable Factory (Frozen Potato Fingers):** The factory has two independent lines:
    - Frozen Potato Chips, Potato Corners and Rings Production Line: Products are packaged under the "Wafrah" brand and "Macolate al-rakia" and "Aghsan". Thanks to the great quality and balanced price preserved by the Company, "Wafrah" commercial brand became one of the most favorite brands in the Saudi potato chips market.
    - Pickles Production Lines: The pickles production line was stopped in 1998G by a BOD Resolution due to the unavailability of the appropriate raw materials for the production of the required quality pickles.
  - **The Breakfast Cereals Factory (corn flakes), Nuts and Spices Filling:** This factory produces breakfast cereals under high quality brands and at competitive prices which are "Saudi Gardens" and "Caprini", such as cornflakes frosted, bran flakes, crispy rice and coco. As for the other factory line, it is for the production of peanut products, where the factory produces varieties of peanut butter and roasted salted peanuts. It should be noted that the sales of breakfast cereals and nut lines have been modest for years compared to the Company's other factories, but efforts have begun to bear fruit in contracting with various parties to produce their own brands of breakfast cereals and nuts. In addition, the Company started introducing its products in some supermarkets and hypermarkets to raise the factory's contribution to its total revenues.
  - **Dates Factory in Al Kharj:** The factory is designed to manufacture date processing products such as dates paste, dates molasses and vinegar and to produce fodder from dates waste. It also includes a line for the production of jam from dates and other fruits. The Company reported that the factory was suspended from work because it was located on the course of Wadi Al Ghaylanah and because it did not comply with the environmental health requirements to approve the issuance of the municipality license.

Goods are distributed to the hyper, wholesale and retail sectors through a transportation fleet owned or leased by the company. The company also has sufficient warehouses for raw materials and finished products, dry, chilled and frozen, which it appoints to set production and distribution plans.

#### Real Estate Activity:

According to its Bylaws, the Company's real estate activity is represented in land plots and real estate investments as follows:

- Purchase and sale of land plots for the Company's benefit
- Management and leasing of owned or leased real estates (residential and non-residential)
- Management, maintenance, operation, ownership and establishment of industrial projects for the Company's benefit

The Company has purchased investment lands in the Jizan region from Tanmiyat Commercial Investment Company, pursuant to the Board Resolution issued during its seventh session on 12/02/1436H (corresponding to 04/12/2014G). These lands consist of eighteen (18) plots in Muhammadiyah investment scheme in Jizan city, and their total area is (10,803.60) square meters.

Based on the Executive Committee recommendation, the BOD approved, by virtue of minutes no. (12-6) dated (corresponding to 12/09/2021G), the sale of all these investment lands in Muhammadiyah Investment Scheme in Jizan City (Buyer: Omar Abdullah Abdul Rahman), which has a total area of (10,803.6) square meters, at a total price of ten million five hundred and sixteen thousand (10,516,000) Saudi riyals. The value was paid by certified checks, and the reason for holding this transaction is the Company's desire to increase liquidity and support working capital.

As of the date of this prospectus, the Company does not have any real estate registered in its name.

#### Investment Activity:

Wafrah for Industry and Development Company has invested in three (3) companies. The following is a summary of these investments:

- East Asia Agricultural Development and Investment Company, a closed joint stock company. The investment percentage represents (14.285%) of the paid-up capital of seventy million (70,000,000) Saudi riyals.
- Jannat Agricultural Investment Company is a Saudi limited liability company (under liquidation). The investment percentage represents (11.1%) of the paid-in capital of sixty-three million (63,000,000) Saudi riyals. The Company's share amounted to fifty thousand (50,000) Saudi riyals in the establishment expenses.
- Rakhaa for Agricultural Investment and Development, an Egyptian joint stock company. The investment percentage represents (8.628%) of the paid-in capital of eighty million (80,000,000) Egyptian pounds. Wafrah for Industry and Development Company invested in Rakhaa for Agricultural Investment and Development (an Egyptian joint stock company), after the Jannat Agricultural Investment Company waived the ownership of a number of its shares in favor of Wafrah Company.

### 3-4 Company Branches

In addition to its main branch, Wafrah Company has ten (10) branches within the KSA, and the following is a table of the major details of its commercial registers:

Table No. (2): Wafrah Company for Industry and Development Branches

#	Branch Name	Entity Type	Site	Commercial Register Nb.	Activity	Issue Date	Expiry date	Issuer
1	Wafrah for Industry and Development Company	Joint Stock Company	Riyadh - Third Industrial City	1010076996	Production of chilled and frozen meat, manufacture of food products made of potatoes, including (potato chips), manufacture of breakfast foods from cereals in the form of flakes, including (cornflakes, chips ... etc.), pasta of all kinds	24/10/1410H (corresponding to 19/05/1990G)	23/10/1443H (corresponding to 24/05/2022G)	Ministry of Commerce - Commercial Register Office in the City of Riyadh
2	Wafrah for Industry and Development Company	Joint Stock Company Branch	Dammam - King Abdul Aziz Street - Al Rabieh District	2050028895	Wholesale of Food and Beverages, Distribution Centers for Food and Beverages	12/06/1415H (corresponding to 16/11/1994G)	12/06/1444H (corresponding to 05/01/2023G)	Ministry of Commerce - Commercial Register Office in the City of Dammam

#	Branch Name	Entity Type	Site	Commercial Register Nb.	Activity	Issue Date	Expiry date	Issuer
3	Wafrah for Industry and Development Company	Joint Stock Company Branch	Jeddah - Al Haramain Road - Intersection of Tahlia Street - Al Safa District	4030108227	Wholesale of Food and Beverage, Distribution Centers for Food and Beverage	04/07/141H (corresponding to 07/12/1994G)	04/07/1443H (corresponding to 05/02/2022G)	Ministry of Commerce - Commercial Register Office in the City of Jeddah
4	Wafrah for Industry and Development Company*	Joint Stock Company Branch	Al-Kharj - Al-Sahba District	1011016028	Drying and packaging of dates and the manufacture of their products	03/01/1433H (corresponding to 28/11/2011G)	13/01/1445H (corresponding to 31/07/2023G)	Ministry of Commerce - Commercial Register Office in the City of Al-Kharj
5	Wafrah for Industry and Development Company*	Joint Stock Company Branch	Al-Kharj - Al-Sahba District	1011016029	Production of fodder under industrial license No. (26/R) dated 20/01/1411 AH	03/01/1433H (corresponding to 28/11/2011G)	03/01/1446H (corresponding to 09/07/2024G)	Ministry of Commerce - Commercial Register Office in the City of Al-Kharj
6	Wafrah Factory for Grain Products, a branch of Wafrah for Industry and Development Company	Joint Stock Company Branch	Riyadh - Third Industrial Area	1010320952	Manufacture of breakfast foods from cereals in the form of flakes, including (cornflakes, chips...etc.)	03/01/1433H (corresponding to 28/11/2011G)	03/01/1446H (corresponding to 07/09/2024G)	Ministry of Commerce - Commercial Register Office in the City of Riyadh
7	Wafrah Factory for Frozen Vegetables, a Branch of Wafrah for Industry and Development Company	Joint Stock Company Branch	Riyadh - Third Industrial Area	1010320956	Pickles and Pickles Products Industry (Pickling)	03/01/1433H (corresponding to 28/11/2011G)	09/01/1446H (corresponding to 15/07/2024G)	Ministry of Commerce - Commercial Register Office in the City of Riyadh
8	Wafrah Factory for Ready-made Food, Wafrah for Industry and Development Company	Joint Stock Company Branch	Riyadh - Third Industrial Area	1010320955	Production of chilled and frozen meat	03/01/1433 H (corresponding to 28/11/2011G)	03/01/1446 H (corresponding to 09/07/2024G)	Ministry of Commerce - Commercial Register Office in the City of Riyadh

#	Branch Name	Entity Type	Site	Commercial Register Nb.	Activity	Issue Date	Expiry date	Issuer
9	Wafrah Factory for Pasta and Vermicelli, a branch of Wafrah for Industry and Development Company	Joint Stock Company Branch	Riyadh - Third Industrial Area	1010320947	Pasta Production of all kinds	03/01/1433 H (corresponding to 28/11/2011G)	03/01/1446 H (corresponding to 09/07/2024G)	Ministry of Commerce - Commercial Register Office in the City of Riyadh
10	Wafrah Factory for Ready-made Food, Wafrah for Industry and Development Company **	Joint Stock Company Branch	Riyadh - Third Industrial Area	1010320946	Manufacture of breakfast foods from cereals in the form of flakes, including (cornflakes, chips...etc.)	03/01/1433 H (corresponding to 28/11/2011G)	09/01/1446 H (corresponding to 15/07/2024G)	Ministry of Commerce - Commercial Register Office in the City of Riyadh
11	Wafrah for Industry and Development Company Branch	Joint Stock Company Branch	Khamis Mushait - Damak District - Refrigerator Market	5855339110	Marketing of the Company's Products	22/05/1439 H (corresponding to 08/02/2018G)	28/02/1444 H (corresponding to 24/09/2022G)	Ministry of Commerce - Commercial Register Office in the City of Khamis Mushait

Source: The Company

\* The Company stated that the factory was suspended from work because it was located on the course of Wadi Chailana, and it did not comply with the environmental health requirements to approve the issuance of a municipal license.

\*\*According to the Company's statement, the commercial register will be deleted.

### 3-5 Investment Activity

According to Article (4) of the Company's Bylaws, the Company may establish other companies on its own (with limited liability or closed joint stock), provided that the capital is not less than five million (5,000,000) Saudi riyals. It may also own shares and stakes in other existing companies or merge with them. Moreover, it is entitled to participate with others in the establishment of joint stock or limited liability companies, after fulfilling the requirements of the regulations and instructions followed in this regard. The Company may also dispose of these shares or stakes, provided that this does not include mediation in their trading.

As of the date of this Prospectus, the Company does not have any subsidiary company inside or outside the KSA, but it has investments in three (3) companies: (1) East Asia Agricultural Development and Investment Company and (2) Jannat Agricultural Investment Company (under liquidation) inside the Kingdom, and (3) Rakhaa for Agricultural Investment & Development outside the Kingdom (Egypt).

The following table shows the most important details of these investments:

Table No. (3): Investments in Other Companies

Company's Name	Place of Incorporation	Activity	Owned Shares/ Stakes	Book Value on 31/12/2020G	Ownership Percentage
East Asia Agricultural Development and Investment Company	KSA	agricultural manufacturing	705,000 Shares	Zero	14.285%
Jannat Agricultural Investment Company - Under Liquidation	KSA	Agricultural (through Rakhaa Egyptian Company)	699,300 Stakes	Zero	11.1%
Rakhaa for Agricultural Investment & development Company	Egypt	agricultural investment	6,902 Shares	Zero	8.628%

Source: The Company

### 3-6 The Company's Substantial Shareholders

As of the date of this prospectus, the company does not have any substantial shareholder who owns 5% or more of the Company's capital.

### 3-7 The Company's Vision

The Company strives to provide distinct and preferred products to consumers.

### 3-8 The Company's Mission

The Company aims to provide healthy, high-quality food products by committing to applying international quality standards and using advanced industrial technologies that take into account the requirements of the environment, with a team spirit in order to achieve excellence, optimal investment of available resources, and the satisfaction of shareholders, customers and employees.

### 3-9 The Company's Strategy

The Company's stated strategic goals are as follows:

- Develop its employees' skills and improve their performance
- Develop production lines and improve the quality of products to reduce the percentage of damaged ones
- Increase Company profits
- Increase national sales
- Increase international sales (export).

### 3-10 The Company's Strengths and Competitive Advantages

The strengths and competitive advantages of the Company are as follows:

- The Company owns four (4) factories that produce a large number of basic and diversified food products that are strongly present on a daily basis at the table of consumers with different tastes.
- The Company owns a large number of brands at different competitive prices, which enables all consumers to purchase its products according to their different tastes.

- The high quality of the products and the high adherence to international, Gulf and Saudi standards represent a great competitive advantage for the Company.

### 3-11 Business Interruption

There has been no interruption in the Company's business that could affect or have had a noticeable impact on its financial position during the last (12) months.

### 3-12 Employees and Saudization

According to the Nitaqat program issued by the Ministry of Human Resources and Social Development, the Saudization rate as of the date of this Prospectus reached (20.62%), and it is classified within the (medium green) range as a medium facility (Category C) of the Nitaqat program, and it falls under the "Manufacturing - Materials" sector raw processing, food, clothing, furniture and construction.

The following table shows the number of the Company's employees for the last three years 2018G, 2019G and 2020G and until 30/09/2021G:

Table No. (4): Distribution of the Company's Employee Numbers for the Last Three Years (2018G, 2019G and 2020G) until 30/09/2021G

Statement	2018G		2019G		2020G		2021G (Until 30/09/2021G)	
	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis
Wafrah for Industry and Development Company	55	209	59	201	59	239	53	239
<b>Total</b>	<b>264</b>		<b>260</b>		<b>295</b>		<b>292</b>	

Source: The Company

Table No. (5): Distribution of the number of company's employees according to government agencies data

Statement	Social Insurance Certificate	Ranges		Resident Extract		Salary	
	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis	Non-Saudis
Wafrah for Industry and Development Company	69	235	47	179	241	68	225
Wafrah Grain Products Factory	-	-	-	-	-	-	-

Source: The Company

As of January, 2022G, the number of Wafrah for Industry and Development Company employees reached two hundred ninety-three (293) employees, including seventy-four (74) Saudi employees and two hundred and nineteen (219) non-Saudi employees.

The reason for the discrepancy in the number of employees is due to the process of updating the Company's data with various government agencies.



## The Company's Organizational Structure

# 4- The Company's Organizational Structure

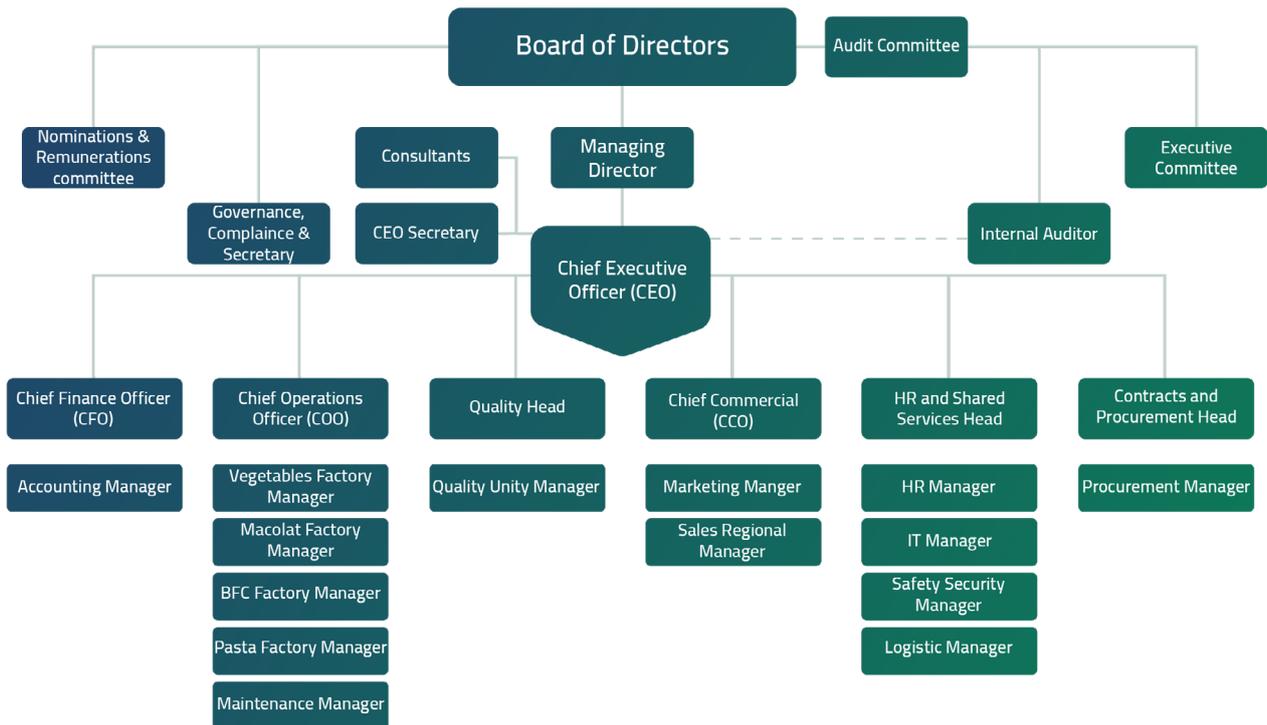
## 4-1 Organizational Structure

The Company has an organizational structure that lay down the different departments and delegation of powers and works among them. The Company's administrative structure consists of the Board of Directors and a team of senior executives (senior management). The organizational structure is headed by the Board of Directors and supported by the senior management, which is responsible for supervising the daily management of the Company. The Board is responsible for the general guidance, supervision and control of the Company. The Board has delegated the responsibility to implement the strategic plans and the Company's day-to-day business operations to the senior management, headed by the CEO. Moreover, the Board is responsible in laying down the necessary policies and procedures to ensure the efficiency and effectiveness of the Company's management and its internal control system and to ward off risks as much as possible.

In addition to the audit committee, the Company established an executive committee and remuneration and nomination committee, whose task is to submit reports to the board of directors. The executive management, who have been delegated by the Board of Directors with specific executive power, has the responsibility for managing the daily operations of the Company.

The following is an illustration showing the organizational structure of the Company that was approved by the BOD in accordance with Minutes of Passing No. (12-13) dated 13/04/1443H (corresponding to 18/11/2021G)

Figure No. 1: The Organizational Structure of the Company



Source: The Company

## 4-2 Board of Directors

The following table sets forth the names and details of the current Board Members:

Table No. (6): Board Members

Board of Directors (BOD) and Secretary Company's BOD Appointed on 01/06/1442H (corresponding to 14/01/2021C)											
Name	Position	On Behalf of	Nationality	Age	Membership Status			Owned Shares			Date of Membership
					Executive	Independent	Direct	Indirect***	Total	Percentage %	
Muhammad Yaaqoub Yusuf Al-Makhdhab	Chairman of the Board	Himself	Saudi	44	Non-Executive	Independent	100	-	100	0.0012958	01/06/1442H (Corresponding to 14/01/2021G)
Mohammed Hindi Shujaa Al-Otaibi	Vice Chairman of the Board	Himself	Saudi	45	Non-Executive	Independent	4,995	-	4,995	0.0647269	01/06/1442H (Corresponding to 14/01/2021G)
vacancy***	--	--	--	--	--	--	--	--	--	--	--
Iyad Abdul Rahman Muhammad Al-Bunyan	Board Member	Himself	Saudi	47	Non-Executive	Independent	12,000	-	12,000	0.1555001	01/06/1442H (Corresponding to 14/01/2021G)
Mohammed Saud Abdullah Al-Semari	Board Member	Himself	Saudi	48	Non-Executive	Independent	1,000	-	1,000	0.0129583	01/06/1442H (Corresponding to 14/01/2021G)
Faisal Mohammed Abdul Aziz Al-Khudairi	Board and Delegate Member	Himself	Saudi	45	Executive	Non-independent	10	-	10	0.0001295	01/06/1442H (Corresponding to 14/01/2021G)
Faisal Abdullah Mohammed Jaideh Al-Qahtani	Board Member	Himself	Saudi	47	Non-Executive	Independent	100	-	100	0.0012958	01/06/1442H (Corresponding to 14/01/2021G)
<b>Board Secretary</b>											
Salah Ali Mahjoub	--	Himself	Saudi	71	Executive	Non-independent	--	--	--	--	05/06/1442H (Corresponding to 18/01/2021G)

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\* On 01/06/1442H (corresponding to 14/01/2021G), the Ordinary General Assembly (OGA) (No. 36 - First Meeting) agreed to dismiss the members of the previous BOD, based on the request submitted by some of the Company's shareholders, who own shares representing (7.14%) of the Company's capital. The meeting of the GA elected the aforementioned BOD for the current session (12th session) which starts from the date of the OGA meeting on 01/06/1442H (corresponding to 14/01/2021G), and for a period of three years ended 01/07/1445H (corresponding to 13/01/2024G).

On 05/06/1442H (corresponding to 18/01/2021G), the assembled BOD decided to appoint Muhammad Yaqoub Yousef Al-Makhdhab as the Board Chairman and Muhammad Hindi Shuja Al-Otaibi as Vice Chairman. It was also decided to appoint Faisal Mohammed Abdul Aziz Al-Khudairi as Managing Director and Salah Ali Mahjoub as the Board Secretary.

\*\* The shares indirectly owned by members of the Board of Directors in the Company through their ownership in companies holding shares in the Company or shares owned by relatives of Board members, either directly or through their ownership in companies holding shares in the Company.

\*\*\* On 28/03/1443H (corresponding to 03/11/2021G), the BOD former member, Muhammad Abdul Razzaq Aboud Al-Baghdadi, submitted his resignation, which was approved by the Board by Resolution No. (12-11) passed by circulation and dated 29/03/1443H (corresponding to 04/11/2021G), provided that it is considered valid from the date of its submission.

### 4-3 Mandatory Positions on the Board of Directors

According to Article (20) of the Company's Bylaws, the Board of Directors shall appoint from among its members a chairman and a vice chairman, and it may appoint a managing director. It is not permissible to combine the position of the chairman of the Board of Directors with any executive position in the Company. The Board of Directors shall have the powers listed in Article (18) of the Bylaws. Whereas the powers of chairman, vice chairman, the managing director or the CEO, and the secretary, are set out in Article (20) of the By-laws. The Board's Secretary shall undertake the tasks and powers assigned thereto by the Board. The Company is in compliance with the Bylaws and the Corporate Governance Regulations with respect to the mandatory appointment in the compulsory positions as follows:

Table No. (7): Summary of Appointment decisions to Mandatory Positions

Position	Date of Board Resolution	Appointee
Chairman of Board of Directors	Board Meeting Minutes on 05/06/1442H (corresponding to 18/01/2021G)	Muhammad Yaqoub Al-Makhdhab
Vice Chairman of the Board	Board Meeting Minutes on 05/06/1442H (corresponding to 18/01/2021G)	Mohammed Hindi Shuja Al-Otaibi
Managing Director	Board Meeting Minutes on 05/06/1442H (corresponding to 18/01/2021G)	Faisal Abdulaziz Mohammed Al-Khudairi
Chief Executive Officer (commissioned)	Board Meeting Minutes on 17/06/1443 H (corresponding to 20/01/2022G)	Khaled Saleh Abubaker El Amudi
Secretary of the Board	Board Meeting Minutes on 05/06/1442H (corresponding to 18/01/2021G)	Salah Ali Mahgoub

Source: The Company

\* On 08/05/1443H (corresponding to 12/12/2021G), the Board of Directors approved the resignation of the former CEO, Mr. Maqid Ibrahim Ramdan Al-Otaibi, which he submitted on 04/04/1443H (corresponding to 09/11/2021G) for special reasons. On 06/17/1443H (corresponding to 01/20/2022G), the Board of Directors decided - based on the recommendation of the Remuneration and Nominations Committee - to assign Mr. Khaled Saleh Abu Bakr Al-Amoudi as CEO of the company.

## Board Meetings

- According to Article (21) of the Bylaws, the Board shall be convened at least (2) twice per year upon a written invitation given by the Chairman. The Chairman shall call a meeting of the Board by written invitation, delivered personally, by mail, fax or e-mail. The Chairman must call a meeting of the Board if requested by any two Directors.
- It is evident from the Board Minutes meetings for the years 2018G, 2019G, that the Company is compliant with the provisions of the Bylaws.
- The following table sets forth the Company's commitment to the Bylaws in terms of the number of meetings (in addition to certain meetings conducted via phone).

Table No. (8): The Number of Board Meetings during the Last Three Years until the Date of the Prospectus

Administrative Authority	2018G	2019G	2020G	2021G
Board of Directors	5	6	6	6

Source: The Company

## 4-4 The Board Committees

The Board has formed a number of specialized committees, whether in accordance with the requirements of the Companies Law, the Capital Market Authority Law and Regulations, or in light of the Company's business need, to assist the Board in managing its tasks more effectively. They are as follows:

### 4-4-1 The Audit Committee

The Board of Directors formed the Audit Committee in accordance with Article (35) of the Company's Bylaws and first of the Company's Audit Committee Regulations. Accordingly, this Committee must be composed of three (3) members who are not members of the Executive Board of Directors, whether shareholders or others. The members of the Audit Committee were appointed by the Ordinary General Assembly held on 05/08/1442H (corresponding to 18/03/2021G), based on a resolution of the Board of Directors by passing on 02/07/1442H (corresponding to 14/02/2021G), for a new term It ends at the end of the current term of the Board of Directors on 01/07/1445H (corresponding to 13/01/2024G), and it consists of the following members:

Table No. (9): Members of the Audit Committee

Name	Position	Membership Status	Appointment Date
Faisal Abdullah Mohammed Al-Qahtani	Committee Chairman	Independent Board Member	05/08/1442H (corresponding to 18/03/2021G)
Hani Abdullah Siraj Abul Naga	Committee Member	Non-Board Member	05/08/1442H (corresponding to 18/03/2021G)
Abdul Rahman Abdul Mohsen Suleiman with Al-Chunaim	Committee Member	Non-Board Member	05/08/1442H (corresponding to 18/03/2021G)

#### 4-4-1-1 Duties, Terms of Reference and Powers of the Audit Committee

In accordance with the second clause of the Audit Committee Regulations (12th Session, 2021G – 2024G), the Audit Committee is responsible to oversee the Company's business and fully review reports, financial statements and internal control systems. The Committee's responsibilities include, in particular, the following:

- **The Financial Reports:**

1. Review the Company's initial and annual financial statements before submitting them to the BOD and express its opinion and recommendation in this regard to ensure its integrity, fairness and transparency.
2. Express a technical opinion - at the request of the BOD - on whether the Board's report and the Company's financial statements is fair, balanced and understandable and include information that allows shareholders and investors to evaluate the Company's financial position, performance, business model and strategy.
3. Study any important or unfamiliar issues contained in the financial reports.
4. Thoroughly research any issues raised by the Company's financial manager or whoever assumes his duties: the compliance officer, or the auditor.
5. Verify the accounting estimates used in the Company and express an opinion and a recommendation to the BOD in this regard.

- **The Internal Audit:**

1. Study and review the Company's internal, financial control and risk management systems.
2. Study internal audit reports and follow up the implementation of all corrective actions for the notes contained therein.
3. Monitor and supervise the performance and activities of the internal auditor to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned to them.
4. Recommend to the BOD the appointment of the internal auditor and the proposal of his remuneration.

- **The Auditor:**

1. Recommend the BOD to nominate and dismiss auditors, determine their fees and evaluate their performance, after verifying their independence and reviewing the scope of their work and the terms of their contract.
2. Verify the independence of the Company's auditor and his work, and that he did not submit technical and administrative works outside the scope of audit work, and express its views in this regard.

- **The Commitment Guarantee:**

1. Review the regulatory authorities' reports results and verify that the Company has taken the necessary measures in this regard.
2. Verify the Company's compliance with relevant laws, regulations, policies and instructions.
3. Review the contracts and transactions proposed to be conducted by the Company with related parties, and present its views in this regard to the BOD.
4. Raise the issues it deems necessary to take action on to the BOD, and make recommendations for the actions to be taken.
5. Study and review risk management in the Company.

In accordance with Clause Three (3) of the Regulations, the Audit Committee, in order to perform its duties, has the following powers:

1. The right to check the Company's records and documents.
2. The right to request any clarification or statement from Board members, the executive management, or the Company's employees for the purpose of investigating and inquiring about any information.
3. The right to request the BOD to invite the Company's GA to convene in case it obstructs its work, or the Company suffers serious damage or losses.
4. Study the auditor's report and his notes on the financial statements and follow up on the decisions taken in their regard.
5. The right to investigate any matter that falls within its duties, or any subject specifically requested by the BOD.
6. The right to seek legal and technical advice from any third party or any other independent advisory body whenever it is necessary to assist the Committee in performing its tasks.
7. Verify any deficiencies related to risk management and internal audit management.
8. The right to request the executive management to inform the Chairman of the Audit Committee of any defect, fraud, or abuse, according to its severity.

#### 4-4-1-2 The Audit Committee Meetings

- In accordance with Article (57) of the Corporate Governance Regulations and Item Four of the Company's Audit Committee Regulations, the Audit Committee meets periodically, provided that its meetings are not less than four (4) meetings during the Company's financial year.
- The table below shows the number of the Audit Committee meetings during the years 2018G, 2019G, 2020G and 2021G:

Table No. (10): Number of Audit Committee Meetings during the Last Three Years:

Audit Committee	2018G	2019G	2020G	2021G
	4	3	3	12

Source: The Company

### 3.4.2 The Remuneration and Nomination Committee (R&NC)

The Remuneration and Nomination Committee was formed in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority and the Regulations of the Company's R&NC, and by non-executive Board members' Resolution, provided that at least one independent member is among them. The current R&NC consists of three (3) members in addition to the Secretary (Salah Ali Mahjoub). It was formed pursuant to a Board Resolution dated 13/07/1442H (corresponding to 25/02/2021G), provided that the term of membership is concurrent with the Council's session and ends with the end of the session on 01/07/1445H (corresponding to 13/01/2024G), and it consists of the following members:

Table No. (11): Members of the Remuneration and Nominations Committee

Name	Position	Membership Status	Appointment Date
Mohammed Saud Abdullah Al-Semari	Committee Chairman	Independent Board Member	13/07/1442H (corresponding to 25/02/2021G)
Mohammed Hindi Shuja Al-Otaibi	Committee Member	Independent Board Member	13/07/1442H (corresponding to 25/02/2021G)
Faisal Abdullah Mohammed Al-Qahtani	Committee Member	Independent Board Member	13/07/1442H (corresponding to 25/02/2021G)

Source: The Company

#### 4-4-2-1 Functions of the Remuneration and Nomination Committee

In accordance with the Second Clause of the Company's Nominations and Remuneration Committee Regulations, the Committee is responsible for the following:

1. Prepare a clear policy for the Board members' remuneration and the committees emanating from the Board and the Executive Management, then submit it to the Board for consideration in preparation for approval by the GA, provided that specific standards related to performance, disclosure, and the verification of its implementation are taken into account and followed in this regard.
2. Clarify the relationship between the granted remunerations and the applicable remuneration policy, and indicate any material deviation from this policy.
3. Periodically review the remuneration policy, and evaluate its effectiveness in achieving its objectives.
4. Recommend to the BOD the remuneration of the Board members, committees and senior executives in accordance with the approved policy.
5. Propose clear policies and criteria for membership in the BOD and Executive Management.
6. Recommend the BOD to nominate and re-nominate members in accordance with the approved policies and standards, taking into account not to nominate any person previously convicted of a crime against honor and honesty.
7. Prepare a description of the capabilities and qualifications required for the Board membership and executive management positions.
8. Determine the time that a member should allocate and devote for the Board's works and agenda.
9. Annually review the necessary needs for skills or appropriate expertise for Board membership and Executive Management functions.

10. Review the Board structure and the Executive Management and make recommendations regarding the changes that can be made.
11. Annually verify the independence of independent members, and the absence of any conflict of interest if the member is a Board member in another company.
12. Develop job descriptions for executive members, non-executive members, independent members and senior executives.
13. Establish special procedures in the event of a vacancy in the position of Board members or senior executives.
14. Determine the Board's weaknesses and strengths, and propose solutions to address them in line with the Company's interest.

#### 4-4-2-2 Remuneration and Nomination Committee Meetings for the Last Three years

- In accordance with Clause Seven of the R&NC Regulations, the Committee shall meet periodically at least every six (6) months and whenever the need arises.
- The table below shows the number of meetings of the R&NC during the years 2018G, 2019G, 2020G and 2021G (up to the date of this Prospectus):

Table No. (12): Number of Remuneration and Nomination Committee meetings during the last three years:

R&NC	2018G	2019G	2020G	2021G
	2	2	3	7

Source: The Company

#### 4-4-3 The Executive Committee

The BOD formed the Executive Committee to assist it in assuming its responsibilities before the shareholders and other parties, by supervising the Company's Executive Management, reviewing its work, and taking decisions in matters delegated to it by the Board. The Executive Committee was formed in accordance with the requirements of the Company's Executive Committee Work Regulations, provided that it consists of three members from Board members, among whom is the Managing Director. It also chooses a secretary from or outside its members. The current Executive Committee consists of three (3) members who were appointed by the BOD on 13/07/1442H (corresponding to 25/02/2021G) from Board members, and it consists of the following members:

Table No. (13): Members of the Executive Committee

Name	Position	Membership Status	Appointment Date
Muhammad Yaqoub Yusuf al-Makhdhab	Committee Chairman	Independent Board Member	13/07/1442H (corresponding to 25/02/2021G)
Faisal Mohammed Abdul Aziz Al-Khudairi	Committee Member	Independent Board Member	13/07/1442H (corresponding to 25/02/2021G)
Iyad Abdul Rahman Muhammad Al-Bunyan	Committee Member	Independent Board Member	13/07/1442H (corresponding to 25/02/2021G)

Source: The Company

#### 4-4-3-1 Duties and Powers of the Executive Committee

According to the Second Clause of the Company's Executive Committee Work Regulations, the duties and responsibilities of this committee include the following:

1. Follow up on the Company's long, medium and short-term strategic plans, update and review them from time to time.

2. Follow up the implementation of the Company's financial, administrative and control policies and regulations and propose amendments to the BOD.
3. Meet with departments' directors, heads of departments, auditors, internal auditors, and any other responsible concerned with monitoring the Company's operational and financial performance.
4. Follow up the implementation of the Company's estimated budgets, analyze the causes of deviations - if any - and make recommendations in this regard.
5. Review and monitor approved capital expenditures.
6. Review the monthly and quarterly financial statements and the Company's final accounts.
7. Follow up on the implementation of the important recommendations made by the internal auditor and the auditor.
8. Take the necessary decisions to increase the Company's revenues and reduce its expenses.
9. Choose and assign agencies that provide consulting and advisory services according to what it deems for the interest of the work.
10. Any other tasks assigned by the Board to the Committee.

In order for the committee to carry out its responsibilities, the BOD delegates to it - in accordance with Clause Three (3) of the Committee's work Regulations - the authority to obtain the information it needs from:

- The Company's employees (who must all cooperate with the Committee and provide it with any requested information).
- Legal and professional advisors from inside or outside the Company.
- Invite the Company's specialized employees to attend the Committee's meetings and discussions whenever necessary.
- Seek the assistance of advisors and specialized experts it deems appropriate to assist it in evaluating the presented studies and plans.

#### 4-4-3-2 Executive Committee Meetings

- According to Paragraph (8) of Clause Four (4) of the Company's Executive Committee Work Regulations, the Committee meets at least four (4) times annually.
- It should be noted that on 01/11/1440H (corresponding to 04/07/2019G), the BOD decided to cancel the Executive Committee before deciding to re-form it in 2021G.
- The table below shows the number of the Executive Committee's meetings during the years 2018G, 2019G, 2020G and 2021G (up to the date of this Prospectus):

Table No. (14): Number of the Executive Committee Meetings during the Last Three Years:

	2018G	2019G	2020G	2021G
Executive Committee	3	0	NA	3

Source: The Company

## 4-5 Executive Management

The current Executive Management is headed by the delegate member appointed by the Board's resolution on 05/06/1442H (corresponding to 18/01/2021G). The following table shows the details of the Executive Management employees' names:

Table No. (15): Executive Management Staff

Executive Management								
Name	Position*	Nationality	Age	Membership Date	Owned Shares			
					Direct		Indirect	
					No.	%	No.	%
Faisal Mohammed Abdul Aziz Al-Khudairi	Managing Director	Saudi	45	14/01/2021G	10	0.0001295	-	-
Khaled Saleh El Amudi**	CEO (commissioned)	Saudi	44	20/01/2022G	-	-	-	-
Khaled Rida Al-Kharraz***	Finance Manager (commissioned)	Jordanian	43	01/08/2021G	-	-	-	-
Omar Abdel Karim Abdel Aziz	Operations Manager	Sudanese	49	08/11/2003G	-	-	-	-
Suleiman Muhammad Murshid Abu Ghazal	Human Resources (HR) Manager	Yemeni	30	01/06/2013G	-	-	-	-
Babiker Othman Ibrahim	Purchasing Manager	Sudanese	37	30/06/2013G	-	-	-	-
Third party	Internal Auditor	-	-	-	-	-	-	-
Shahnawaz Hassan Ali	Information Systems Analyst	Indian	33	07/03/2013G	-	-	-	-
Wael Ahmed Al-Ghamdi	Quality Assurance Manager	Saudi	37	26/09/2021G	-	-	-	-
-	Commercial Manager ****	-	-	-	-	-	-	-

Source: The Company

\*The nominations for the positions hereinbefore mentioned in this table will be modified to suit the new approved organizational structure.

\*\* On 08/05/1443H (corresponding to 12/12/2021G), the Board of Directors approved the resignation of the former CEO, Mr. Maqid Ibrahim Ramdan Al-Otaibi. He submitted it on 04/04/1443H (corresponding to 09/11/2021G) for special reasons. On 06/17/1443H (corresponding to 01/20/2022G), the Board of Directors decided - based on the recommendation of the Remuneration and Nominations Committee - to assign Mr. Khaled Saleh Abu Bakr Al-Amoudi as CEO of the company.

\*\*\*On 23/07/1443H (corresponding to 24/02/2022G), the Remuneration and Nominations Committee submitted its recommendation to assign Khaled Reda Al-Kharraz as the Financial Director of Wafrah Company for Industry and Development, which was approved by the Chairman of the Board of Directors.

\*\*\*\* As of the date of this Prospectus, the position of Commercial Director is still vacant.

### 3-6 Compensation and Remuneration of Board members and Senior Executives

The BOD's remuneration, in accordance with the provisions of Article Nineteen (19) of the Bylaws, consists of a lump sum paid annually, or attendance allowance for meetings, benefits in kind or a certain percentage of net profits after deducting the precautions prescribed by the GA in application of the provisions of the Companies Law And these Bylaws, taking into account that the percentage does not exceed 10%, and after distributing profits to shareholders, not less than 5% of the paid-up capital. In all cases, the total remunerations a member receives of financial or in-kind benefits may not exceed five hundred thousand (500,000) Saudi riyals, and the entitlement should be proportional to the number of sessions attended by the member.

The Board's report to the OGA shall include a comprehensive statement of what all the Board members received during the fiscal year in terms of remuneration, expense allowances and other benefits, as well as a statement of what Board members received in their capacity as workers or administrators, or in return for technical, administrative and advisory work. It shall also include a statement of the Board sessions' number and the those attended by each member from the date of the last GA meeting.

Table No. (16): Compensation and Remuneration of Board Members and Senior Executives

(SR)	2018G	2019G	2020G
Board Members & Committees	1,546,539	1,610,402	1,294,787
Senior Executives	1,567,984	1,656,507	1,757,023
<b>Total</b>	<b>3,114,523</b>	<b>3,266,909</b>	<b>3,051,810</b>

Source: The Company

The value of the remunerations, allowances and compensation allocated to Senior Executives amounted to one million and forty-six thousand two hundred and twenty-one (1,046,221) Saudi riyals as of 30/06/2021G.

## 4-7 Employees

### 4-7-1 Employee Stock Purchase Plan (ESPP) before submitting the Application for Registration and Offering of Securities that are Subject to this Prospectus

ESPP is a Company-run program in which participating employees can purchase Company stock at a discounted price.

As of the date of this Prospectus, the Company does not have any share allocation programs for its employees.

### 4-7-2 Employees Capital Sharing Arrangements

As of the date of this Prospectus, there are no arrangements to share capital with employees.



## Financial Information & Management Discussion and Analysis

## 5- Financial Information & Management Discussion and Analysis

### 5-1 Introduction

This section, "**Management Discussion, Analysis of the Financial Position and Results of Operations**" provides an analytical review of the operational performance and financial position of Wafrah for Industry and Development Company (the "**Company**") during the financial years ended December 31, 2018G, 2019G and 2020G and the nine-month period ended September 30, 2020G and 2021G. This section has been prepared based on the audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the audited financial statements for the nine-month period ended September 30, 2020G and 2021G and the notes attached thereto, which the Company's management prepared and were audited in accordance with international standards of auditing by Al-Azem, Al-Sudairy, Al-Shaikh & Partners, CPA's & Consultants for the financial years ended December 31, 2018G, 2019G and 2020G, and Al Kharashi & Co. Certified Accountants and Auditors) for the nine-month period ended September 30, 2021G.

The Company applied the International Financial Reporting Standards with its interpretations issued by the IFRS Advisory Council and approved in the KSA, in addition to other publications of standards approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA), which is referred to as the "**International Financial Reporting Standards Approved in the Kingdom of Saudi Arabia**" for the years ended December 31, 2018G, 2019G and 2020G and the nine-month period ended September 30, 2020G and 2021G.

Neither Al-Azem, Al-Sudairy, Al-Sheikh & Partners CPA's & Consultants, nor Al-Kharashi & Co. Certified Accountants and Auditors, nor any of their subsidiaries have any stake or interest of any kind in the Company. This Prospectus serves as the Company's auditors for the aforementioned periods.

The audited financial statements for the fiscal year ended December 31, 2020G, included a qualified opinion of the legal auditor and were disclosed in this section.

It should be noted that this part may include statements of a future nature based on management plans and current expectations regarding profit growth, results of operations and financial conditions. Accordingly, it contains risks and uncertain expectations that may lead to difference material results from the Company's actual results as a result of multiple factors and events, including the factors discussed in this section of the Prospectus or elsewhere as mentioned in section No. (2) titled "**Risk Factors**".

All financial information in this section is presented in Saudi Riyals unless otherwise stated. The amounts and percentages have been rounded to the nearest decimal number, and accordingly, if the numbers mentioned in the tables are summed, their sum may not correspond to the totals mentioned in those tables or to the Company's financial statements.

### 5-2 Board Members Approval of the Consolidated Financial Statements

The Board members acknowledge the following:

1. The financial information contained in this section has been extracted without material modifications and presented in a format consistent with the audited financial statements for the financial years ending on December 31 2018G, 2019G, 2020G and 2018G, in addition to the reviewed financial statements for the nine-month period ended September 30, 2020G and 2021G and the notes attached thereto, and that it includes financial information presented on a consolidated basis in a form consistent with the financial statements which have been prepared by the Company in accordance with the IFRS approved in the KSA by the Saudi Organization for Chartered and Professional Accountants (SOCPA).
2. The Company Losses have been incurred during the past three years, and with the exception of what has been disclosed in this section and Section (2) "Risk Factors" of this Prospectus in respect of accumulated losses, there has been no material adverse change in the financial and business position of the Company during the three financial years immediately preceding the date of an application submission for Rights Issue, in addition to the end of the period covered by the certified accountant's report in the approval of the Prospectus. The Board members confirm that all material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents or

- facts, if omitted, the data contained in this Prospectus will become misleading.
3. The Company does not have any property, including contractual securities or other assets, whose value is subject to fluctuations or difficult to ascertain, which significantly affects the assessment of the financial position, except for what has been disclosed in this section.
  4. No commissions, discounts, brokerage fees or non-cash compensation were granted by the Company to any of the Board members, Senior Executives, people responsible for the offering of securities, or experts during the three years immediately preceding the date of submitting an application for the Rights Issue.
  5. The Company does not have any loans or other indebtedness, including overdrafts from bank accounts, and acknowledges that there are no guarantee obligations (including personal guarantee, not covered by personal guarantee, secured by mortgage or not secured by pledge) or obligations under acceptance, acceptance credit or rental purchase obligations except as disclosed in this section and subparagraph (9.5.6) **“Loans and Facilities”** of Section (9) **“Legal Information”** of this Prospectus.
  6. To the best of the Company’s knowledge, there are no mortgages, rights, or any burdens or costs on its property as of the date of this Prospectus, except as disclosed in the Section No. (2) **“Risk Factors”** of this prospectus.
  7. The Company has information about any seasonal factors or economic cycles related to the activity that may have an impact on its business and financial position, except for what has been disclosed in Section No. (2) **“Risk Factors”** of this Prospectus.
  8. The Company has no contingent liabilities, guarantees, or any significant fixed assets to be purchased or rented other than what has been disclosed in this section and section no. (6) **“Use of Offering Proceeds and Future Projects”** of this Prospectus.
  9. The Company’s capital is not subject to the right of option.
  10. The Company has no information about any governmental, economic, financial, monetary or political policies or any other factors that have affected or could materially (directly or indirectly) affect its operations except as disclosed in Section (2) **“Risk Factors”** of this Prospectus.

### 5-3 The Auditor’s Qualified Opinion about the Financial Statements

#### Basis of the Qualified Opinion for the Fiscal Year 2020G

The legal auditor has not been able to reach sufficient conviction about the correctness of the grounds and assumptions used in evaluating property, plant and equipment as of December 31, 2020G, with a book value of SR (95.5 million), and he was not able, through alternative procedures, to reach a conviction about the non-impairment of property, plant and equipment as of December 31, 2020G. As a result, he was unable to determine whether it was necessary to make any adjustments related to the balance of property, plant and equipment in the statement of financial position, items that make up the statements of comprehensive income, changes in shareholders’ equity and cash flows.

#### Attention for the nine-month period ending September 30, 2021.

The company achieved accumulated losses amounting to 17.7 million Saudi riyals as on September 30, 2021G, and the company’s current liabilities exceeded its current assets by 8.6 million Saudi riyals on the same date. As a going concern, the legal auditor’s conclusion on this matter has not been modified.

### 5-4 Significant Accounting Policies

The following is a summary of the most important accounting policies adopted by the Company:

#### New standards, Amendments to Standards and Interpretations

There are no new standards issued. However, a number of amendments to the standards are effective as of January 1, 2020G, which are described below, but they do not have a material impact on the Company’s financial statements.

The following is a statement of the new standards and amendments to standards applicable for the years beginning on or after January 1, 2020G:

#### Amendments to IFRS 3 - Definition of Business

This amendment revises the definition of a business. According to the responses received by the International Accounting Standards Board, the implementation of the current guidance is believed to be too complex, and results in too many transactions eligible to form a business combination.

### Amendments to IAS 1 and IAS 8 - Definition of Material

These amendments to IAS 1 “**Presentation of Financial Statements**” and IAS 8, “**Accounting Policies and Changes in Accounting Estimates and Errors**” and subsequent amendments to other IFRS:

1. To use a consistent definition of material in all IFRS and the Conceptual Framework for Financial Reporting;
2. To clarify the explanation of the definition of material;
3. To include some guidance in IAS 1 on non-material information.

### Amendments to IFRS 9, IAS 39, and IFRS 7 Interest Rate Benchmark Reform

These adjustments provide some relief in connection with the reform of the benchmark interest rate. The exemptions relate to hedge accounting and have the effect that the reform of the interbank rate should generally not cause the termination of hedge accounting. However, any ineffective hedge should continue to be recorded in the statement of profit or loss.

### Amendments to IFRS 16 “Leases” in response to the effects of COVID-19 on Lessees

As of June 1, 2020G, IFRS 16 has been amended to provide a practical means for tenants calculating rental concessions that arise as a direct result of the COVID-19 pandemic, only if all of the following conditions are met:

- The change in lease payments results in a modified lease consideration that is substantially the same as, or less than, the lease consideration immediately prior to the change;
- Any reduction in rent payments affects only the payments due, beginning on or before 30 September 2021G, and
- There shall be no material change to the other terms and conditions of the lease.

Rental concessions that meet these criteria may be counted on practical terms, which means that the tenant does not need to assess whether the rental concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in the concession account.

### The Issued Standards That Have Not Yet Been Implemented

The following is a statement of the new standards and amendments to the standards applied for the years beginning on or after January 1, 2021G, with early application permitted, but the Company did not apply them when preparing these financial statements.

### Amendments to IAS 1, “Presentation of Financial Statements” on the Classification of Liabilities

These narrowly defined amendments to IAS 1, Presentation of Financial Statements, clarify that liabilities are classified as current or non-current, depending on the rights in place at the end of the reporting period. The rating is not affected by the entity’s expectations or by events after the reporting date (for example, receipt of a waiver or breach of undertaking). The amendment also clarifies what IAS 1 means when it refers to the “**settlement**” of an obligation.

### Amendments to IFRS 3 and IAS 16 and 37

- IFRS 3 “**Business Combinations**” updates a reference in IFRS 3 to the Financial Reporting Conceptual Framework without changing the accounting requirements to integrate Business.
- IAS 16, “**Property, Plant and Equipment**” prohibits the Company from deducting from the cost of property, plant and equipment amounts received from the sale of items produced while it prepares an asset to use its intended. Instead, the Company will recognize such sales proceeds and related costs in the statement of profit or loss.
- IAS 37, “**Provisions, Liabilities and Contingent Assets**” specifies the costs that a Company includes when assessing whether a contract will cause a loss.

### Annual Improvements to IFRS’s 2018G-2020G Cycle

These improvements are effective on or after January 1, 2021G.

- IFRS 9, “**Financial Instrument**” clarifies the fees that a Company warrants when performing a “**10% test**” in order to assess whether to derecognize a financial liability.
- IFRS 16 “**Leases**” removes the potential for ambiguity with respect to lease incentives by amended Illustrative Example 13 that accompanies IFRS 16.

### Classification of Current Vs Non-current

The Company presents the assets and liabilities in the statement of financial position on a current / non-current basis.

Assets are considered to be current:

- When they are expected to be realized, or intended to be sold, or exhausted during the normal operations cycle.
- If acquired primarily for trading purposes.
- When they are expected to be realized within twelve months after the financial year, or
- When they are cash and cash equivalents, unless there are restrictions on their exchange or use to settle any liabilities for a period of not less than twelve months after the financial year.

All other assets are classified as **"non-current"**.

All liabilities are considered to be current:

- When expected to be repaid in the normal course of operations.
- If acquired primarily for trading purposes.
- When they are due within twelve months after the fiscal year, or
- When there is no unconditional right to defer the payment of the liability for a period of not less than twelve months after the financial year.

All other liabilities are classified as **"non-current"**.

All liabilities are considered to be current:

- When they are expected to be repaid in the normal course of operations.
- In the case of acquisition mainly for trading purposes.
- When payment is due within twelve months after the fiscal year, or
- When there is no unconditional right to defer the payment of liabilities for a period of not less than twelve months after the fiscal year.

All other liabilities are considered to be **"non-current"**.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### Property, Plant and Equipment

#### ▪ Recognition and Measurement

Items of property, plant and equipment are stated at cost after deducting accumulated depreciation and accumulated impairment losses.

Cost includes expenses directly attributable to the acquisition of property, plant and equipment.

When the useful lives of items of property, plant and equipment are different, they are accounted for as separate items.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the receipts on disposal with the carrying amount of those items and are recorded net in the statement of profit or loss.

#### ▪ Subsequent Costs

The cost of the replaced part of an item of property, plant and equipment is recorded within the carrying value of that item, if it is probable that future economic benefits will flow to the Company that lie in that part, in addition to the possibility of reliably measuring the cost of that part, and the carrying value of the old replaced part is written off.

Daily costs and expenses incurred by the Company for the maintenance and operation of property, plant and equipment are recorded in the statement of profit or loss when sustained.

#### ▪ Consumption

Depreciation expense is recognized in the statement of profit or loss on a straight-line basis over the estimated useful life of each item of property, plant and equipment. Leased assets are depreciated over the lease term or over the useful lives of the assets, whichever is less.

Estimated annual depreciation rates for property, plant and equipment during the current year are the same as for the previous year, and their details are as follows:

Table No. (17): Estimated Annual Depreciation Percentage of Property, Machinery and Equipment

Asset	Ratio
Machinery and Equipment	2.5 - 5%
Buildings	3 - 15%
Tools & Equipment	5 - 15%
Artesian Wells	5%
Furniture	2.5 - 15%
Air Conditioners	15%
Vehicles	25%
Fixtures and Fittings	10%

Source: Audited financial statements for the fiscal years ended December 31, 2018G and 2019G and 2020G.

### Real Estate Investments

A real estate investment is a property that is acquired either to earn rental income or to increase its value or both, but not for the purpose of selling it through the Company's normal activities, and is not used in the production or supply of goods or services or for administrative purposes. Real estate investments are stated at cost.

### Intangible Assets

Intangible assets other than goodwill are measured at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight-line basis over an economic life of 7 years.

Subsequent expenditures are capitalized only when it is probable that the benefits will flow economic future expenditures associated with the Company, and expenditures can be reliably measured.

The residual values of intangible assets, their useful lives and indicators of impairment are reviewed at the end of each financial year and prospectively adjusted, if necessary.

### Accounts Receivable

Accounts receivable are initially recognized at market value and subsequently measured at amortized cost using the effective interest method, less provision for impairment of financial assets for impairment of financial instruments.

### Inventory

Inventory is stated at cost or net realizable value, whichever is lower. Cost is determined on a weighted average basis. It includes all direct manufacturing costs based on the normal level of activity plus transportation and handling costs. Net realizable value consists of the estimated selling price less incremental manufacturing costs to completion and an appropriate share of selling and distribution expenses. A provision is set aside when necessary, against any slow-moving inventory. The cost of inventory is recognized as an expense.

### Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances, cash in hand, and short-term deposits with a maturity of three months or less (if any).

## Provision for End-of-Service Benefits

### Short-term Obligations

Obligations relating to wages, salaries and any short-term benefits that are expected to be fully settled within 12 months after the end of the financial year in exchange for employees rendering their services and are measured at the amounts expected to be paid when obligations are settled. They are presented as employee benefits obligations in the statement of financial position.

### Post-employment Employees Benefits

#### Definition of Employees Contributions

It is the Company's contribution to contributory pension plans and is recorded as an expense when employees provide the service that enables them to pay the contributions.

Retirement benefits in the General Organization for Social Insurance GOSI model are a defined contribution plan. The Company has no obligation, except for the contributions due to the GOSI and recognizes contributions payable to the GOSI as an expense when an employee provides the related service.

#### Defining Employee Benefits

The cost of providing benefits under benefit plans is determined using the expected earned units' method. Remeasurement, which includes actuarial gains and losses, is recognized directly in the statement of financial position with the difference being debited or credited against retained earnings through other comprehensive income in the year in which it occurred. Remeasurement is not reclassified to profit or loss in subsequent periods.

The discount rate of the estimated future cash outflows based on the yield on the Company's bonds of the same duration and currency should be consistent with the obligations. In the event that the Company's bond market prices are not clear in the currency under evaluation, the yield on government bonds is used.

Past service costs are recognized in profit or loss earlier than the date when the plan is modified or curtailed and the Company records related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes included in the net defined benefit obligation under "Sales Cost" and "General and Administrative Expenses" in the statement of profit or loss.

### Accounts Payable

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not invoiced by suppliers.

### Allotments

Provisions are recognized when the Company has obligations (legal or contractual) at the balance sheet date arising from past events, and it is probable that the obligation's settlement will result in an outflow of economic benefits with a reliably measured value. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to that obligation.

### Estimated Zakat

A provision for Zakat is set aside in accordance with the regulations of the General Authority of Zakat and Tax, in the KSA, the provision is charged to the statement of profit or loss. Adjustments for the differences, if any, resulting from the final assessments are made during the year in which such assessments are issued.

Zakat is calculated on an accrual basis and on the basis of the adjusted net income for the purposes of Zakat during the year or on the basis of the applied laws. Any differences in the previously recognized provision shall be settled when the final approval is obtained by the General Authority for Zakat and Tax (GAZT).

## Related Party Transactions

### Related Party

The related party is the person or entity associated with the company whose financial statements are prepared.

- If the person or a member of his family is closely related to the company whose financial statements are prepared, then he/she:
  1. has control or joint control of the company whose financial statements are prepared; or
  2. has a material impact on the company whose financial statements are prepared.
- is a member of the senior management of the company whose financial statements are prepared or the parent company of the company whose financial statements are prepared.
- If the establishment is related to the company whose financial statements are prepared in case any of the following conditions are met:
  1. The entity and the company whose financial statements are prepared are members of the same group (which means that the parent company and its subsidiaries and associates are related to each other).
  2. One of the two companies is an associate or joint venture of the other company (or an associate or joint venture of a member of a group of which the other company is a member).
  3. Both companies are joint ventures of the same third party.
  4. One of the two companies is a joint venture of a third company and the other company is an associate of the third company.
  5. The company is a post-employment benefit plan for the employees' benefits of any company that prepares its financial statements or a company related to the company that prepares its financial statements. If the company whose financial statements are prepared is the same as that which prepares those plans, then the business sponsors are also related to the company whose financial statements are prepared.
  6. The company is controlled or jointly controlled by a specific person (if the person or a member of his family is closely related to the company).
  7. The person specified in a paragraph (if the person or a member of his family is closely related to the company) has a material influence on the company or is a member of the company or main company's senior management.
  8. The company or any member of a group thereof provides part of the services of the senior management personnel of the company that prepares its financial statements or to the parent company of the company that prepares its financial statements.

### Revenue Recognition

Revenue is measured based on the amount specified in the contract with the customer and excludes the amount collected on behalf of third parties.

A company recognizes revenue when it transfers control of a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

**The first step:** The Company accounts for the contract with the customer in the following cases:

- The parties to the contract have agreed to the contract and are obligated to perform their obligations.
- The Company can determine the rights of each party in relation to the goods or services to be transferred.
- The Company can specify the payment terms for the goods or services to be transferred.
- The contract has commercial content.
- Compensation is expected.

**The second step:** The company specifies all the promised goods or services in the contract with the customer and must determine whether each good or service is to be counted as a separate performance obligation.

The good or service is considered distinct and is separated from other obligations in the contract if:

- The customer can benefit from a good or service in and of itself, or benefit from the good or service along with other immediately available resources.
- The good or service is not highly dependent or highly correlated with other goods or services promised in the contract.

**The third step:** The Company determines the value of the transaction, which is the amount of consideration it expects to be entitled to in return for transferring the promised goods or services to a customer.

**The fourth step:** The Company allocates the transaction price to each performance obligation in an amount that describes the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to the customer.

**The fifth step:** Revenue is recognized when the goods or services' control is transferred to the customer. The transfer of goods or services occurs when the customer acquires control of those transferred goods or services. He obtains control of the goods or services if he has the ability to directly use and entitle the benefit of the good or service.

In the comparative period, revenue is recognized to the probable extent that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment was received. Revenue is measured at the fair value of the consideration or amounts receivable, subject to contractually defined payment terms and excluding taxes or duties. The Company has concluded that it is the primary source in all of its revenue arrangements meaning that it is primarily responsible for fulfilling the contract, bears the risk for inventory and has the ability to set prices.

### Significant Accounting Policies, Judgments and Estimates for Revenue

The following describes the accounting policies and significant judgments of the principal activities from which the Company generates revenue:

#### ▪ Selling Products

Revenue is recognized when control of those products or services is transferred, which is when the products or services are delivered to the customer. Delivery occurs when the products are shipped to the specified location, and the risk of depreciation and loss has been transferred to the customer.

In these contracts, the Company is primarily responsible for fulfilling the obligation to provide specific food and other products. It bears the risk of inventory before the food products are transferred to the customers. Additionally, it has discretion in setting prices for specific food products and bears the credit risk on these transactions since is obligated to pay the supplier even if the customer defaults.

#### ▪ Sales Volume Discounts

Revenue is often recognized with discounts on sales volume over 12 months on the basis of the price specified in the contract, after deducting estimated discounts.

The contractual discount rate and accumulated experience are used to determine the amount of discounts, and revenue is recognized only to the extent that it is highly probable that the opposite will not occur. The contractual liability for expected discounts is recognized in the amount payable to customers in respect of sales made up to the end of the reporting period.

#### ▪ Sales Returns

Revenue is recognized less sales returns. Accumulated experience is used to estimate the volume of sales returns using the expected value method, and revenue is recognized only to the extent that it is highly probable that the opposite will not occur. Expected sales returns are recognized in the amount payable to customers in respect of sales made up to the end of the reporting period.

Revenue is the fair value of the consideration received or receivable for sold goods, net of returns, trade discounts and rebates. The Company recognizes revenue when the customer receives the goods or acknowledges their acceptance.

Products are mainly sold on a sale or return basis, and the return sales allowance is calculated based on the expected return of expired or damaged products. Expected sales returns are offset against revenue with the associated effect on the sales allowance.

Merchandise is retroactively sold at significant discounts based on total sales over 12 months. Revenue from such sales is recognized based on the price specified in the contract minus the estimated amount of discounts. Accumulated experience is used to estimate and provide discounts, and revenue is recognized to the extent that it is highly probable that there will be no material reversal.

There is no component of an existing financing component as sales are made either for cash or term debt in line with market practice.

## Expenses

Expenses incurred by the Company consist of selling and marketing expenses, general and administrative expenses and operating expenses. Production costs are charged with the full cost of materials, direct labor and indirect industrial costs. Expenses resulting from the Company's efforts related to marketing, selling and distributing finished products are classified in a separate item under the name of selling and marketing expenses. Other direct and indirect expenses related to management that are not related to the production function or the selling and marketing function are classified as general and administrative expenses. The common expenses are distributed, if necessary, between general and administrative expenses, selling and marketing expenses and operating expenses on a fixed basis. The accrual principle is applied in charging the financial period with general and administrative expenses, in addition to selling and marketing expenses.

## Financial Instruments

The Company recognizes financial assets or liabilities in the statement of financial position when it becomes a party to contractual provisions for performance.

At initial recognition, it must measure the financial asset or liability at its fair value, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability, except for a financial asset or liability at fair value through profit or loss.

IFRS 9 sets forth the new requirements to classify and measure of financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at amortized cost or fair value. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, which are determined at the time of initial recognition. Financial assets are classified into the following specific categories under IFRS 9:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (with reclassification to the statement of profit or loss) or
- Equity instruments at fair value through other comprehensive income (with no reclassification to profit or loss) or
- At fair value through profit or loss.

### ▪ Financial Assets Classified as Amortized Cost

A financial asset is measured at amortized cost less impairment losses if both of the following conditions are met (except for debt investments that are designated as fair value through profit or loss (FVTPL) on initial recognition):

1. The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows.
2. Contractual terms of the financial asset cash flows arise on specified dates for payments of principal and interest on the principal amount.

If a financial asset does not meet these two conditions, it is measured at fair value.

The Company does conduct an assessment of the business model at the company level as this best reflects the way the business is run and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets to collect contractual cash flows, the Company considers:

- the stated management policies and its objectives and the operation of these policies in practice;
- the risks that affect the performance of the business model (and the financial assets held within the business model), and in particular, the manner in which those risks are managed;
- the way management evaluates the performance of the Company;
- whether the management's strategy is focused on earning contractual commission income;
- the degree of frequency of any sales of the expected assets;
- the reason behind any asset sales and
- whether the assets being sold are held for an extended period of time relative to their maturity contracts or sold shortly after acquisition or for a long period before maturity.

In assessing whether the contractual cash flows are simply payments of principal or interest, the Company will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on the basis of the effective interest of debt instruments, which are subsequently measured at amortized cost, and the interest is recognized in the statement of profit or loss.

Debt instruments that are subsequently measured at amortized cost are subject to impairment testing.

- Financial Assets at Fair Value Through Other Comprehensive Income, with Reclassification to Profit or Loss

Debt instruments that meet the following conditions are subsequently measured at (fair value through other comprehensive income):

- Financial assets are held within a business model whose objective is achieved through the collection of contractual cash flows and the selling of financial assets
- Contractual terms of the financial asset cash flows arise on specified dates for payments of principal and interest on the principal amount.

For debt financial instruments measured in (fair value through other comprehensive income), commission income and impairment losses are recognized in the statement of profit or loss and are calculated in the same way as in financial assets that are measured at amortized cost.

All other changes in the carrying amount of these instruments are recognized in the statement of other comprehensive income (OCI) and accumulated under the investment revaluation reserve and when these instruments are derecognized, the cumulative gain or loss recognized in the OCI section is reclassified to the profit or loss section.

- Financial Assets at Fair Value Through Profit or Loss

Equity investment instruments are designated at fair value through profit or loss, unless the Company designates that investment as held for non-trading and at fair value through other comprehensive income on initial recognition.

Debt instruments that do not meet the amortized cost criteria of fair value through other comprehensive income are measured at fair value through profit or loss. In addition, debt instruments that meet the amortized cost criteria, which have been designated at fair value through profit or loss to avoid account mismatches, are measured at fair value through statement of comprehensive income.

Debt instruments may be designated as FVTPL upon initial recognition if such classification eliminates or significantly reduces measurement or recognition inconsistencies that may arise from measuring assets or liabilities or recognizing gains and losses on different bases. The Company has not designated any debt instrument at fair value through profit or loss since the date of initial application of IFRS 9 as of January 1, 2018G.

Debt instruments are reclassified from amortized cost to fair value through profit or loss when the business model is changed such that it no longer meets the exhaustive cost criteria. Reclassification of debt instruments designated at FVTPL is not permitted upon initial recognition.

Financial assets are measured at fair value at the end of each review period, with any gain or loss arising on re-measurement recognized in profit or loss.

Commission income on debt instruments at fair value is included in the statement of profit or loss.

Dividend income on investments in equity instruments at fair value through profit or loss is recognized in the statement of profit or loss when the Company's right to receive the dividend is established in accordance with IFRS 15 Revenue from contracts with customers.

- Investing in Equity Instruments at Fair Value Through OCI

Upon initial recognition, the Company can make an irreversible decision (on a tool-by-tool basis) whereas, the investment decision in equity instruments is classified at fair value through OCI. It is not permitted to designate these investments at fair value through OCI if they are held for trading. A financial asset or liability is held for trading in the following cases:

- It is principally acquired or incurred for the purpose of selling or repurchasing it in the near term;
- On initial recognition, this is part of a portfolio of specific financial instruments that are managed together, and for which there is evidence of a real pattern of short-term profit taking, or
- Derivative excluding the derivative of a specific or financial security contract and an effective hedging instrument.

Initially, investments in equity instruments are measured at fair value through OCI plus transaction costs. Thereafter, it is measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in the fair value reserve. Gains and losses on equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Investments in unquoted equity that were previously recorded at cost in accordance with IAS 39 are now measured at fair value. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

Dividends on these investments are recognized in profit or loss when the Company's right to receive the dividend is established in accordance with IAS 18, unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair value reserve includes the cumulative net change in the fair value of the equity investment measured at fair value through OCI. When these financial instruments are disposed of, the cumulative amount of fair value reserve is transferred to cumulative losses.

### Depreciation in the Value of Financial Assets

The Company determines the allowance for expected credit losses (ECL) for debt instruments that are measured at amortized cost or at the fair value of OCI, such as lease contracts, trade receivables, in addition to loan commitments and financial guarantee contracts. Impairment losses are not recognized for investments in equity instruments. The ECL amount reflects the changes in credit risk since the initial recognition of the relevant financial instrument.

The Company applies the simplified method or approach to calculating the impairment for trade receivables, taking into account the expected credit losses over the life of the estimated cash flows. Expected credit losses on financial assets are estimated using a flow rate based on the Company's historical credit loss experience, adjusted for factors specific to the debtors, general economic conditions and an assessment of both current and future conditions at the reporting date, including the time value of money if that was convenient.

For all other financial instruments, the Company applies the simplified method or approach to calculating the impairment amount. Lifetime ECL is recorded when there has been a significant increase in credit risk since initial recognition and 12-month ECL is recorded if the credit risk on the financial instrument has not increased significantly since initial recognition. Assessing whether the credit risk of a financial instrument has increased significantly since initial recognition is done by considering the change in the risk of default over the remaining life of the financial instrument.

### Measuring and Estimating Expected Credit Losses (ECLs)

The ECL measurement is a function of the probability of default, or a given default loss (meaning the magnitude of the loss if there is a default). The assessment of the probability of default is based on historical information modified by forward-looking information that can be expected as described above.

For default on financial assets, this is represented by the total carrying amount of the assets at the reporting date. Exposure on off-balance sheet default is achieved by applying the balance transfer factor to the undrawn portion of the exposure.

When lifetime ECL is measured for situations in which there may be no evidence of significant increases in credit risk at the individual instrument level, the financial instruments are grouped on the following basis:

- The nature of financial instruments (i.e. trade and other receivables), ECLs are assessed on an individual basis;
- Previous failures
- The nature and size of the debtor's business;
- External credit ratings if available.

The Company recognizes impairment gains or losses in the statement of profit or loss for all financial instruments with a corresponding adjustment to their book value through a loss allowance account, with the exception of

investments in debt instruments that are measured at fair value through OCI, in which a provision for loss is recognized through the statement of profit or loss in the fair value reserve, and it does not reduce the carrying amount of the financial asset in the statement of financial position.

#### **Exclusion of Financial Assets**

The Company derecognizes a financial asset only when the contractual rights of the asset's cash flows expire; or when it transfers the financial asset or substantially all the risks and rewards of ownership to another entity. If the Company does not transfer or retain substantially all the risks and rewards of ownership and continues to control the transferred assets, it recognizes its retained interest in the assets and associated liabilities for amounts it may have to pay. If the Company retains all the risks and rewards of ownership of the transferred financial asset, it continues to recognize the financial asset and also recognizes the secured borrowing of the proceeds received.

#### **Financial Obligations**

Financial liabilities carried at amortized cost are classified and measured using the effective yield method.

For financial liabilities designated at fair value through profit or loss, the amount of the change in the fair value of the financial obligations attributable to changes in the credit risk of that obligation is recognized through OCI, unless the recognition of the effects of changes in the obligations' credit risk will create or widen an accounting mismatch in the statement of profit or loss.

#### **Changes in Fair Value**

The credit risk arising from the financial liability has not been reclassified to profit or loss.

The commitment credit reserve includes the cumulative changes in the fair value of the financial commitments at fair value through profit or loss that are attributable to changes in the credit risk of these commitments, and which will not create or mismatch in the accounting in the statement of profit or loss. The amount provided in the credit reserve is not subsequently transferred to the statement of profit or loss. When these investments are disposed of, the amount accumulated in the liability credit reserve is transferred to retained earnings. Since the date of initial application of IFRS 9 (January 1, 2018G), the Company has not designated financial obligations at fair value through profit or loss.

#### **Derecognition of Financial Liabilities**

The Company derecognizes financial liabilities only when its obligations are discharged, canceled or expire.

#### **Foreign Currency Transactions**

Transactions in foreign currencies are translated into Saudi Riyals (SR) during the period at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into SR at the date of the financial statements at the exchange rates prevailing on that date.

Differences arising from the retranslation of foreign currencies into SR are recognized in the income profit and loss (P&L) statement.

#### **Offsetting (Netting)**

Financial assets and financial liabilities are offset and the net amount is shown in the statement of financial position only when legally binding rights are available and settled on a netting basis or when the realization of financial assets and settlement of financial liabilities is done at the same time.

## **5-5 Operations Results**

The table below shows the Company's comprehensive income statement for the fiscal years ended December 31 2018G, 2019G, 2020G and the nine-month period ended September 30, 2020G and 2021G:

### **5-5-1 Income Statements**

Table No. (18): Comprehensive Income Statement for the fiscal years ended December 31 2018G, 2019G, 2020G and the nine-month period ended September 30, 2020G and 2021G.

SAR 000	Financial Year 2018G (Audited)	Financial Year 2019G (Audited)	Financial Year 2020G (Audited)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month period ended September 30, 2020G (Audited)	Nine-month period ended September 30, 2021G (Audited)	Change for the Period 2020G 2021G
Net sales	80,132	82,817	83,778	3.4%	1.2%	2.2%	62,149	52,688	(15.2%)
Sales Cost	(66,952)	(66,058)	(64,363)	(1.3%)	(2.6%)	(2.0%)	(44,349)	(42,007)	(5.3%)
Total Operating Income	13,179	16,759	19,414	27.2%	15.8%	21.4%	17,799	10,681	(40.0%)
General & administrative expenses	(9,228)	(9,951)	(9,145)	7.8%	(8.1%)	(0.4%)	(6,463)	(7,519)	16.3%
Selling & Marketing Expenses	(17,481)	(17,290)	(16,764)	(1.1%)	(3.0%)	(2.1%)	(12,814)	(9,354)	(27.0%)
Net Profit/ (Loss) from Main Operations	(13,529)	(10,482)	(6,495)	(22.5%)	(38.0%)	(30.7%)	1,478	6,192	319.0
Provision for Loan Guarantee-Related Party	-	(8,063)	-	-	(100%)	-	-	-	-
Investments' Losses at Fair value Through Profit or Loss	(6,500)	(4,354)	-	(33.0%)	(100%)	(100%)	-	-	-
Impairment Gain/(Loss) in the value of Real Estate Investments	-	(1,008)	333	-	(133.1%)	-	-	-	-
Provision for Expected Credit Loss	(1,959)	(1,176)	(1,326)	(40.0%)	12.8%	(17.7%)	780	(388)	(50.3%)
Provision for a Decrease in the Inventory's Value	-	-	(606)	-	-	-	-	-	-
Provision for Slow- Moving Merchandise	(307)	(927)	(1,426)	201.7%	53.9%	115.5%	-	-	-
Financing Expenses	(315)	(300)	(630)	(4.9%)	110.0%	41.3%	-	-	-
Financing Costs	-	(190)	(188)	-	(0.8%)	-	(141)	(127)	(10.4%)

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SAR 000	Financial Year 2018G (Audited)	Financial Year 2019G (Audited)	Financial Year 2020G (Audited)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month period ended September 30, 2020G (Audited)	Nine-month period ended September 30, 2021G (Audited)	Change for the Period 2020G 2021G
decay in Property, Plant and equipment	-	-	-	-	-	-	-	(469)	-
Custom response Spare parts collection has expired	-	-	-	-	-	-	-	762	-
Refund of provision for credit losses that has not been intended	-	-	-	-	-	-	-	118	-
Other Revenue	81	2,420	1,483	2890.7%	(38.7%)	328.0%	1,216	2,373	95.1%
Net profit / (loss) for the Year / Period Before Estimated Zakat	(22,530)	(24,081)	(8,856)	6.9%	(63.2%)	(37.3%)	(1,183)	(3,923)	231.6%
Estimated Zakat	(3,971)	(1,289)	(3,523)	(67.5%)	173.4%	(5.8%)	(900)	(595)	(33.8%)
Net profit/(Loss) for the Year/ period	(26,501)	(25,370)	(12,379)	(4.3%)	(51.2%)	(31.7%)	(2,083)	(4,518)	116.9%
<b>OCI Items</b>									
Net Change in Fair Value Reserve	68	83	84	22.1%	1.2%	11.1%	30	77	160.7%
Actuarial Losses for Employee Benefit Obligations	(702)	(372)	(1,056)	(47.0%)	183.9%	22.6%	-	10	-
Total Comprehensive profit / (Loss) for the Year / Period	(27,135)	(25,825)	(13,351)	(4.8%)	(48.3%)	(29.9%)	(2,054)	(4,452)	(116.8%)

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G and the nine-month period ended September 30, 2020G and 2021G

Table No. (19): Key performance indicators for the fiscal years ended December 31 2018G, 2019G, 2020G and the nine-month period ended September 30, 2020G and 2021G

As a Percentage of Sales	Financial Year 2018G (Management Info)	Financial Year 2019G (Management Info)	Financial Year 2020G (Management Info)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Info)	Nine-month Period Ended September 30, 2021G (Management Info)	Change for the Period 2020G 2021G
Total operation Income	16.4%	20.2%	23.2%	3.8	2.9	6.7	28.6%	20.3%	(8.4)
General & Administrative Expenses	11.5%	12.0%	10.9%	0.5	(1.1)	(0.6)	10.4%	14.3%	3.9
Selling and marketing Expenses	21.8%	20.9%	20.0%	(0.9)	(0.9)	(1.8)	20.6%	17.8%	(2.9)
Net Loss Margin from Major Operations	(16.9%)	(12.7%)	(7.8%)	4.2	4.9	9.1	(2.4) %	(11.8%)	(9.4)
Net Profit/(Loss) Margin for the Year / Period Before Estimated Zakat	(28.1%)	(29.1%)	(10.6%)	(1.0)	18.5	17.5	(1.9) %	(7.4%)	(5.5)
Net Profit/(Loss) Margin for the Year / Period	(33.1%)	(30.6%)	(14.8%)	2.4	15.9	18.3	(3.4) %	(8.6%)	(5.2)
Sold Quantity	2,820	2,970	2,710	5.3%	(8.8%)	(2.0%)	2,012	1,729	(14.1%)
Average Selling Price for Each Pack (SR)	34.5	33.0	36.5	(4.5%)	10.6%	2.8%	35.7	34.2	(4.2%)

Source: Management Data

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## Net Sales

The Company's sales are represented by the vegetable factory sales (47% of total sales), the pastry factory sales (40% of total sales), the meat factory sales (11% of total sales), and the breakfast cereal factory sales (2% of total sales), during the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2020G and 2021G.

The company's products are sold through several distribution channels, including the wholesale sector, hypermarkets, the private brand sector, the commercial sector, and the restaurants and catering sector, where the wholesale sector sales accounted for 39% of the total sales, and the hypermarket sales accounted for 28% of the total sales. The private brand sector accounted for 14% of total sales, commercial sector sales accounted for 7% of total sales, restaurant and catering sector sales accounted for 6% of total sales, and sales of other sectors accounted for 6% of total sales during the fiscal years ending in December 31, 2018G, 2019G and 2020G, and the nine-month period ending on September 30, 2020G and 2021G.

The company also offers incentive discounts to customers, as the discounts amounted to 15.1%, 13.3% and 13.3% of the total sales in the fiscal years 2018G, 2019G and 2020G, and 11.4% and 8.6% in the nine-month period ending on September 30, 2020 G and 2021 G, respectively, where the company offers 90% of the total discounts for the hypermarket sector, in addition to that, some products are returned to the company for expired or damaged goods or wrong invoices, where the returns amounted to 2.6%, 2.1% and 2.0% of the total sales in the fiscal years 2018G, 2019G and 2020G, 2.2% and 2.4% in the nine-month period ending on September 30, 2020G and 2021G, respectively.

Sales increased by 3.4% from SR (80.1 million) during the fiscal year 2018G to SR (82.8 million) during the fiscal year 2019G, mainly due to the increase in vegetable factory sales by SR (3.3 million), from SR (50.0 million) to SR (53.2 million) due to the increased sold quantities by 188 thousand packs/cartons, in line with the high demand for potato products, and the breakfast cereal factory sales which increased by SR (276,000) from SR (264,000) to SR (540,000), due to the Company's management focus on the breakfast cereals sector and the desire to increase production levels in the factory. Moreover, the Company entered into agreements with a number of retail stores to manufacture special products for them, as most of these manufactured products were potato and pasta products during the same period. This was offset by a 6.3% decrease in pastry factory sales from SR (40.7 million) during the fiscal year 2018G to SR (38.2 million) during the fiscal year 2019G, as a result of a decrease in the quantities sold by (30,000) cartons and a decrease in the average selling price during the same period.

During the fiscal year 2020G, many precautionary measures were imposed, which included the closure of land, air and sea borders, partial and total curfews, social distancing measures and some other precautionary measures in order to limit the spread of the novel Coronavirus (COVID-19), during which the Company's results during the partial and total curfew periods (which the Kingdom of Saudi Arabia witnessed between March and June of the same year) were not completely affected. However, some sales channels were affected, as retail sector sales increased as a result of the rise in the quantities purchased by customers, while sales of the restaurants and catering sector decreased in line with the partial and total curfew decision during the same period, in addition to that, as per capita spending rates on food commodities increased during the period of the COVID-19 pandemic, which led to an increase in sales during the fiscal year 2020G.

Sales continued to rise by 1.2% to reach SR (83.8 million) during the fiscal year 2020G as a result of: (1) The change in the Company's competition strategy in the market and the desire to increase the market share, as most products had a low average selling price compared to the fiscal year 2019G, which led to an increase in the food and meat factory's sales by SR (14.0 million) from SR (5.9 million) to SR (19.6 million), due to an increase in the sold quantities by (176,000) cartons, and an increase in the sales of the pastry factory by SR (3.7 million), from SR (38.2 million) to SR (41.8 million), due to the rise in the sold quantities by (193,000) cartons. (2) The impact of the strategy that was implemented in the fiscal year 2018G on the breakfast cereal factory to increase production levels on the factory sales, as the breakfast cereal factory sales increased to reach SR (3.2 million). (3) The creation of a new sales channel: the commercial sector that contributed with additional sales of SR (15.9 million) to the total sales during the same period, which compensated the decline in the wholesale sector sales during the same period from SR (43.1 million) to SR (28.4 million).

Sales decreased by 15.2% from SR (62.1 million) during the nine-month period ended September 30, 2020G to SR (52.7 million) during the nine-month period ended September 30, 2021G, as a result of the decrease in sales of the pastry factory from 33.1 million Saudi riyals to 21.1 million Saudi riyals due to the change in the situation that the food market was going through during the nine-month period ending on September 30, 2020, as there were a lot of sales due to concerns about the emerging Corona virus (COVID-19) and due to the decrease in production due to the high prices of raw materials, as the Company with its liquidity was unable to keep pace with the rise in the prices of raw materials, in addition to the decrease in sales to the company's largest client (Abdullah Al-Othaim

Company) due to the decrease in discounts offered by the company to all customers, as the company focuses on increasing its profitability.

### Sales Cost

The cost of sales is mainly represented in raw material expenses, wages expenses and other indirect operating expenses. The cost of sales decreased by 1.3% from SR (66.9 million) in the fiscal year 2018G to SR (66.1 million) in the fiscal year 2019G, and this is mainly due to a decrease of SR (1.5 million) in indirect operating expenses, as a result of the decrease in the factories' electricity expenses, due to the Company's use of a new system to rationalize electricity consumption, which contributed in a drop in the indirect operating expenses during the same period.

The cost of sales continued to decrease by 2.6% to reach SR (64.3 million) in the fiscal year 2020G, as a result of a drop in indirect operating expenses by SR (2.5 million) and SR (1.0 million) in line with the decrease in the factories' operating levels during the same period.

The cost of sales increased by 5.3% from SR (44.3 million) in the nine-month period ended September 30, 2020G to SR (42.0 million) in the nine-month period ended September 30, 2021G as a result of an decrease in raw materials expenses by SR (1.7) million due to the increase in raw materials' prices in global markets, in addition to a decrease in wage costs by 521 thousand Saudi riyals due to a decrease in the number of employees by about 55 employees during the same period.

### Total Operating Income

The total operating income increased by 27.2% from SR (13.2 million) in the financial year 2018G to SR (16.8 million) in the financial year 2019G, as a result of the decrease in the average cost of the carton on the company from 23.7 SAR to 22.2 million SAR, this decrease was supported by a decrease in: (1) indirect operating costs due to the Company's application of IFRS 16, (2) the cost of raw materials due to a decrease in electricity's expenses as a result of using a new system to rationalize electricity, which also contributed to this rise in the total operating income and the decrease in the level of discounts for the hypermarket sector.

The total operating income continued to increase by 15.8% to reach SR (19.4 million) in the fiscal year 2020G (and the operating income margin amounted to 23.2%) as a result of an increase in sales, to reach SR (83.8 million) in the fiscal year 2020G, and this is due to an increase in the average selling price of products, due to a positive change in the sales mix, during the pandemic period despite the decrease in the quantities sold due to the low levels of operation. Furthermore, the cost of sales decreased by SR (1.7 million), driven by a drop in the indirect industrial costs, in line with a decline in the operating levels and sold quantities during the same period.

The total operating income decreased by 40.0%, from SR (17.8 million) in the nine-month period ended September 30, 2020G to SR (10.7 million) in the nine-month period ended September 30, 2021G, as a result of a decrease in sales by SR (9.5 million) due to the average selling price decreased from 35.7 SAR to 34.2 SAR due to the food market's situation which was witnessing many purchases out of fear and anxiety about the emerging corona virus, which affected the sales volumes. And In addition, cost sales increased by SR (2.3 million) as a result of an increase in raw materials and indirect operating expenses, in line with the increase in raw and energy materials' prices in the Saudi and international market. Consequently, the Company's operating income margin decreased from 28.6% to 20.3% during the same period.

### General and Administrative Expenses

General and administrative expenses represent employee wages and salaries, fee and subscription expenses, right-of-use depreciation expenses in addition to other expenses. General and administrative expenses increased by 7.8% from SR (9.2 million) in the fiscal year 2018G to SR (10.0 million) in the fiscal year 2019G, as a result of: (1) an increase in wages and salaries expenses by SR (295,000), in line with the increase in the number of employees by about 8 employees, (2) an increase in right-of-use depreciation expenses for assets by SR (354,000) due to the Company's application of IFRS 16, (3) an increase in amortization expenses by SR (136,000), in line with the company's purchase of intangible assets during the same period.

General and administrative expenses decreased by 8.1% to SR (9.1 million) in the fiscal year 2020G, due to a decrease in wages and employee salaries expenses by SR (744,000), in line with a decrease in the number of employees by about 11 employees, and a decrease in insurance expenses by SR (140,000), in line with a decrease in the employees and vehicles' numbers during the same period.

General and administrative expenses increased by 16.3% from SR (6.5 million) in the nine-month period ended September 30, 2020G to SR (7.5 million) in the nine-month period ended September 30, 2021G, as a result of an

increase in other expenses by SR (905,000) due to the high expenses of following up on the company's loan with the Saudi Industrial Development Fund, the increase in advertising expenses and a number of other expenses, in addition to the high expenses of employees' wages and salaries in line with the company's raising the level of salaries during the same period.

### **Selling and Marketing Expenses**

Selling and marketing expenses represent wages expenses, employee salaries, rental expenses, transportation and loading expenses, depreciation expenses, in addition to other expenses. Selling and marketing expenses decreased by 1.1% from SR (17.5 million) in the fiscal year 2018G to SR (17.3 million) in the fiscal year 2019G, as a result of a decrease in fees and subscription expenses by SR (371,000) due to the decrease in the needs for renewal of fees and subscriptions due to the Saudi government's initiatives to support the industrial sector, which This led to a decrease in residency and visa fees, in addition to a decrease in other expenses by 1.1 million Saudi riyals, due to a decrease in damage expenses in line with the decrease in damages due to the company's adoption of a new policy for damage management during the same period.

Selling and marketing expenses continued down By 3.0% to reach 16.8 million Saudi riyals in the fiscal year 2020AD as a result of a decrease in other expenses by SR (1.4 million) and due to the decrease in transport and loading expenses in line with the decrease in transport and loading levels due to curfew factors due to the emerging corona virus during the same period.

Selling and marketing expenses decreased by 27.0% from SR (12.8 million) in the nine-month period ended September 30, 2020G to SR (9.4 million) in the nine-month period ended September 30, 2021G, as a result of a decrease in (short-term) rental expenses by SR (780,000), because the Company terminated the lease of a potato products' warehouse initially rented for six months.

### **Provision for Loan Guarantee - Related Party**

The Company has guarantee obligations represented in its share equivalent to SR (8.1 million) at an 8.6% rate of the guarantee loans' amount granted to a third party (Rakhaa for Agricultural Investment and Development- an Egyptian joint stock company) by the Saudi Fund for Development, with an amount of SR (93.5 million). A full-value provision has been created to counteract this commitment. The provision for a loan guarantee to a related party amounted to SR (8.1 million) in the fiscal year 2019G.

### **Investments Losses at Fair Value Through Profit or Loss**

Revaluation losses on investments at fair value through profit or loss relate to unrealized capital gains or losses arising from changes in the value of investments. The losses in the revaluation of investments at fair value through profit or loss amounted to SR (6.5 million) in the fiscal year 2018G, and SR (4.4 million) in the fiscal year 2019G. These losses were related to changes of the companies' values in the Company's portfolio of investments in other companies.

### **Profit (Loss) of Real Estate Investments' Impairment**

The Company purchased 18 plots of investment land in the Muhammadiyah investment scheme in the city of Jizan with a total area of (10.9 thousand) square meters. It is re-evaluating its real estate investments through an independent real estate appraiser approved by the Saudi Authority for Accredited Valuers (Taqeem). The profits/ (losses) of re-evaluating these investment lands amounted to losses equal to SR (1.0 million) in the fiscal year 2019G, and profits amounting to SR (333,000) in the fiscal year 2020G.

### **Provision for Expected Credit Loss (PECL)**

The provision for expected credit loss (PECL) of receivables' expected losses in addition to other debit balances of the Company as a result of applying IFRS 9 on the simplified approach based on the average provision for doubtful debts expected over trade receivables' lives at the date of all financial statements. The PECL amounted to SR (2.0 million), SR (1.2 million) and SR (1.3 million) in the fiscal years 2018G, 2019G and 2020G, respectively.

The PELC amounted to SR (780,000) and SR (388,000) in the nine-month period ended September 30, 2020G and 2021G, respectively.

### Provision for a Decrease in the Value of Inventory

During the fiscal year 2020G, the company's legal auditor saw that there are spare parts worth 606 thousand Saudi riyals in the company's store that should be considered as an expense for the period instead of being capitalized on the stock, as the value of these spare parts was recorded as an expense in the fiscal year 2020G. It is worth noting that the new legal auditor of the company reversed this expense in addition to other previous amounts that were included in the provision during the nine-month period ending on September 30, 2021G.

### Funding Expenses

Funding expenses relate to the government loan from the Saudi Industrial Development Fund for the purpose of financing the project of establishing and expanding a factory for the production of frozen vegetables and potatoes, where the total approved facilities amounted to SR (34.0 million). Funding expenses amounted to SR (315,000), SR (300,000) and SR (630,000) in the fiscal years 2018G, 2019G and 2020G, respectively.

### Financing Costs (FC) or Cost of Finances (COF)

Financing costs are related to lease obligations for the right-of-use asset by the Company after the application of IFRS 16 in the fiscal year 2019G. Financing costs amounted to SR (190,000) and SR (188,000) for the fiscal years 2019G and 2020G, respectively, and SR (94,000), SR (84,000) for the nine-month period ended September 30, 2020G and 2021G, respectively.

### Decay in Property, Plant and Equipment

The loss of decay in property, plant and equipment is related to a decrease in the value, quality or strength of property, plant and equipment, which may be due to several internal or external factors. This loss amounted to SR (469,000) in the nine-month period ended September 30, 2021G.

### Custom response spare parts for no purpose

The refund of the provision for spare parts that was no longer from its purpose relates to profits as a result of the provisions reversed by the company for spare parts related to the inventory account where the spare parts are treated as an expense instead of being capitalized, the provision was returned (reversal of the provision) as a result of the assessment and opinion of the legal auditor on this, where the profits from refunding Provision for lost spare parts, a value of 762 thousand Saudi riyals in the nine-month period ending on September 30, 2021G.

### Refund of provision for credit losses that has not been intended

The return of the provision for credit losses that was negated from its purpose is related to the opposite of the provision for credit losses for the account of trade debtors, where the profits from refunding the provision for credit losses whose purpose was negated amounted to 118 thousand Saudi riyals in the nine-month period ending on September 30, 2021 G.

### Other Revenue

Other revenue is related to renting a date factory in the Al-Kharj region for a third party, and related to sale of property, plant (machinery) and equipment's profits, sale of scrap, investments' ownership, in addition to other miscellaneous revenue. Other revenue amounted to SR (81,000) in the fiscal year 2018G, and is mainly related to the profits' revenue from the sale of property, machinery and equipment and the Company's other revenue.

Other revenue amounted to SR (2.4 million) in the fiscal year 2019G, and it was mainly related to profits from owning investments in Rakhaa Agricultural Investment and development Company (an Egyptian joint stock company), and to SR (1.5 million) in the fiscal year 2020G mainly related to the warehouse rental revenue and profit from the sale of property, machinery and equipment, in addition to other miscellaneous revenue.

Other revenue amounted to SR (1.2) million during the nine-month period ended September 30, 2020G, and SR (2.4) million during the nine-month period ended September 30, 2021G, and it was mainly related to the warehouse rental revenue and profit from the sale of property, machinery and equipment.

### Net Profit / (Loss) for the Year / Period Before the Estimated Zakat

The net loss for the year before the estimated Zakat increased by 6.9% from a loss of SR (22.5 million) in the fiscal year 2018G to SR (24.1 million) in the fiscal year 2019G, mainly due to the provision for loan guarantee expense to

a related party amounting to SR (8.1 million) which also contributed to the increase in the net loss for the year before the estimated Zakat losses, due to the decline in the value of real estate investments by SR (1.0 million) as a result of a re-evaluation of investment lands in the Muhammadiyah investment scheme in the city of Jizan. This decrease in net loss for the year before estimated Zakat was offset by: (1) a reduction in net loss from major operations equal to SR (3.0 million) in line with an increase of SR (3.6 million) in the operating income as a result of an increase of SR (2.7 million) in sales, mainly due to other revenues amounting to SR (2.4 million) mainly related to profits from owning investments in Rakhaa Agricultural Investment and development Company (an Egyptian joint stock company) in addition to various other revenues during the same period.

The net loss for the year before the estimated Zakat decreased by 63.2% to reach a loss of SR (8.9 million) in the fiscal year 2020G, as a result of a decrease in net loss from main operations by SR (4.0 million), in line with an increase in the operating income by SR (2.7 million) as a result of a decrease in sales cost by SR (1.7 million), due to a decrease in the indirect operating expenses, which also contributed to a decrease in the net loss for the year previous to the estimated Zakat. Profits in the value of real estate investments increased by SR (333,000), due to a re-evaluation of the investment lands, in addition to a decrease in most of the Company's provisions during the same period.

The net loss for the year before the estimated Zakat increased from an amount of SR (1.2 million) during the nine-month period ended September 30, 2020G to a loss of SR (3.9 million) during the nine-month period ended September 30, 2021G, as a result of an increase in net loss from major operations, to an amount of SR (4.7 million) in line with a decrease in operating income by 7.1 million Saudi riyals due to a decrease in sales by SR (9.5 million), due to the food market's situation during the nine-month period ending on September 30, 2020 G, as there were many economic and demographic variables that affected the volume of sales, due to concerns about the emerging corona virus (COVID-19), which also contributed to a decrease in net profit from major operations. General and administrative expenses increased by 6023.5 million Saudi riyals due to an increase in other expenses by 905 One thousand Saudi riyals due to the increase in expenses to follow up on the company's loan with the Saudi Industrial Development Fund and the increase in wages and salaries expenses in line with the increase in employees by 11 employees during the same period.

### Estimated Zakat

During the fiscal year 2020G, the General Authority for Zakat, Tax and Customs issued preliminary assessments for the years from 2014G to 2018G. The Company objected to the Zakat assessments and received the revised and adjusted Zakat assessment which resulted in a Zakat difference of SR (2.7 million). The Company then objected to this difference and is awaiting a response from the Authority. The Zakat difference was proven within the estimated Zakat provision for the fiscal year 2020G.

Zakat is due for the fiscal year 2018G at 2.5% of the Zakat base or the adjusted net profit attributable to shareholders (whichever is greater). For the fiscal year 2019G, Zakat is due by 2.5% of the adjusted net profit and 2.57768% of the Zakat base.

The estimated Zakat expense is equal to SR (900,000) during the nine-month period ended September 30, 2020G, and decreased to SR (595,000) during the nine-month period ended September 30, 2021G, in line with the decrease and change of the Zakat base and the adjusted net profit attributable to shareholders.

### Net Profit/(Loss) for the Year/Period

Net loss for the year decreased by 4.3% from SR (26.5 million) during the fiscal year 2018G to SR (25.4 million) during the fiscal year 2019G, mainly due to a decrease in net loss from main operations by SR (3.0 million), in line with an increase in operating income by SR (3.6 million), as a result of an increase in sales by SR (2.7 million), in addition to the presence of other revenues amounting to SR (2.4 million), mainly related to profits from owning investments in Rakhaa Agricultural Investment and development Company (an Egyptian joint stock company), and other miscellaneous revenue during the same period. This was offset by a decrease in the impact of an expense for a related party loan guarantee provision, where the Company has guarantee obligations represented in its share of the loan guarantee amount granted to others (Rakhaa Agricultural Investment and development Company – an Egyptian joint stock company) by the Saudi Fund for Development, and a provision has been made for the full value of the loan, in addition to losses due to the decline in the value of real estate investments by SR (1.0 million) because of the re-evaluation of investment lands in the Muhammadiyah investment scheme in the city of Jizan during the same period.

Net loss for the year continued to decline by 51.2% to reach a loss of SR (12.4 million) in the fiscal year 2020G, mainly due to an increase in the operating income by SR (2.7 million) as a result of a decrease in the cost of sales by SR (1.7 million) due to a decrease in raw materials and indirect expenses, in line with a decrease in sold quantities,

factories' production levels. Moreover, the Company achieved profits in the value of real estate investments by SR (333,000), due to a re-evaluation of the investment lands. The decrease in the year's loss also contributed to a decrease in most of the Company's provisions, in line with the improvement in the financial and operational performance during the same period.

The net loss for the year increased to reach (116.9%) from SR (2.1 million) in the nine-month period ended September 30, 2020G to a loss of SR (4.5 million) in the nine-month period ended September 30, 2021G, mainly due to an increase in the net loss from major operations, for an amount of SR (4.7 million), in line with the decrease in operating income by 7.1 million Saudi riyals as a result of a decrease in sales by 9.5 million Saudi riyals for several reasons, the most important of which is the situation that the food market was going through, where there were many economic and demographic variables that affected the volume of sales. In addition, the company recorded losses due to the decline in the value of property, plant and equipment amounted to 469 thousand Saudi riyals due to the decreasing value of property, plant and equipment, which resulted from several internal factors of the company. This was offset by profits amounting to 762 thousand Saudi riyals and 118 Saudi riyals related to the reversal of the provision for spare parts that ran away from its purpose and the provision for credit losses that ran out of purpose, respectively, during the same period.

### 5-5-1-1 Sales by Factory

Table No. (20): Sales by factory for the fiscal years ended December 31 2018G, 2019G, 2020G and the nine-month period ended September 30, 2020G and 2021G

SAR 000	Financial Year 2018G (Reviewed)	Financial Year 2019G (Reviewed)	Financial Year 2020G (Reviewed)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Examined)	Nine-month Period Ended September 30, 2021G (Examined)	Change for the Period 2020G 2021G
Pastry Factory	40,727	38,179	41,838	(6.3%)	9.6%	1.4%	33,097	21,138	(36.1%)
Vegetables Factory	49,979	53,248	33,795	6.5%	(36.5%)	(17.8%)	23,562	28,283	20.0%
Food & Meat Factory	6,373	5,905	19,946	(7.3%)	237.8%	76.9%	13,068	7,956	(39.1%)
Breakfast Cereal Factory	264	540	3,236	104.6%	498.7%	250.0%	2,188	807	(17.4%)
<b>Total</b>	<b>97,342</b>	<b>97,871</b>	<b>98,815</b>	<b>0.5%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>71,915</b>	<b>59,183</b>	<b>(17.7%)</b>
Subtracted: The Allowed Discount	(14,671)	(13,008)	(13,135)	(11.3%)	1.0%	(5.4%)	(8,188)	(5,085)	(37.9%)
Subtracted: Returns	(2,540)	(2,046)	(1,902)	(19.4%)	(7.0%)	(13.5%)	(578)	(410)	(10.6%)
Net Sales	80,132	82,817	83,788	3.4%	1.2%	2.2%	62,149	52,688	(15.2%)
Allowed Discount as a Percentage of Total Sales	15.1%	13.3%	13.3%	(1.8)	0.0	(1.8)	11.4%	8.6%	(2.8)
Returns as a Percentage of Total Sales	2.6%	2.1%	1.9%	(0.5)	(0.2)	(0.7)	2.2%	2.4%	0.2

SAR 000	Financial Year 2018G (Reviewed)	Financial Year 2019G (Reviewed)	Financial Year 2020G (Reviewed)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Examined)	Nine-month Period Ended September 30, 2021G (Examined)	Change for the Period 2020G 2021G
<b>Sold Quantities (1,000 Cartons)</b>									
Pastry Factory	1,220	1,190	1,382	(2.5%)	16.2%	6.4%	1,123	674	(39.9%)
Vegetables Factory	1,541	1,729	997	12.2%	(42.3%)	(19.6%)	675	939	39.2%
Food & Meat Factory	55	44	220	(20.2%)	399.4%	99.7%	139	91	(34.3%)
Breakfast Cereal Factory	3	7	110	116.9%	1590.9%	505.6%	76	24	(68.6%)
<b>Total</b>	<b>2,820</b>	<b>2,970</b>	<b>2,710</b>	<b>5.3%</b>	<b>(8.8%)</b>	<b>(2.0%)</b>	<b>2,012</b>	<b>729</b>	<b>(14.1%)</b>
<b>Average Selling Price Per Carton (SR)</b>									
Pastry Factory	33.4	32.1	30.3	(3.9%)	(5.7%)	(4.8%)	29.5	31.3	6.3%
Vegetables Factory	32.4	30.8	33.9	(5.0%)	10.1%	2.2%	34.9	30.1	(13.8%)
Food & Meat Factory	115.6	134.2	90.8	16.1%	(32.4%)	(11.4%)	93.9	87.0	(7.3%)
Breakfast Cereal Factory	87.8	82.8	29.3	(5.7%)	(64.6%)	(42.2%)	28.9	75.9	162.7
<b>Total</b>	<b>34.5</b>	<b>33.0</b>	<b>36.5</b>	<b>(4.5%)</b>	<b>10.6%</b>	<b>2.8%</b>	<b>35.7</b>	<b>34.2</b>	<b>(4.2%)</b>
<b>As a Percentage of Total Sales</b>									
Pastry Factory	41.8%	39.0%	42.3%	(2.8)	3.3	0.5	46.0%	35.7%	(10.3)
Vegetables Factory	51.3%	54.4%	34.2%	3.1	(20.2)	(17.1)	32.8%	47.8%	15.0
Food & Meat Factory	6.5%	6.0%	20.2%	(0.5)	14.2	13.6	18.2%	13.4%	(4.7)
Breakfast Cereal Factory	0.3%	0.6%	3.3%	0.3	2.7	3.0	3.0%	3.1%	0.1

Source: The audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2020G and 2021G and management information.

### The Pastry Factory

The sales of the pastry factory mainly concern pasta products of various kinds. These sales decreased by 6.3% from SR (40.7 million) in the fiscal year 2018G to SR (38.2 million) in the fiscal year 2019G, as a result of a decrease in the sold quantities by (30,000) cartons due to the stop of some products' distribution to charitable societies (donated products), in addition to the decrease in the production of some pasta products due to low demand which led to a decrease in the sold quantities, and the decrease in the carton's average selling price from SR (33.4) to SR (32.1), due to the intensity of competition and the promotional offers provided by the Company during the same period.

The pastry factory's sales increased by 9.6% to reach SR (41.8 million) in the fiscal year 2020G, mainly due to an increase in the sold quantities by (193,000), cartons in line with the increase in per capita spending on food products during the COVID-19 pandemic, for fear of partial and total closure, which led to an increase in the sold quantities. The Company also reduced the prices of pastry factory products for the sake of competition and to increase its market share. This rise was due to the Company entering into agreements with a number of retail stores to manufacture special pastry products during the same period, which led to a decrease in the carton's average selling price by (30.3) in the fiscal year 2020G.

The pastry factory's sales decreased by 36.1% from SR (33.1 million) in the nine-month period ended September 30, 2020G to SR (21.1 million) in the nine-month period ended September 30, 2021G, mainly due to the decrease in factory productivity on account of the high prices of pastry products' raw materials, as the supply chain was affected by the global COVID-19 pandemic and the rise in the raw materials' prices in global markets, in addition to the market situation in which the per capita spending on food products was significantly higher in the nine-month period ended September 30, 2020G, despite the increase of the average selling price per carton from SR (29.5) to SR (31.3) during the same period.

### The Vegetables Factory

The vegetables factory's sales are mainly related to frozen potato and vegetables products, and peanut butter products. Sales of the vegetables factory increased by 6.5% from SR (50.0 million) in the fiscal year 2018G to SR (53.2 million) in the fiscal year 2019G as a result of: (1) an increase in the sold quantities by (188,000) cartons, in line with the increase in demand for the Company's potato products, as sales increased for frozen potato products by SR (2.6) during the same period, (2) the Company reduction of the vegetables factory products' prices, as the average selling price of a carton decreased from SR (32.4) to SR (30.8) during the same period, in order to compete and increase its share in the vegetables market, (3) the agreements concluded by the Company with a number of retail stores to manufacture special products, as most of these manufactured products were potato products.

The vegetable factory's sales decreased by 36.5% to reach SR (33.8 million) in the fiscal year 2020G, due to the impact of the restaurant and catering sector on the partial and total curfew decision taken by the government of the KSA in mid-March 2020G to limit the spread of the Coronavirus pandemic, in addition to the low levels of operation in the factory during the same period, which affected the decrease in the demand for frozen potato products for the Company to reach SR (19.6 million) on sales, in addition to the Company losing some customers, as lower quality potato products were distributed during the fiscal year 2019G due to the quality of the raw materials used, offset by an increase of SR (951,000), as a result of the Company introducing new vegetable products to the market during the same period.

The vegetable factory's sales increased by 20.0% from SR (23.6 million) in the nine-month period ended September 30, 2020G to SR (28.3 million) in the nine-month period ended September 30, 2021G, as a result of an increase in the quantities sold from 675 thousand cartons, to 939 thousand cartons due to the high demand. It is worth noting that the factory stopped production for about 20 days due to a malfunction during the same period.

### The Food and Meat Factory

The food and meat factory's sales are mainly related to burger and sausage products in addition to turkey products. The food and meat factory sales dropped by 7.3% from SR (6.4 million) in the fiscal year 2018G to SR (5.9 million) in the fiscal year 2019G, as a result of a decrease in the sold quantities by (11,000) cartons on account of the high prices of raw materials related to the meat factory, which resulted in a decrease in the produced and sold quantities during the same period. This decrease in the sold quantities was offset by an increase in the average selling price of a carton from SR (115.6) to SR (134.2) during the same period.

The food and meat factory's sales increased by 237.8% to reach SR (19.9 million) in the fiscal year 2020G, mainly due to the increase in the sold quantities by (176,000) cartons in line with the increase in per capita spending on food products, and the creation of a new sales channel for the Company, which is the commercial business sector, which led to an increase in the sold quantities. Furthermore, the Company reduced the prices of the food and meat factory in order to compete and increase its market share, as the average selling price of a carton decreased

to SR (90.8) in the fiscal year 2020G, and this rise was mainly supported by sales of burger products by SR (13.0 million) during the same period.

The factory's sales increased by 39.1% from SR (13.1 million) in the nine-month period ended September 30, 2020G to SR (8.0 million) in the nine-month period ended September 30, 2021G as a result of a decrease in the average selling price of the carton from SR (93.9) to SR (87.0) due to lower sales of burger products due to lower average selling price, in addition to the decrease in sales of sausages due to the low demand for them and in addition to the market situation in which the per capita spending on food products was significantly higher in the nine-month period ended September 30, 2020G.

### **The Breakfast Cereal Factory**

The breakfast cereal factory mainly sells corn flakes as well as nuts products. The breakfast cereal factory sales increased from SR (264,000) in the fiscal year 2018G to SR (540,000) in the fiscal year 2019G, and then to SR (3.2 million) in the fiscal year 2020G, as a result of the Company's management focus on the breakfast cereals sector and the desire to increase production levels, which led to higher sold quantities by (104,000) cartons, from (3,000) cartons in the fiscal year 2018G and (6,500) cartons in the fiscal year 2019G to (110,000) cartons in the fiscal year 2020G. Hence, the impact of the strategy that was implemented in the financial year 2018G to increase production levels on the factory's sales during fiscal year 2020G was clearly noticed.

The breakfast cereal factory's sales decreased by 17.4% from SR (2.2 million) in the nine-month period ended September 30, 2020G to SR (1.8 million) in the nine-month period ended September 30, 2021G, due the decrease in the sold quantities by (52,000) cartons during the same period.

### **The Allowed Discount**

The permissible discount relates to incentive discounts offered by the Company to customers in order to compete and increase its market share by gaining new customers, or offering incentive discounts to customers for early payment. The permissible discount decreased by 11.3% from SR (14.7 million) in the fiscal year 2018G to SR (13.1 million) in the fiscal years 2019G and 2020G, as a result of the decrease in the Hypermarket sales, especially of Abdullah Al Othaim, Panda and Carrefour sales.

The allowed discount decreased by 37.9% from SR (8.2) million in the nine-month period ended September 30, 2020G to SR (5.1 million) in the nine-month period ended September 30, 2021, as a result of the decrease in the Hypermarket sales, in addition to changing the company's strategy by reducing discounts in order to increase profitability, as the company's management tends to increase the quality of products and increase profitability.

### **Returns**

Returns relate to products that are returned (refunded) by the Company's customers due to the fact that these goods are expired, damaged or incorrectly billed. Returns decreased at a compound growth rate of 13.5% from SR (2.5 million) in the fiscal year 2018G to SR (1.9 million) in the fiscal year 2020G, as a result of the decrease in the number of products returned by customers during the same period.

Returns decreased by 10.6% from SR (1.6 million) in the nine-month period ended September 30, 2020G to SR (1.4 million) in the nine-month period ended September 30, 2021G, in line with sales during the same period.

### 5-5-1-2 Sales by Distribution Channel

Table No. (21): Sales by distribution channel for the fiscal years ended December 31, 2018G, 2019G, 2020G and the nine-month period ended September 30, 2020G and 2021G

SAR 000	Financial Year 2018G (Management Data)	Financial Year 2019G (Management Data)	Financial Year 2020G (Management Data)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period the Period 2020G 2021G
Hypermarket Sector	27,518	24,480	31,197	(11.0%)	27.4%	6.5%	22,080	13,292	(39.8%)
Wholesale Sector	45,889	43,109	28,390	(6.1%)	(34.1%)	(21.3%)	20,859	25,468	22.1%
Commercial Sector	-	-	15,911	-	-	-	11,466	2,666	(76.8%)
Private brand sector	9,243	14,198	15,321	53.6%	7.9%	28.7%	10,122	11,616	14.8%
Restaurants & catering Sector	5,726	9,291	3,781	62.3%	(59.3%)	(18.7%)	3,374	2,908	(13.8%)
Other	8,966	6,793	4,215	(24.2%)	(38.0%)	(31.4%)	4,013	3,233	(19.4%)
<b>Total</b>	<b>97,342</b>	<b>97,871</b>	<b>98,815</b>	<b>0.5%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>71,915</b>	<b>59,183</b>	<b>(17.7%)</b>
Subtract: Allowed discount	(14,671)	(13,008)	(13,135)	(11.3%)	1.0%	(5.4%)	(8,188)	(5,085)	(37.9%)
Asks: Returns	(2,540)	(2,046)	(1,902)	(19.4%)	(7.0%)	(13.5%)	(1,578)	(1,410)	(10.6%)
Net sales	80,132	82,817	83,778	3.4%	1.2%	2.2%	62,149	52,688	(15.2%)

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SAR 000	Financial Year 2018G (Management Data)	Financial Year 2019G (Management Data)	Financial Year 2020G (Management Data)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period 2020G 2021G
<b>Number of clients</b>									
Hypermarket Sector	86	89	85	3.5%	(4.5%)	(0.6%)	76	86	13.2%
Wholesale Sector	244	275	232	12.7%	(15.6%)	(2.5%)	165	218	32.1%
Commercial Sector	-	-	19	-	-	-	11	18	63.6%
Private brand sector	6	8	7	33.3	(12.5%)	8.0%	7	7	-
Restaurants & Catering Sector)	58	60	38	3.4%	(36.7%)	(19.1%)	29	30	3.4%
Other	101	61	42	(39.6%)	(31.1%)	(35.5%)	32	42	31.3%
<b>Total</b>	<b>495</b>	<b>493</b>	<b>423</b>	<b>(0.4%)</b>	<b>(14.2%)</b>	<b>(7.6%)</b>	<b>320</b>	<b>401</b>	<b>25.3%</b>
Average Sales per Customer (Thousand Saudi Riyals)	-	-	-	-	-	-	-	-	-
Hypermarket Sector	320	275	367	(14.0%)	33.4%	7.1%	291	155	(46.8%)
Wholesale Sector	188	157	122	(16.6%)	(21.9%)	(19.3%)	126	117	7.6%
Commercial Sector	-	-	837	-	-	-	1,042	148	(85.8%)

SAR 000	Financial Year 2018G (Management Data)	Financial Year 2019G (Management Data)	Financial Year 2020G (Management Data)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period 2020G 2021G
Private brand sector	1,541	1,775	2,189	15.2%	23.3%	19.2%	1,446	1,659	14.8%
Restaurants & catering Sector	99	155	100	56.8%	(35.7%)	0.4%	116	97	(16.7%)
Other	89	111	100	25.5%	(9.9%)	6.3%	125	77	(38.6%)
<b>Total</b>	<b>197</b>	<b>199</b>	<b>234</b>	<b>1.0%</b>	<b>17.7%</b>	<b>9.0%</b>	<b>225</b>	<b>148</b>	<b>(34.3%)</b>
<b>As a percentage of total sales</b>									
Hypermarket Sector	28.3%	25.0%	31.6%	(3.3)%	6.6%	3.3%	30.7%	22.5%	(8.2)
Wholesale Sector	47.1%	44.0%	28.7%	(3.1)%	(15.3)%	(18.4)%	29.0%	43.0%	14.0
Commercial Sector	-	-	16.1%	-	16.1%	16.1%	15.9%	4.5%	(11.4)
Private brand sector	9.5%	14.5%	15.5%	5.0%	1.0%	6.0%	14.1%	19.6%	5.6
Restaurants & catering Sector	5.9%	9.5%	3.8%	3.6%	(5.7)%	(2.1)%	4.7%	4.9%	0.2
Other	9.2%	6.9%	4.3%	(2.3)%	(2.7)%	(4.9)%	5.6%	5.5%	(0.1)

Source: Management Data

## Retail Sector

Retail sales are mainly related to the sales channel of selling to large and medium markets, hypermarkets, groceries represented 28.3% in the fiscal year 2018G, 25.0% in the fiscal year 2019G, and 31.6% in the fiscal year 2020G. Hypermarkets sales sector decreased by 11.0% from SR (27.5 million) in the fiscal year 2018G to SR (24.5 million) in the fiscal year 2019G, as a result of the decreased sales to major customers such as Abdullah Al-Othaim, Carrefour and Panda, due to the decrease in demand from them for the Company's products during the same period.

Hypermarket sales soared by 27.4% to reach SR (31.2 million) in the fiscal year 2020G, due to an increase in average sales to the hypermarket sector customer by 33.4% to reach SR (367,000) during the same period.

Hypermarket sales decreased by 39.8% from SR (22.1 million) during the nine-month period ended September 30, 2020G to SR (13.3 million) during the nine-month period ended September 30, 2021G, as a result of a decrease in average sales to the hypermarket sector customer by 46.8%, from SR (291,000) to SR (155,000) due to the market situation during the nine-month period ending on September 30, 2020, where there was a lot of buying out of fear and anxiety about the emerging corona virus.

## Wholesale Sector

Wholesale sales are related to sales to wholesale food stores. They accounted for 47.1% in the fiscal year 2018G, 44.0% in the fiscal year 2019G, and 28.7% in the fiscal year 2020G. Wholesale sales decreased by 6.1%, from SR (45.9 million) in the fiscal year 2018G to SR (43.1 million) in the fiscal year 2019G, as a result of a decrease in the average sales to the wholesale sector customer by 16.6%, from SR (188,000) to SR (157,000) during the same period. This was offset by an increase in the number of customers in the wholesale sector from 244 to 275 during the same period.

Wholesale sales decreased by 34.1%, to reach SR (28.4 million) in the fiscal year 2020G, due to a drop in the number of customers, from 275 to 232 during the same period.

Wholesale sales increased by 22.1%, from SR (20.1 million) during the nine-month period ended September 30, 2020G to SR (25.5 million) during the nine-month period ended September 30, 2021G, as a result of an increase in the number of customers from 209 to 237, in line with the decrease in the severity of the precautionary measures in the Kingdom of Saudi Arabia.

## Commercial Sector

The sales of the commercial sector relate to the company's sales through importing from abroad instead of manufacturing through selling to other companies (Business-to-Business), as this sales channel was updated during the fiscal year 2020G, and the sales of the commercial sector amounted to 15.9 million Saudi riyals, representing a proportion of 16.1% in the fiscal year 2020.

The commercial sector's sales decreased by 76.8%, from SR (11.5 million) in the nine-month period ended September 30, 2020G to (2.7 million) in the nine-month period ended September 30, 2021G, as a result of the company not renewing many contracts from clients, the company's management intends to stop this type of distribution as the management believes that this sector may negatively affect the company's brands as it did not achieve the expected results.

## Restaurants and Catering Sector

The restaurants and catering sector's sales are related to the sale of foodstuffs to contracted restaurants, and they represented 5.9% in the fiscal year 2018G, 9.5% in the fiscal year 2019G, and 3.8% in the fiscal year 2020G. The sales of this sector increased by 62.3%, from SR (5.7 million) in the fiscal year 2018G to SR (9.3 million) in the fiscal year 2019G due to the increase in the average sales to the customer by 56.8%, from SR (99,000) to SR (155,000), in addition to the increase in the customers' number from 58 to 60 during the same period.

The sales of the restaurants and catering sector decreased by 59.3% to reach SR (3.8 million) in the fiscal year 2020G, due to the decrease in the number of customers by 22 customers, as a result of the restaurants and catering sector's impact on the partial and total curfew decision taken by the government of the KSA in mid-March 2020G to limit the spread of the Coronavirus pandemic during the same period.

The restaurants and catering sector's sales decreased by 13.8%, from SR (3.4 million) in the nine-month period ended September 30, 2020G to SR (2.9 million) in the nine-month period ended September 30, 2021G, as a result

of an decrease in the average sales to the customer by 16.7%, from SR (116,000) to SR (97,000), during the same period.

### **Other Sectors**

Sales of other sectors are mainly related to the manufacture and sale of special products to various retail companies, in addition to other distributors and other sales channels. These sales represented 28.3% in the fiscal year 2018G, 25.0% in the fiscal year 2019G, and 31.6% in the fiscal year 2020G of total sales. Sales of other sectors decreased at a compound growth rate of 31.4% from 10.0 million Saudi riyals in the 2018 fiscal year to 4.2 million Saudis in the 2020s as a result of the decrease in the number of customers from 101 to 42 during the same period.

These sales decreased by 19.4%, from SR (4.0 million) during the nine-month period ended September 30, 2020G to SR (3.2 million) during the nine-month period ended September 30, 2021G, and the decline was mainly supported by a decline in sales representative sales during the same period.

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### 5-5-1-3 Sales Cost

Table No. (22): Cost of sales for the fiscal years ended December 31, 2018G, 2019G, 2020G and the nine-month period ended September 30, 2020G and 2021G.

SAR 000	Financial Year 2018G (Management Data)	Financial Year 2019G (Management Data)	Financial Year 2020G (Management Data)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period 2020G 2021G
Raw Materials	39,990	40,902	40,841	2.3%	(0.1%)	1.1%	27,595	25,885	(6.2%)
Indirect operating expenses	24,569	23,039	20,493	(6.2%)	(11.1%)	(8.7%)	14,617	14,506	(0.8%)
Wages	2,394	2,117	3,030	(11.6%)	43.1%	12.5%	2,137	1,616	(24.4%)
<b>Total</b>	<b>66,952</b>	<b>66,058</b>	<b>64,363</b>	<b>(1.3%)</b>	<b>(2.6%)</b>	<b>(2.0%)</b>	<b>44,349</b>	<b>42,007</b>	<b>(5.3%)</b>
Average number of Employees	162	182	263	12.3%	44.5%	27.4%	240	185	(22.9%)
Average monthly salary of an employee (SAR)	1,231	969	960	(21.3%)	(1.0%)	(11.7%)	989	971	(1.9%)
<b>As a Percentage of Total Sales</b>									
Raw Materials	49.9%	49.4%	48.7%	(0.5)	(0.6)	(1.2)	44.4%	49.1%	4.7
Indirect Operating Expenses	30.7%	27.8%	24.5%	(2.8)	(3.4)	(6.2)	23.5%	27.5%	4.0
Wages	3.0%	2.6%	3.6%	(0.4)	1.1	0.6	3.4%	3.1%	(0.4)
<b>Total</b>	<b>83.6%</b>	<b>79.8%</b>	<b>76.8%</b>	<b>(3.8)</b>	<b>(2.9)</b>	<b>(6.7)</b>	<b>71.4%</b>	<b>79.7%</b>	<b>8.4</b>

Source: Management Data

## Raw Materials

Raw materials expenses represent all the raw materials that the Company uses in the manufacture of its products in all factories and products. They increased by 2.3%, from SR (40.0 million) in the fiscal year 2018G to SR (40.9 million) in the fiscal year 2019G, in line with the increase in the total sold quantities by (150,000) cartons, from (2.8 million) cartons to (3.0 million) cartons, which led to an increase in the raw materials used in the production and manufacturing process, where the increase was supported by the increase in potato materials during the same period, then the expenses of raw materials stabilized at 40.9 million Saudi riyals in the fiscal year 2020, as there was no significant impact due to the volume of production levels.

Raw materials expenses decreased by 6.2% from SAR 27.6 million in the nine-month period ending on September 30, 2020G to SAR 25.9 million in the nine-month period ending on September 30, 2021G as a result of lower material costs for chicken and semolina products.

## Indirect operating expenses

The indirect operating expenses are the general operating expenses that cannot be easily traced or identified with any specific factory or product revenue such as electricity, water or depreciation, unlike the expenses of raw materials and wages, and these expenses also include depreciation expenses on fixed assets. Indirect operating expenses decreased by 6.2% from SAR 24.6 million in fiscal year 2018G to SAR 23.0 million in fiscal year 2019G as a result of a decrease in depreciation expenses in line with the company's implementation of IFRS 16 related to rent, in addition to a decrease in fines from The Saudi Electricity Company, where the fines relate to transgressing the levels and operating rates imposed by the Saudi Electricity Company on the operational and production plants. It is worth noting that electricity expenses in factories have not increased significantly despite the high levels of production in factories due to the company's use of a new system to rationalize electricity consumption.

Indirect operating expenses continued to decline by 11.1% to reach 20.5 million Saudi riyals in the fiscal year 2020 AD due to the decrease in the operating levels of the company's factories, with a decrease in the quantities produced and sold during the same period.

Indirect operating expenses stabilized at 14.6 million Saudi riyals in the nine-month period ending on September 30, 2020, and in the nine-month period ending on September 30, 2021AD, as a result of the stability levels of depreciation on fixed assets despite the low operating levels.

## Wages

Wage expenses are the basic salaries of the employees. These expenses decreased by 11.6%, from SR (2.4 million) in the fiscal year 2018G to SR (2.1 million) in the fiscal year 2019G due to the reduction of the managing director's basic salary.

Wages expenses increased by 31.4% to reach SR (3.0 million) in the fiscal year 2020G due to an increase in the employees' number by about 81 employees during the same period.

Wages expenses decreased by 24.4% from SR (2.1 million) in the nine-month period ended September 30, 2020G to SR (1.6 million) in the nine-month period ended September 30, 2021G, despite the decrease in the employees' number from about 240 employees.

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#### 5-5-1-4 Total Operating Income by Factory

Table No. (23): Total operating income by factory, sales and distribution for the fiscal years ended December 31 2018G, 2019G, 2020G and the nine-month period ended September 30, 2020G and 2021G

SAR 000	Financial Year 2018G (Management Data)	Financial Year 2019G (Management Data)	Financial Year 2020G (Management Data)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period 2020G 2021G
Pastry Factory	21,371	20,294	23,397	(5.0%)	15.3%	4.6%	18,531	10,459	(43.6%)
Vegetable Factory	8,676	11,049	7,909	27.3%	(28.4%)	(4.5%)	6,618	4,203	(36.5%)
Food & Meat Factory	215	340	2,107	58.0%	520.4%	213.1%	1,693	2,085	23.2%
Breakfast Cereal Factory	127	131	1,038	3.5%	689.1%	185.8%	724	430	(40.6%)
Total Operating Income	30,390	31,813	34,451	4.7%	8.3%	6.5%	27,566	17,176	(37.7%)
Subtracted: Allowed Discount	(14,671)	(13,008)	(13,135)	(11.3%)	1.0%	(5.4%)	(8,188)	(5,085)	(37.9%)
Subtracted: Returns	(2,540)	(2,046)	(1,902)	(19.4%)	(7.0%)	(13.5%)	(1,578)	(1,410)	10.06%
Net Operating Income (after deducting allowed discount and returns)	13,179	16,759	19,414	27.2%	15.8%	21.4%	17,800	10,681	(40.0%)

SAR 000	Financial Year 2018G (Management Data)	Financial Year 2019G (Management Data)	Financial Year 2020G (Management Data)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period 2020G 2021G
<b>Operating Income Margin</b>									
Pastry Factory	52.5%	53.2%	55.9%	0.7	2.8	3.4	56.0%	49.5%	(6.5)
Vegetable Factory	17.4%	20.7%	23.4%	3.4	2.7	6.0	28.1%	14.9%	(13.2)
Food & Meat factory	3.4%	5.8%	10.6%	2.4	4.8	7.2	(13.0%)	26.2%	13.3
Breakfast Cereal factory	48.1%	24.3%	32.1%	(23.8)	7.7	(16.0)	33.1%	23.8%	(9.3)
Total Operating Income	31.2%	32.5%	34.9%	1.3	2.4	3.6	38.3%	29.0%	(9.3)
Net Operating Income (after deducting allowed discount and returns)	16.4%	20.2%	23.2%	3.8	2.9	6.7	28.6%	20.3%	(8.4)

Source: Management Data

### The Pastry Factory

The total operating income of the pastry factory decreased by 5.0%, from SR (21.4 million) in the fiscal year 2018G to SR (20.3 million) in the fiscal year 2019G (the operating margin income increased from 52.5% to 53.2%), due to the factory sales decrease by SR (2.5 million) as a result of a decline in the sold quantities by (30,000) cartons after the products' customers returns during the same period.

The total operating income of the pastry factory increased by 15.3% to reach SR (23.4 million) in the fiscal year 2020G (the operating margin income increased to 55.9%), as a result of the increase in the sold quantities in line with the increase in per capita spending on food products, which led to an increase in the sold quantities mainly due to the Company entering into agreements with a number of retail stores to manufacture special pastry products during the same period.

The total operating income of the pastry factory decreased by 43.6% from SR (18.5 million) in the nine-month period ended September 30, 2020G to SR (10.5 million) in the nine-month period ended September 30, 2021G (the operating margin income decreased from 56.0% to 49.5%), due to a decline in productivity as a result of the high prices of the pastry products' raw materials as the supply chain was affected by the COVID-19 pandemic and the rising cost of raw materials in global markets.

### The Vegetable Factory

The total operating income of the vegetable factory increased by 27.3% from SR (8.7 million) in the fiscal year 2018G to SR (11.0 million) in the fiscal year 2019G (the operating margin income increased from 17.4% to 20.7%), and this is due to an increase in the sold quantities, in line with the growing demand for the factory's products, especially the potato products, in addition to the Company entering into agreements with a number of retail stores to manufacture special products, as most of these manufactured products were potato products during the same period.

The total operating income of the vegetable factory decreased by 28.4% to reach SR (7.9 million) in the fiscal year 2020G (the operating margin income increased to 23.4%) because the restaurants and catering sector was affected by the total and partial curfew decision taken by the government of KSA in mid-March 2020G to limit the spread of the Coronavirus pandemic, which affected the decrease in demand for the Company's frozen potato products during the same period.

The total operating income of the vegetable factory decreased by 36.5%, from SR( 6.6 million) in the nine-month period ended September 30, 2020G to SR (4.2 million) in the nine-month period ended September 30, 2021G (the operating margin income decreased from 28.1% to 14.9%), as a result of lower average selling price.

### The Food and Meat Factory

The total operating income of the food and meat factory increased by 58.0%, from SR (215,000) in the fiscal year 2018G to SR (340 million) in the fiscal year 2019G (the operating margin income increased from 3.4% to 5.8%), and this is due to a rise in the average selling price of the carton by 16.1%, from SR (115.6) to SR (134.2), in addition to a decrease in factory expenses through indirect operating expenses, in line with a drop in the quantities manufactured and sold to the factory during the same period.

The total operating income of the factory increased by 520.4% to reach SR (2.1 million) in the fiscal year 2020G (the operating margin income increased to 10.6%), as a result of a rise in the sold quantities by (176,000) cartons in line with an increase in per capita spending on food products, and the creation of a new sales channel, which is the commercial business sector during the same period.

The total operating income of the factory decreased from an operating loss by (23.2%) from (1.7 million) in the nine-month period ended September 30, 2020G, to SR (2.1 million), in the nine-month period ended September 30, 2021G, (operating income margin increased from 13.0% to 26.2%), and this is due to the high costs of the factory's raw materials.

### The Breakfast Cereal Factory

The total operating income of the breakfast cereal factory increased from 127 thousand Saudi riyals in the 2018 fiscal year to 131 thousand Saudi riyals in the 2019 fiscal year and then to 1.0 million Saudi riyals in the 2020 fiscal year (the operating income margin was 48.1%, 24.3%, and 32.1% respectively), and this is mainly due to the company's management's focus on the breakfast cereals sector and the desire to increase production levels for the factory, which led to an increase in the quantities sold.

The total operating income of the breakfast cereals factory decreased by 40.6% from SR (724,000) in the nine-month period ended September 30, 2020G to SR (430,000) in the nine-month period ended September 30, 2021G, and this is due to the decrease in sales due to the decrease in the average selling price and the effect of marketing offers on the factory's products.

### 5-5-1-5 General and Administrative Expenses

Table No. (24): General and administrative expenses for the fiscal years ended December 31, 2018G, 2019G and 2020G and the nine-month period ended September 30, 2020G and 2021G

SAR 000	Financial Year 2018G (Reviewed)	Financial Year 2019G (Reviewed)	Financial Year 2020G (Reviewed)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period the 2020G 2021G
Employees' Wages and Salaries	6,313	6,609	5,865	4.7%	(11.3%)	(3.6%)	4,347	4,860	11.8%
Fees & Subscriptions	907	864	861	(4.7%)	(0.4%)	(2.6%)	656	403	(38.6%)
Right-of-use Asset Depreciation	-	354	405	-	14.6%	-	182	154	(15.4%)
Insurance	482	528	388	9.5%	(26.5%)	(10.3%)	299	244	(18.4%)
Maintenance and Repair	130	105	229	(19.1%)	117.6%	32.7%	162	60	(63.0)%
Consumptions	256	226	224	(11.7%)	(0.7%)	(6.4%)	169	170	0.6%
Amortization of Intangible Assets	-	136	182	-	33.3%	-	136	127	(6.6%)
Board Attendance Allowance	110	136	135	23.6%	(0.7%)	10.8%	165	78	111.5%
Other Expenses	1,029	992	855	(3.6%)	(13.8%)	(8.8%)	434	1,336	207.8%
<b>Total</b>	<b>9,228</b>	<b>9,951</b>	<b>9,145</b>	<b>7.8%</b>	<b>(8.1%)</b>	<b>(0.4%)</b>	<b>6,463</b>	<b>7,519</b>	<b>16.3%</b>
Average Number of Employees	35	43	32	8	(11)	(3)	32	22	(10)

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SAR 000	Financial Year 2018G (Reviewed)	Financial Year 2019G (Reviewed)	Financial Year 2020G (Reviewed)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period 2020G 2021G
<b>As a Percentage of Total Sales</b>									
Employees' Wages & Salaries	7.9%	8.0%	7.0%	0.1	(0.1)	(0.9)	7.0%	9.2%	2.2
Fees & Subscriptions	1.1%	1.0%	1.0%	(0.1%)	0.0	(0.1)	1.1%	0.8%	(0.3)
Right-of-use Asset Depreciation	-	0.4%	0.5%	0.4	0.1	0.5	0.3%	0.3%	0.0
Insurance	0.6%	0.6%	0.5%	0.0	(0.2)	(0.1)	0.5%	0.5%	0.0
Maintenance and Repair	0.2%	0.1%	0.3%	0.0	0.1	0.1	0.3%	0.1%	(0.1)
Consumptions	0.6%	0.6%	0.5%	(0.0)	0.2	(0.2)	0.5%	0.5%	0.0
Amortization of Intangible Assets	0.0%	0.2%	0.2%	0.2	0.1	0.2	0.2%	0.2%	0.0
Board Attendance Allowance	0.1%	0.2%	0.2%	0.0	0.0	0.0	0.1%	0.3%	0.2
Other Expenses	1.3%	1.2%	1.0%	(0.1)	(0.2)	(0.3)	0.7%	2.5%	1.8
<b>Total</b>	<b>11.5%</b>	<b>12.0%</b>	<b>10.9%</b>	<b>0.5</b>	<b>(1.1)</b>	<b>(0.6)</b>	<b>10.4%</b>	<b>14.3%</b>	<b>3.9</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G and the management data.

## Employees' Wages and Salaries

Employees' wages and salaries are basic employees' salaries, housing and transportation costs in addition to bonuses and other expenses related to employees. Employees' wages and salaries expenses increased by 4.7%, from SR (6.3 million) in the fiscal year 2018G to SR (6.6 million) in the fiscal year 2019G, as a result of the increase in the number of employees by about 8 during the same period. Employees' wages and salaries expenses decreased by 11.3% to reach SR (5.9 million) in the fiscal year 2020G as a consequence of a drop in employees' number by about 11 employees during the same period.

Employees' wages and salaries expenses increased by 11.8% from SR (4.3 million) in the nine-month period ended September 30, 2020G to SR (4.9 million) in the nine-month period ended September 30, 2021G in line with the increase in the average salaries for employees. And it is worth noting that the company has benefited. The Company's employees also benefit from SANED, an insurance program designed to support Saudi workers and their families financially during a period of unemployment, and from the implementation of Article 41 to face the effects of the Coronavirus pandemic during the nine months period ended September 30, 2020.

## Fees and Subscriptions

Fees are and subscriptions in government expenses, commercial licenses, foreign labor licenses, residency, Internet fees, and other fees, expenses and subscriptions. Expenses and subscription fees decreased from SR (907,000) in the fiscal year 2018G to SR (864,000) in the fiscal year 2019G, and then to SR (861,000) in the fiscal year 2020G, as a result of the decrease in the expenses of foreign labor licenses and residencies due to government support regarding residency fees during the same period.

Fees and subscriptions decreased by 38.6%, from SR (656,000) in the nine-month period ended September 30, 2020G to SR (403,000) in the nine-month period ended September 30, 2021G, as a result of the Saudi government initiatives and support for the industrial sector through the reduction of residence renewal fees for foreigners during the same period.

## Right-of-use Asset Depreciation

The Company applied IFRS 16 "**Lease Contracts**" during the fiscal year 2019G, whereby lease contracts are recognized as right-of-use assets with corresponding obligations on the date when the leased assets become ready for use by the Company. The lease payments are distributed between the lease obligation and the financing cost. The finance cost is recognized in the income statement over the lease term and the right-of-use assets are depreciated over the useful life of the asset or the lease term on a straight-line basis, whichever is shorter. The Company signed lease contracts and agreements concerning buildings and land used its private work and business. Right-of-use asset depreciation expenses have increased by 14.6%, from SR (354,000) in the fiscal year 2019G to SR (405,000) in the fiscal year 2020G, as a result of additions of SR (258,000), which led to an increase in depreciation expenses of the right-of-use asset during the same period.

Right-of-use asset depreciation expenses decreased by 15.4% from SR (182,000) in the nine-month period ended September 30, 2020G to SR (145,000) in the nine-month period ended September 30, 2021G, as a result of the lack of additions to the right-of-use asset during the same period.

## Insurance

Medical insurance expenses for employees and car insurance expenses in addition to all other insurance expenses increased by 9.5%, from SR (482,000) in the fiscal year 2018G to SR (528,000) in the fiscal year 2019G, in line with the increase in the number of employees, which led to an augmentation in medical insurance expenses during the same period. Insurance expenses decreased by 26.5% to reach SR (388,000) in the fiscal year 2020G, due to the decrease in car insurance expenses in line with the drop in the number of vehicles and medical insurance expenses as a result of the decline in the number of employees during the same period.

Insurance expenses decreased by 18.4%, from SR (299,000) in the nine-month period ended September 30, 2020G, to SR (244,000) in the nine-month period ended September 30, 2021G, as a consequence of the decrease in vehicles insurance expenses and in the number of vehicles during the same period.

## Maintenance and Repair

Repair and maintenance expenses represent the expenses for the maintenance and repair of offices, air conditioners and elevators in the Company's main building. Maintenance and repair costs decreased by 19.1%, from SR (130,000) in the fiscal year 2018G to SR (105,000) in the fiscal year 2019G, as a result of the decline in the

main building's maintenance needs during the same period. Maintenance and repair expenses increased by 117.6% to reach SR (229,000) in the fiscal year 2020G, due to the growing maintenance needs of the main building and factories. The Company's operations continued during the partial and total quarantine imposed by the Saudi government to limit the spread of the global Coronavirus pandemic during the same period.

Maintenance and repair expenses decreased by 63.0%, from SR (162,000) in the nine-month period ended September 30, 2020G to SR (60,000) in the nine-month period ended September 30, 2021G in line with the reduced maintenance needs of the main building and factories in the same period.

### Consumptions

Consumptions expenses decreased from SR (256,000) in the fiscal year 2018G to SR (226,000) in the fiscal year 2019G, and then to SR (224,000) in the fiscal year 2020G, as a result of exclusions in property, machinery and equipment related to vehicles, furniture and furnishings, in addition to the fact that equipment wore over time and depreciated in value just like property and machinery during the same period.

Expenses stabilized Consumptions at 170 thousand Saudi riyals in the nine-month period ending on September 30, 2020 and 2021, as a result of the lack of significant additions to machinery, property and equipment, in addition most fixed assets to reach the end of their depreciable life during the same period.

### Amortization of Intangible Assets

Expenses for amortization of intangible assets represent the Company's computer software and information systems (IP). The amortization expense of intangible assets increased by 33.3%, from SR (136,000) in the fiscal year 2019G to SR (182,000) in the fiscal year 2020G, as a result of additions of SR (1.2 million), which led to an increase in amortization expenses of intangible assets during the same period.

Amortization expense of intangible assets decreased by 6.6%, from SR (136,000) in the nine-month period ended September 30, 2020G to SR (127,000) in the nine-month period ended September 30, 2021G, as a result of the absence of additions to intangible assets during the same period.

### Board Attendance Allowance

Board attendance allowance has increased by 23.6%, from SR (110,000) in the fiscal year 2018G to SR (136,000) in the fiscal year 2019G, as a result of the increase in the number of Board meetings, which contributed to a rise in expenses for attending Board meetings during the same period. Expenses for Board attendance decreased by 0.7% to reach SR (135,000) in the fiscal year 2020G, as a result of the decrease in the number of Board meetings due to the Coronavirus pandemic, which contributed to a drop in expenses for attending Board meetings during the same period.

Expenses for attending Board meetings increased by 111.5%, from SR (78,000) in the nine-month period ended September 30, 2020G to SR (165,000) in the nine-month period ended September 30, 2021G, as a result of the increase in the number of Board meetings, which contributed to an augmentation in the attendance allowance expense during the same period.

### Other Expenses

Other expenses include short-term leasing expenses, social security expenses, stationery and printing expenses, bank commission expenses, in addition to other general and administrative expenses. These expenses decreased by 3.6%, from SR (1.0 million) in fiscal year 2018G to SR (992,000) in the fiscal year 2019G, as a result of a decrease in (short-term) rental expenses by SR (179,000) due to the Company's ability to obtain better leasing rates and prices during the same period.

Other expenses continued to decrease by 13.8% to reach SR (855,000) in the fiscal year 2020G, as a consequence of a decrease in (short-term) leasing expenses by SR (136,000) due to the Company's ability to negotiate with lessors regarding the postponement of lease payment dues, in addition to the drop of advertising expenses by SR (58,000) due to uncertainty about advertising campaigns and business activities during the Coronavirus pandemic. This was offset by an increase in bank commission expenses by SR (31,000) due to the increase in the number of banking transactions during the same period.

Other expenses increased by 207.8%, from SR (434,000) in the nine-month period ended September 30, 2020 G to SR (1.3 million) in the nine-month period ended September 30, 2021G, as a result of an increase in expenses to follow up on the costs of the Saudi Industrial Development Fund loan, in addition to the existence of expenses related to the accounting and legal consultants due to the request to issue rights shares during the same period.

### 5-5-1-6 Selling and Marketing Expenses

Table No. (25): Selling and marketing expenses for the financial years ended December 31, 2018G, 2019G and 2020G and the nine-month period ended September 30, 2020G and 2021G

SAR 000	Financial Year 2018G (Reviewed)	Financial Year 2019G (Reviewed)	Financial Year 2020G (Reviewed)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period 2020G 2021G
Employees' Wages and Salaries	6,199	6,561	6,723	5.8%	2.5%	4.1%	5,014	4,554	(9.2%)
Rent/Lease	1,252	1,083	1,646	(13.5%)	52.0%	14.7%	1,274	494	(61.2%)
Hauling (Transportation) & Loading	1,760	1,899	1,371	7.9%	(27.8%)	(11.8%)	1,165	975	(16.3%)
Depreciation	1,349	1,399	1,284	3.8%	(8.2%)	(2.4%)	1,077	608	(43.5%)
Electricity, Water & Fuel	885	854	1,198	(3.4%)	40.2%	16.4%	940	493	(47.6%)
Fees & Subscriptions	983	611	1,101	(37.8%)	80.0%	5.8%	752	399	(46.9%)
Maintenance & Repair	452	487	613	7.8%	26.1%	16.5%	122	308	152.5%
Temporary Employment	404	636	546	57.3%	(14.1%)	16.2%	423	339	(19.9%)
Insurance	523	561	501	7.1%	(10.7%)	(2.2%)	380	402	5.8%
Other Expenses	3,675	3,199	1,781	(12.9%)	(44.3%)	(30.4%)	1,667	782	(53.1%)
<b>Total</b>	<b>17,481</b>	<b>17,290</b>	<b>16,764</b>	<b>(1.1%)</b>	<b>(3.0%)</b>	<b>(2.1%)</b>	<b>12,814</b>	<b>9,354</b>	<b>(27.0%)</b>
Employees' Number	77	85	93	8	8	16	80	67	(13)

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SAR 000	Financial Year 2018G (Reviewed)	Financial Year 2019G (Reviewed)	Financial Year 2020G (Reviewed)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Management Data)	Nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period 2020G 2021G
Average of the monthly salary of an employee (SR)	6,709	6,432	6,024	(4.1%)	(6.3%)	(5.2%)	6,964	7,552	8.4%
<b>As a Percentage of Total Sales</b>									
Employees' Wages & Salaries	7.7%	7.9%	8.0%	0.2	0.1	0.3	8.1%	8.6%	0.6
Rent	1.6%	1.3%	2.0%	(0.3)	0.7	0.4	2.0%	0.9%	(1.1)
Hauling (Transportation) & Loading	2.2%	2.3%	1.6%	0.1	(0.7)	(0.6)	1.9%	1.9%	0.0
Depreciation	1.7%	1.7%	1.5%	0.0	(0.2)	(0.2)	1.7%	1.2%	(0.6)
Electricity, Water & Fuel	1.1%	1.0%	1.4%	0.1	0.4	0.3	1.5	0.9%	(0.6)
Fees & Subscriptions	1.2%	0.7%	1.3%	(0.5)	0.6	0.1	1.2%	0.8%	(0.5)
Maintenance & Repair	0.6%	0.6%	0.7%	0.0	0.1	0.1	0.2%	0.6%	0.4
Temporary Employment	0.5%	0.8%	0.7%	0.3	0.0	0.2	0.7%	0.6%	0.0
Insurance	0.7%	0.7%	0.6%	0.0	(0.1)	0.0	0.6%	0.8%	0.2
Other Expenses	4.6%	3.9%	2.1%	(0.7)	(1.5)	(2.0)	2.7%	1.5%	(1.2)
<b>Total</b>	<b>21.8%</b>	<b>20.9%</b>	<b>20.0%</b>	<b>(0.9)</b>	<b>(0.9)</b>	<b>(1.8)</b>	<b>20.6%</b>	<b>17.8%</b>	<b>(2.9)</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G and management data

## Employees' Wages and Salaries

Wages and salaries expenses for employees represent basic salaries for sales employees and marketing representatives, housing and transportation costs, in addition to bonuses and other expenses related to employees. Employees' wages and salaries expenses increased at a compound growth rate of 4.1%, from (6.2 million) in the fiscal year 2018G to SR (6.7 million) in the fiscal year 2019G, in line with the increase in the number of employees from 77 employees to 93 employees in line with the introduction of the new sales channel (the commercial sector), this was offset by a decrease in the level of salaries paid due to obtaining state support through the Sanid Program for Employees and initiatives to reduce employee costs and salaries from management during the same period.

Employees' wages and salaries expenses increased by 9.2%, from SR (5.0 million) in the nine-month period ended September 30, 2020G to SR (4.6 million) in the nine-month period ended September 30, 2021G, due to the decrease of the number of employees from 80 employees to 67 employees during the same period.

## Leases

Leases are mainly short-term rentals of the Company's branches, outlets, workers' accommodation, and warehouses. Leasing expenses decreased by 13.5%, from SR (1.3 million) in the fiscal year 2018G to SR (1.1 million) in the fiscal year 2019G, due to the Company's ability to obtain better leasing prices and rates on branches and employees' accommodation during the same period. Leasing expenses increased by 52.0% and reached SR (1.6 million) in the fiscal year 2020G, as a result of the Company opening a new outlet in Khamis Mushait, which led to an increase in leasing expenses during the same period.

Leasing expenses decreased by 61.2%, from SR (1.3 million) in the nine-month period ended September 30, 2020G to SR (494,000) in the nine-month period ended September 30, 2021G, as a consequence of the termination of a lease agreement concerning a warehouse used to store potato products, which was rented from 15/04/2020G until 14/09/2021, and the rent was paid during the nine-month period ended September 30, 2021G, which led to a decrease during the same period.

## Hauling (Transportation) and Loading

Hauling (Transportation) and loading expenses are related to the transportation of goods and foodstuffs on land roads in the KSA. Transportation and loading expenses increased by 7.9%, from SR (1.8 million) in the fiscal year 2018G to SR (1.9 million) in the fiscal year 2019G, in line with growing sold quantities during the same period. These expenses decreased by 27.8% to reach SR (1.4 million) in the fiscal year 2020G, as a result of the decrease in the number of distribution services outside the central region, which led to a decrease in the overall transportation and loading expenses during the same period.

Transportation and loading expenses decreased by 16.3%, from SR (1.2 million) in the nine-month period ended September 30, 2020G to SR (675,000) in the nine-month period ended September 30, 2021G, due to the decrease in the number of distribution trips during the same period.

## Depreciation

Depreciation expenses stabilized at SR (1.4 million) in the fiscal years 2018G and 2019G as a result of additions to property, machinery and equipment amounting to SR (2.4 million), which led to a slight increase in the annual depreciation expense during the same period. These expenses decreased by 8.2% to reach SR (1.3 million) in the fiscal year 2020G, as a result of exclusions in property, machinery and equipment related to vehicles, furniture and furnishings during the same period.

Depreciation expenses decreased by 43.5%, from SR (1.1 thousand) in the nine-month period ended September 30, 2020G to SR (608,000) in the nine-month period ended September 30, 2021G, as a result of the lack of significant additions to machinery, property and equipment, and the attaining of most of the fixed assets the end of their depreciable life during the same period.

## Electricity, Water and Fuel

Electricity, water and fuel expenses are mainly related to the Company's warehouses and sales branches. These expenses decreased by 3.4%, from SR (885,000) in the fiscal year 2018G to SR (854,000) in the fiscal year 2019G, because electricity expenses decreased and the Company adopted a new system to rationalize electricity consumption. Electricity, water and fuel expenses increased by 40.2% to reach SR (1.2 million) in the fiscal year 2020G, in line with the increase in electricity prices in the KSA during the same period.

Electricity, water and fuel expenses decreased by 47.6%, from SR (940,000) in the nine-month period ended September 30, 2020G to SR (493,000) in the nine-month period ended September 30, 2021G, in line with the decrease in warehouse and branch activities from loading and unloading operations in warehouses during the same period.

### **Fees and Subscriptions**

Fees and subscriptions are represented in the Company's marketing and distribution delegates' subscriptions, in addition to foreign labor licenses, residency, Internet fees and other fees and subscriptions. Fees and subscriptions decreased by 37.8%, from SR (983,000) in the fiscal year 2018G to SR (611,000) in the fiscal year 2019G, as a result of the Saudi government's support for the industrial sector, which led to a drop in the residency fees' expenses during the same period. Fees and subscriptions increased by 80.0% to reach SR (1.1 million) in the fiscal year 2020G, as a consequence of settling fees to renew foreign workers' residence permits, before benefiting from the government support through governmental initiatives for the industrial sector concerning reductions in the renewal of workers' residence permits fees in later periods.

Fees and subscriptions decreased by 46.9%, from SR (752,000) in the nine-month period ended September 30, 2020G to SR (399,000) in the nine-month period ended September 30, 2021G because the Company renewed most of the licenses and subscriptions during the fiscal year 2020G and profited from the Saudi government's support for the industrial sector, which led to a reduction in the expenses of residency fees.

### **Maintenance and Repair**

Repair and maintenance expenses represent the maintenance of the Company's branches, sales outlets and warehouses and other maintenance costs. These expenses increased from SR (452,000) in the fiscal year 2018G to SR (487,000), and then to SR (613,000) in the fiscal year 2020G, in line with the increase in maintenance needs for branches and warehouses during the same period.

Maintenance and repair expenses increased by 152.5%, from SR (122,000) in the nine-month period ended September 30, 2020G to SR (308,000) in the nine-month period ended September 30, 2021G, in line with an increase in maintenance needs of branches and warehouses during the same period.

### **Temporary Employment**

Temporary employment expenses are represented in the temporary workers' wages and all necessary expenses for contracting with them. These expenses increased by 57.3%, from SR (404,000) in the fiscal year 2018G to SR (636,000) in the fiscal year 2019G, as a result of a rise in the number of temporary workers on fixed-terms contracts (FTCs) during the same period. Temporary employment expenses increased by 14.1% to reach SR (546,000) in the fiscal year 2020G, as a result of a drop in the number temporary workers on fixed-terms contracts (FTCs) during the same period.

Temporary employment expenses increased by 19.9%, from SR (423,000) in the nine-month period ended September 30, 2020G to SR (339,000) in the nine-month period ended September 30, 2021G, as a result of a drop in the number temporary workers on fixed-terms contracts (FTCs) during the same period.

### **Insurance**

Medical insurance expenses are mainly directed to sales and marketing representatives, auto/motor/vehicle insurance expenses, in addition to all other insurance expenses. Insurance expenses increased by 7.1%, from SR (523,000) in the fiscal year 2018G to SR (561,000) in the fiscal year 2019G, in line with the increase in employees' number, which led to an increase in medical insurance expenses during the same period. Insurance expenses decreased by 10.7% to reach SR (501,000) in the fiscal year 2020G, as a result of the decrease in vehicle insurance expenses in line with the decrease in the number of vehicles during the same period.

Insurance expenses increased by 5.8%, from SR (380,000) in the nine-month period ended September 30, 2020G, to SR (402,000) in the nine-month period ended 30 September 2021G, in line with the increase in insurance policies' prices during the same period.

### **Other Expenses**

Other expenses are basically commission expenses, spoilage expenses, cash commissions, and advertising expenses and sales marketing and promotion expenses, telephone and postage expenses, as well as other selling and marketing expenses. Other expenses decreased by 12.9%, from SR (3.7 million) in the fiscal year 2018G to SR

(3.2 million) in the fiscal year 2019G, as a result of a decrease in spoilage expenses by SR (1.1 million) due to the deterioration of damaged and immobile products and items by the end of their validity date. This was offset by an increase in commission expenses by SR (852,000) in line with an increase in sales during the same period. Other expenses continued to decrease by 44.3% to reach SR (1.8 million) in the fiscal year 2020G, as a result of a decline in commission expenses by SR (704,000) due to the administration's application of a provision on sales expense for payable commissions during the fiscal year 2019G, as these accrued commissions were adjusted and paid during the fiscal year 2020G, which led to an increase in commission expenses and a decrease in damage expenses by SR (206,000) after the Company's adoption of new decisions regarding damages, which reduced the size of damage expenses during the same period.

Other expenses decreased by 53.1%, from SR (1.7 million) in the nine-month period ended September 30, 2020G to SR (782,000) in the nine-month period ended September 30, 2021G, as a result of a decrease in commissions and sales during the same period

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### 5-5-1-7 Other Revenue

Table No. (26): Other revenue for the fiscal years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2020G and 2021G

SAR 000	Financial Year 2018G (Reviewed)	Financial Year 2019G (Reviewed)	Financial Year 2020G (Reviewed)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	nine-month Period Ended September 30, 2020G (Management Data)	nine-month Period Ended September 30, 2021G (Management Data)	Change for the Period 2020G 2021G
Leasing revenue	-	636	994	-	56.3%	-	814	965	18.6%
Profits from the Sale of Property Machinery & Equipment	19	71	192	279.2%	171.7%	221.0%	192	872	354.2%
Scrap Sale Revenue	2	27	107	1297.8%	296.1%	644.1%	58	451	677.6%
Ownership Investments Profits	-	1,613	-	-	(100%)	-	-	-	-
Miscellaneous Revenue	60	74	189	22.1%	156.6%	77.0%	152	85	(44.1%)
<b>Total</b>	<b>81</b>	<b>2,420</b>	<b>1,483</b>	<b>2890.7%</b>	<b>(38.7%)</b>	<b>328.0%</b>	<b>1,216</b>	<b>2,373</b>	<b>95.1%</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G and management data

### Rent Revenue

Rent revenue is related to the rental of the Company's warehouses. Rent revenue soared by 56.3% from SR (636,000) in the fiscal year 2019G to SR (993,000) in the fiscal year 2020G, while the Company put up for rent larger warehouse spaces during the same period. Rent revenue declined by 18.6%, from SR (814,000) in the nine-month period ended September 30, 2020G to SR (965,000) in the nine-month period ended September 30, 2021G, as a result of the increase in the rental price and the increase in the number of rented cold rooms.

### Profits from the Sale of Property, Machinery and Equipment

Profits from the sale of property, machinery and equipment increased from SR (19,000) in the fiscal year 2018G to SR (71,000) in the fiscal year 2019G, and then to SR (192,000) in the fiscal year 2020G, as a result of an increase in the number of property and equipment sold during the same period. Profits from the sale of the property, machinery and equipment amounted to SR (872,000) in the nine-month period ended September 30, 2021G.

### Scrap Sales Revenue

Scrap sales revenue increased from SR (2,000) in the fiscal year 2018G to SR (27,000) in the fiscal year 2019G, and then to SR (107,000) in the fiscal year 2020G, as a result of the growing number of sold scrap in line with the end of the depreciation life of most fixed assets during the same period. Scrap sales revenue increased from SR (58,000) in the nine-month period ended September 30, 2020G to SR (451,000) in the nine-month period ended September 30, 2021G, as a result of the growing number of scraps sold during the same period.

### Ownership Investments Profits

Ownership investments profits are related to profits in Rakhaa Agricultural Investment and development Company (an Egyptian joint stock company). As of March 6, 2018G, one of the partners (Jannat Agricultural Investment Co. / a company under liquidation) decided to waive their investment in Rakhaa Agricultural Investment and development Company by directly dividing their stocks and shares to the rest of the partners, each according to their share. Accordingly, the Company recorded its ownership investments for the fiscal year 2019G which amounted to SR (1.6 million, and represent its share of the stock split in Jannat Agricultural Investment Co. to the rest of the partners of Rakhaa Agricultural Investment and development Company.

### Miscellaneous Revenue

Miscellaneous revenue mainly relates to the profits from the investment portfolio, compensation from the insurance company, and the sale of production waste. Miscellaneous revenue increased from SR (60,000) in the fiscal year 2018G to SR (74,000) in the fiscal year 2019G, and then to SR (189,000) in the fiscal year 2020G, due to the increased as a result of compensation from the insurance company for a fire in the control panel in the freezing tunnel.

Miscellaneous revenue decreased from SR (152,000) in the nine-month period ended September 30, 2020G to SR (85,000) in the nine-month period ended September 30, 2021G, as a result of the compensation obtained by the company during the nine-month period ending on September 30, 2020.

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### 5-5-1-8 Net Profit/(Loss) for the Year/Period

Table No. (27): Net profit/(loss) for the year/period for the fiscal years ended December 31, 2018G, 2019G and 2020G and the nine-month period ended September 30, 2020G and 2021G

SAR 000	Financial Year 2018G (Reviewed)	Financial Year 2019G (Reviewed)	Financial Year 2020G (Reviewed)	Annual Growth 2018G 2019G	Annual Growth 2019G 2020G	CAGR 2018G 2020G	Nine-month Period Ended September 30, 2020G (Examined)	Nine-month Period Ended September 30, 2021G (Examined)	Change for the Period 2020G 2021G
Net Profit/(Loss) for the Year/Period	(26,501)	(25,370)	(12,379)	(4.3%)	(51.2%)	(31.7%)	(2,0873)	(4,518)	116.9%
<b>OCI Items</b>									
Net Change in Fair Value Reserve	68	83	84	(222.1%)	(201.2%)	11.1%	(30)	77	160.7%
Actuarial Losses for Employee Benefits Obligations	(702)	(372)	(1,056)	(47.0%)	183.9%	22.6%	-	(10)	-
Total Comprehensive Profit / (Loss) for the Year / Period	(27,135)	(25,825)	(13,351)	(4.8%)	(48.3%)	(29.9%)	(2,054)	(4,452)	116.8%
Net Profit Margin / (Loss) for the Year / Period	(33.1%)	(30.6%)	(14.8%)	2.4	15.9	18.3	(3.4%)	(8.6%)	(5.2)

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G and the nine-month period ended September 30, 2020G and 2021

### Net Profit/(Loss) for the Year/Period

Net loss for the year decreased by 4.3%, from SR (26.5 million) in the fiscal year 2018G to SR (25.4 million) in the fiscal year 2019G, mainly due to a decrease in net loss from main operations by SR (3.0 million) in line with the increase in operating income by SR (3.6 million), as a result of an increase in sales by SR (2.7 million), in addition to the presence of other revenues amounting to SR (2.4 million) mainly related to profits from owning investments in Rakhaa for Agricultural Investment and Development Company (an Egyptian joint stock company) and to other miscellaneous revenue during the same period. This was offset by a decrease of an expense for a loan guarantee provision for a related party, where the Company has guarantee obligations represented in its share of the loan guarantee amount granted to others (Rakhaa for Agricultural Investment and Development Company (an Egyptian joint stock company)) by the Saudi Fund for Development. A provision has been made for the full value of the loan, in addition to losses due to the decline in the value of real estate investments by SR (1.0 million) because of the re-evaluation of investment land in the Muhammadiyah investment scheme in the city of Jizan during the same period.

Net loss continued to decrease for the year by 51.2% to reach a loss of SR (12.4 million) in the fiscal year 2020G, mainly due to an increase in operating income by SR (2.7 million) as a result of a decline in the cost of sales by SR (1.7 million) because of a decrease in raw materials, indirect expenses, sold quantities, and factories' levels of productivity. Moreover, the Company achieved profits in the value of real estate investments by SR (333,000) due to a re-evaluation of investment lands. The decrease in the year's loss also contributed to a decline in most of the Company's provisions in line with the improvement in the financial and operational performance during the same period.

Net loss for the year increased by (116.9%) from SR (2.1 million) in the nine-month period ended September 30, 2020G, to a loss of SR (4.5 million) in the nine-month period ended September 30, 2021G, mainly due to an increase in net loss from major operations, for an amount of SR (4.7 million), in line with a decrease in operating income by SR (7.1 million), as a result of a decline in sales by SR (9.5 million) for several reasons, the most important of which was the situation in the food market, where there were many economic and demographic variables that affected the sales volume. Besides, the Company recorded losses due to a decay in the value of property, machinery and equipment which amounted to SR (469,000) because of the decreasing value of property, machinery and equipment, as a consequence of several internal factors of the company. This was offset by profits amounting to 762 thousand Saudi riyals and 118 Saudi riyals related to the reversal of the provision for spare parts that ran away from its purpose and the provision for credit losses that ran out of purpose, respectively, during the same period.

## 5-5-2 Statement of Financial Position

Table No. (28): Statement of financial position as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
<b>Assets</b>				
<b>Non-current assets</b>				
Net property, machinery and equipment	109,177	102,475	95,540	90,030
Net right-of-use assets	-	2,893	2,745	2,474
Net intangible assets	-	1,076	894	767
Investments at fair value through profit or loss	2,742	-	-	-
Net real estate investments	11,128	10,119	10,453	-
Investments at fair value through OCI	673	589	674	751
Total non-current assets	123,720	117,153	110,306	94,023
<b>Current assets</b>				
Net accounts receivable	18,568	18,460	20,631	21,882
Net inventory	17,265	17,007	21,249	16,283
Net prepaid expenses and other debit balances	9,627	8,943	6,020	8,078
Related party liabilities	329	761	726	726
Cash & cash Equivalents	4,014	1,724	2,392	15,993
Total current assets	49,803	46,894	51,017	62,963
Total assets	173,523	164,046	161,323	156,985
<b>Shareholders' Equity and Liabilities</b>				
<b>Shareholders' equity</b>				
Capital	200,000	200,000	77,170	77,170
Fair value reserve	(583)	(666)	(582)	(505)
Accumulated losses	(97,896)	(123,638)	(14,244)	(17,706)
Employee Defined Benefits Remeasurement Reserve	-	-	-	(1,067)
Total Shareholders' Equity	101,521	75,696	62,344	57,893

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Non-current portion of loan guarantee provision - related party	-	5,850	4,950	4,500
Non-current portion of a long-term government loan	11,000	25,000	16,000	12,000
Non-current portion of lease obligations	-	2,530	2,416	2,290
Employee benefits obligations	6,427	7,257	8,758	8,776
Total non-current liabilities	17,427	40,637	32,124	27,566
<b>Current liabilities</b>				
Current portion of loan guarantee provision - related party	-	2,213	2,250	2,700
Trade payables	22,042	24,719	34,726	38,320
Due to related parties	-	-	-	271
Current portion of the lease obligations	-	351	419	316
Oversubscribed creditors	3,259	3,259	3,259	3,259
Accrued expenses and other credit balances	4,008	5,662	4,928	5,295
Dividend payable	1,199	1,198	1,195	1,194
Current portion of a long-term government loan	17,000	3,000	12,000	15,000
Sales provisions	2,092	3,264	1,685	1,848
Estimated Zakat provision	4,971	4,046	6,392	3,324
Total current liabilities	54,574	47,712	66,854	71,526
Total Liabilities	72,001	88,349	98,978	99,092
Total shareholders' equity and liabilities	173,523	164,046	161,323	156,985

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G and the nine-month period ended September 30, 2021G

Table No. (29): Key performance indicators for the financial position as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
Average days of accounts receivable (day)*	119	97	97	135
Average life of inventory (day)**	79	82	104	109
Average Accounts Payable Days (Day)***	8	133	177	244
Return on total assets	(15.3%)	(15.5%)	(7.7%)	(2.9%)
Return on equity	(26.1%)	(33.5%)	(19.9%)	(7.8%)

Source: Management Data

\*Calculated using total credit sales.

\*\* Calculated excluding spare parts from total inventory.

\*\*\* Calculated using cost of sales excluding wages.

### Non-current Assets

Non-current assets decreased from SR (123.7 million) as of December 31, 2018G to SR (117.2 million) as of December 31, 2019G as a result of a decline in property, machinery and equipment by SR (6.7 million) due to depreciation expenses for the year that amounted to SR (9.0 million), offset by an increase by SR (2.9 million) as a consequence of the Company's application of IFRS 16, which led to the existence of a right-of-use clause for assets during the same period.

Non-current assets continued to decrease and reached SR (110.3 million) as a result of a drop in property, machinery and equipment by SR (6.9 million) due to depreciation expenses that amounted to SR (8.7 million), offset by an increase of SR (333,000) due to an increase in the value of real estate investments and (profits) in the value of real estate investments resulting from the revaluation of real estate investments by an external valuer during the same period.

Non-current assets decreased from SR (110.3 million) as of December 31, 2020G to SR (94.0 million) as of September 30, 2021G as a result of: (1) a decrease in the real estate investments by SR (10.5 million) due to selling these lands, (2) a decrease in property, plant and equipment by SAR 5.5 million due to depreciation expenses for the period (3) a decrease in the right to use assets of assets by SAR 271 thousand as a result of depreciation expenses on the right to use assets during the same period.

### Current Assets

Current assets decreased from SR (49.8 million) as of December 31, 2018G to SR (46.9 million) as of December 31, 2019G as a result of a decrease in cash and cash equivalents by SR (2.3 million) due to a decrease in income generated from operating activities by SR (4.1 million), in line with the Company's financial results, prepaid expenses and other debit balances by SR (684,000) as a result of a decrease in prepaid expenses by SR (1.0 million) due to a decline in prepaid expenses for renting sales outlets and prepaid insurance expenses, which led to this decline during the same period.

Current assets increased to reach SR (51.0 million) as of December 31, 2020G, as a result of an increase in inventory by SR (4.2 million) due to an increase in finished materials in line with an increase in purchase orders from customers for factories, in receivables by SR (2.2 million) and in sales, especially in the retail sector. Moreover, the Company gained a new customer base in the commercial sector, notably in the meat and food factory, with about 20 new customers. It is worth noting that the Company has amended the payment agreements with most customers and added a lot of flexibility to the customers' conditions during the Coronavirus pandemic during the same period.

Current assets increased from SR (51.0 million) as of December 31, 2020G to SR (63.0 million) as of September 30, 2021G as a result of an increase in cash and cash equivalents by SR (13.6 million), due to the Company's acquisition of investment lands sale amounts in line with the increase in income generated from operating activities, in addition to the increase in prepaid expenses and other debit balances by 2.1 million Saudi riyals during the increase in payments made to suppliers, as this increase was driven by the increase in advance payments for medical insurance and insurance on property and equipment. This increase was offset by a decrease in inventory by SAR 5.0 million due to a decrease in purchases and production levels during the same period.

### Shareholders' Equity

Total shareholders' equity decreased from SR (101.5 million) as of December 31, 2018G to SR (75.7 million) as of December 31, 2019G driven by continuing losses during the fiscal year 2019G.

Total shareholders' equity continued to decrease and reached SR (62.3 million) as a result of a decline in the capital by SR (122.8 million), following the Board's Resolution during its meeting held on 22/04/1441H (corresponding to 19/12/2019G), recommending a capital reduction in return for amortizing accumulated losses which at the time amounted to SR (98.9 million). This was offset by an increase in the fair value reserve by SR (84,000). Whereas, the fair value reserve in Yanbu National Petrochemical Company (YANSAB) was suspended through fair value via other comprehensive income (OCI), as this increase was a result of the rise in the value of investment in the shares of Yanbu National Petrochemical Company during the same period.

Total shareholder s' equity continued to decline until reaching SR (59.7 million) as of September 30, 2021G as a result of an increase in accumulated losses by SR (3.5 million) driven by a net loss of SR (4.9 million) during the nine-month period ended September 30, 2021G. This decline was offset by an increase in the fair value reserve by SR (77,000) as a consequence of the increase in the value of the Company's investments during the same period.

Non-current liabilities increased from SR (17.4 million) as of December 31, 2018G to SR (40.6 million) as of December 31, 2019G as a result of: (1) an increase in the non-current portion of a long-term government loan by SR (14.0 million) due to the rescheduling of the loan with the Saudi Industrial Development Fund (SIDF). It is worth mentioning that the loan agreement contains pledges that include, among other things, the limitation of future capital expenditures to maintain certain financial ratios, (2) a loan guarantee provision from a related party established by the Company as a result of a new commitment represented by a guarantee of a subsidiary company (Rakhaa for Agricultural Investment & Development Company/an Egyptian joint stock company) by the SIDF, where the non-current portion of the provision obligation amounted to SR (5.9 million), (3) the presence of lease obligations as a result of the Company's application of IFRS 16, which led to the existence of this obligation, as the non-current portion amounted to SR (2.5 million) during the same period.

The non-current liabilities decreased to reach SR (32.1 million) as a result of a decrease in the non-current portion of a long-term government loan by SR (9.0 million) due to the rise and maturity of the portion circulating on the Company by the SIDF. It is worth noting that no payments were made towards the loan, there were no additions. This was offset by an increase in employee benefits obligations by SR (1.5 million) as a consequence of a current service cost of SR (698 thousand million) during the same period.

The non-current liabilities decreased from SR (32.1 million) as of December 31, 2020G to SR (27.7 million) as of September 30, 2021G, due to the decrease in the non-current portion of a long-term government loan by SR (4.0 million), as a result of the increase and entitlement of the part traded on the Company by the SIDF, and the company paid one million Saudi riyals towards the debt during the same period.

### Current Liabilities

Current liabilities decreased from SR (54.6 million) as of December 31, 2018G to SR (47.7 million) as of December 31, 2019G as a result of a decrease in the current portion of a long-term government loan by SR (14.0 million), due to the rescheduling of the loan with the SIDF. This decrease was offset by an increase in: (1) trade payables by SR (2.7 million) as a result of the Company's failure to pay some suppliers due to a decrease in liquidity, (2) the non-current portion of the loan guarantee provision from a related party by SR (2.2 million), due to the absence of changes in the provision and the absence of repayment of the loan, (3) accrued expenses and other credit balances amounted to SR (1.7 million) in line with an increase in the number of customers and in sales during the same period.

Current liabilities increased to reach SR (66.9 million) as of December 31, 2020G, as a result of an increase in trade payables by SR (10.0 million), due to the Company's continuing failure to pay some suppliers because of a decrease in liquidity and an increase in the current portion of a long-term government loan by SR (9.0 million) since there were neither changes in the provision for loan repayments during the same period.

Current liabilities increased from SR (66.9 million) as of December 31, 2020G to SR (71.5 million) as of September 30, 2021G as a result of an increase in trade payables by SR (3.6 million) due to the Company's continuing failure to pay some suppliers due to a decrease in liquidity, and an increase in the current portion of a long-term government loan by 3.0 million Saudi riyals due to the rescheduling of the loan with the Saudi Industrial Development Fund during the same period. And this increase was offset by a decrease in the estimated Zakat provision by SR (3.1 million) due to the Company's settlement of the remaining Zakat differences for the period from the fiscal year 2008G until the fiscal year 2011G, in addition to paying the due Zakat for the fiscal year 2019G.

### 5-5-2-1 Non-current Assets

Table No. (30): non-current assets as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (examined)
Net Property, Machinery & Equipment	109,177	102,475	95,540	90,030
Net Right-of-use Assets	-	2,893	2,745	2,474
Net Intangible Assets	-	1,076	894	767
Investments at Fair Value Through Profit or Loss	2,742	-	-	-
Net Real Estate Investments	11,128	10,119	10,453	-
Investments at fair value through other comprehensive income	673	589	674	751
Total non-current assets	123,720	117,153	110,306	94,023

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

### Property Machinery and Equipment

Table No. (31): Net book value of property, machinery and equipment as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Furniture & Equipment	56,250	53,148	50,352	47,444
Buildings	42,731	40,505	38,191	36,455
Tools & Apparatuses	5,195	5,340	4,803	4,769
Artesian wells	104	98	92	88
Furniture & Furnishings	566	574	515	354
Air conditioners	385	349	259	222
Vehicles	2,238	1,149	258	63
Fixtures and Fittings	1,709	1,312	1,070	635
<b>Total</b>	<b>109,177</b>	<b>102,475</b>	<b>95,540</b>	<b>90,030</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

Table No. (32): Additions to property, machinery and equipment as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Furniture & Equipment	493	542	623	-
Buildings	311	87	-	-
Tools & Apparatuses	1,005	1,476	812	803
Furniture & Furnishings	77	173	101	84
Air conditioners	43	102	35	31
Vehicles	224	-	33	-
Fixtures and Fittings	4	24	168	7
<b>Total</b>	<b>2,194</b>	<b>2,404</b>	<b>1,772</b>	<b>925</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

Table No. (33): Compound depreciation of property, machinery and equipment as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Furniture & Equipment	142,487	146,131	149,549	152,457
Buildings	37,034	39,346	41,661	43,397
Tools & Apparatuses	13,501	14,833	16,182	17,019
Artesian wells	117	123	128	133
Furniture & Furnishings	3,612	3,652	3,812	4,057
Air Conditioners	5,530	5,669	5,794	5,862
Vehicles	9,301	9,991	9,794	6,561
Fixtures and Fittings	3,136	3,556	3,967	4,409
<b>Total</b>	<b>214,717</b>	<b>223,301</b>	<b>230,887</b>	<b>233,894</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

The net book value of property, machinery and equipment amounted to SR (90.0 million) as of December 31, 2020G, and it was mainly represented in furniture and equipment SR (47.4 million) and buildings SR (36.5 million), constituting 93% of the net book value of this item.

## Furniture and Equipment

The carrying amount of furniture and equipment mainly relates to the company's 13 production lines and includes refrigerators, air and refrigeration pumps and all the equipment needed for operations. The net book value of furniture and equipment decreased from SR (56.3 million) as of December 31, 2018G to SR (53.1 million) as of December 31, 2019G, as a result of depreciation expenses amounting to SR (3.6 million), offset by additions of SR (542,000) during the same period. The net book value of furniture and equipment decreased to reach SR (50.4 million) as of December 31, 2020G, due to depreciation expenses of SR (3.4 million), offset by additions of SR (623,000) during the same period.

The net book value of furniture and equipment decreased to SR (47.4 million) as of September 30, 2021G due to depreciation expenses amounting to SR (2.9 million), where the furniture and equipment of the vegetable factory and the pastry factory accounted for the majority of the book value of the item, with a percentage of 68.6% and 23.2%, respectively, of the total book value as on September 30, 2021G.

## Buildings

The buildings' book value is mainly related to the Company's buildings, as it has 5 factories in addition its main building, and 12 warehouses in various places in the Kingdom of Saudi Arabia. It decreased from SR (42.7 million) as of December 31, 2018G, to SR (40.5 million) as of December 31, 2019G, then to SR (38.2 million) as of December 31, 2020G, as a result of annual depreciation expenses amounting to SR (2.3 million) during the same period.

Buildings' net book value decreased from SR (38.2 million) as of December 31, 2020G to SR (36.5 million) as of September 30, 2021G, as a result of depreciation expenses for the period amounting to SR (1.7 million).

## Tools and Apparatuses

The tools and apparatuses' book value are mainly related those used in the maintenance of the Company's buildings and factories. It increased from SR (5.2 million) as of December 31, 2018G to SR (5.3 million) as of December 31, 2019G, as a result of additions of SR (1.5 million), and was offset by depreciation expenses amounting to SR (1.3 million) during the same period. It then decreased to SR (4.8 million) as of December 31, 2020G, due to depreciation expenses of SR (1,300), and was offset by additions of SR (812,000) during the same period.

The tools and apparatuses' book value increased from SR (4.8 million) as of December 31, 2020G to SR (4.8 million) as of September 30, 2021G due to additions amounting to SR (803,000) and was offset by depreciation expenses amounting to SR (837,000) during the same period.

## Artesian Wells

Artesian wells' book value is related to tunnels and wells used for production lines, as they have periodic maintenance and treatment. Their net book value decreased from SR (104,000) as of December 31, 2018G to SR (98,000) as of December 31, 2019G, and then to SR (92,000) as of December 31, 2020G, as a result of annual depreciation expenses amounting to SR (6,000) during the same period.

Artesian wells' net book value decreased from SR (92,000) as of December 31, 2020G to SR (88,000) as of September 30, 2021G, as a result of the period's depreciation expenses amounting to SR (4,000).

## Furniture and Furnishings

The furniture and furnishings' book value are mainly related to the Company's main building and the factories. Their net book value increased from SR (566,000) as of December 31, 2018G to SR (574,000) as of December 31, 2019G, as a result of additions of SR (173,000), and was offset by depreciation expenses amounting to SR (164,000) and exclusions amounting to SR (124,000) during same period. It then decreased to reach SR (515,000) as of December 31, 2020G, due to depreciation expenses of SR (160,000), and was offset by additions of SR (101,000) during the same period.

The furniture and furnishings' net book value decreased from SR (515,000) as of December 31, 2020G to SR (354,000) as of September 30, 2021G, due to depreciation expenses amounting to SR (245,000), and was offset by additions of SR (84,000) during the same period.

### Air Conditioners

Air conditioners' book value is basically associated with the Company's main building and factories' air conditioners. Their net book value decreased from SR (385,000) as of December 31, 2018G to SR (349,000) as of December 31, 2019G, as a result of depreciation expenses amounting to SR (138,000), and was offset by additions of SR (102,000) during the same period. It then increased to reach SR (259,000) as of December 31, 2020G, due to additions of SR (35,000), and was offset by depreciation expenses of SR (134,000) during the same period.

Air conditioners' book value decreased from SR (259,000) as of December 31, 2020G to SR (222,000) as of September 30, 2021G due to depreciation expenses which amounted to SR (68,000), and was offset by additions of SR (31,000) during the same period.

### Vehicles

Vehicles' book value is mainly related to sedans and pickups. Their net book value decreased from SR (2.2 million) as of December 31, 2018G to SR (1.1 million) as of December 31, 2019G, as a result of depreciation expenses amounting to SR (1.0 million) and exclusions amounting to SR (398,000) during the same period. It then decreased to reach SR (258,000) as of December 31, 2020G, as a result of exclusions amounting to SR (1.1 million), as the Company aims to take a new vehicles line or car rentals in the future since most of the Company's vehicles have reached the end of their useful lives, in addition to depreciation expenses amounting to SR (924,000), and was offset by additions of SR (33,000) during the same period.

Vehicles' net book value decreased from SR (258,000) as of December 31, 2020G to SR (63,000) as of September 30, 2021G, due to exclusions amounting to SR 3.4 million, due to the company's complete depreciation of cars as on September 30, 2021.

### Fixtures and Fittings

Fixtures and fittings' book value is primarily related to armored doors, civil defense obligations for safety, factories and buildings' fixtures. Their net book value decreased from SR (1.7 million) as of December 31, 2018G to SR (1.3 million) as of December 31, 2019G, as a result of depreciation expenses amounting to SR (421,000), and was offset by additions of SR (24,000) during the same period. Fixtures and fittings' net book value decreased to SR (1.1 million) as of December 31, 2020G, due to depreciation expenses of SR (411,000), and was offset by additions of SR (168,000) during the same period.

Fixtures and fittings' net book value decreased from SR (1.1 million) as of December 31, 2020G to SR (635,000) as of September 30, 2021G, due to depreciation expenses amounting to SR (442,000), and was offset by additions of SR (7,000) during the same period.

### Net Right-of-use Assets

The Company has applied IFRS 16 "Lease Contracts" during the fiscal year 2019G, whereby lease contracts are recognized as right-of-use assets with corresponding obligations on the date when the leased assets become ready for use by it. Lease payments are distributed between the lease obligation and the financing cost. The financing cost is recognized in income over the term of the lease. Right-of-use assets are depreciated over the useful life of the asset or the lease term on a straight-line basis, as the Company has lease contracts concerning buildings and 8 land plots in the city of Riyadh. Right-of-use assets' book value decreased from SR (2.9 million) as of December 31, 2019G to SR (2.7 million) as of December 31, 2020G, as a result of depreciation expenses amounting to SR (405,000), and was offset by additions of SR (258,000) during the same period.

Right-of-use assets' book value decreased to SR (2.6 million) as of September 30, 2021G, as a result of depreciation expenses amounting to SR (405,000), and was offset by additions of SR (258,000) during the same period. It is worth noting that the financing costs of the leasing obligations for the right-of-use assets by the Company amounted to SR (190,000) and SR (188,000) and SR (84,000) for the fiscal years 2019G and 2020G and the nine-month period ended September 30, 2021G, respectively.

## Intangible Assets

Table No. (34): Intangible assets as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Computer Software	-	1,076	894	767
<b>Total</b>	<b>-</b>	<b>1,076</b>	<b>894</b>	<b>767</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data.

Table No. (35): Amortization expenses on intangible assets as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Computer Software	-	136	181	127
<b>Total</b>	<b>-</b>	<b>136</b>	<b>181</b>	<b>127</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

### Computer Software

Computer programs are mainly represented in the accounting system used to organize and plan the company's resources (Oracle), and the computer software licenses that the Company's departments use in their operations. Computer programs' net book value decreased from SR (1.1 million) as of December 31, 2019G to SR (894,000) as of December 31, 2020G, as a result of amortization expenses of SR (181,000) during the same period. Computer programs' net book value continued to decline and reached SR (767,000) as of September 30, 2021G, due to amortization expenses of SR (127,000) during the same period.

### Investments at Fair Value through Profit or Loss

Table No. (36): Investments at fair value through profit or loss as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
East Asia Development & Agricultural Investment Co.	10,000	10,000	10,000	-
Jannat Agricultural Investment Co.- Under Liquidation	7,050	7,050	7,050	-
Rakhaa Agricultural Investment and development Co.	-	1,613	1,613	-
<b>Total</b>	<b>17,050</b>	<b>18,663</b>	<b>18,663</b>	<b>-</b>

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
Investments' Fair value Impairment Losses	(14,308)	(18,663)	(18,663)	-
Net	2,742	-	-	-

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

Investments at fair value through earnings amounted SR (2.7 million) as of December 31, 2018G and are represented in the following:

- East Asia Development & Agricultural Investment (closed joint stock company) invested 14.3% of the paid-in capital of SR (70.0 million).
- Jannat Agricultural Investment Co. - Under Liquidation (a Saudi limited liability company under liquidation) invested 11.1% of the paid-in capital of SR (63.0 million), and represented the remaining amount of SR (50.0 million which is the Company's share in the establishment expenses.
- Rakhaa Agricultural Investment and development Co. (Egyptian joint stock Company) invested 8.6% of the paid-in capital of EGP (80.0 million), equivalent to 18.7 million Saudi riyals.

The value of investments at fair value through profits decreased to nil as on December 31, 2019G and 2020G as a result of ensuring the decrease in the value of these investments and as a result the company took a provision for their entire value during the same period.

### Real Estate Investments

Table No. (37): Real estate investments as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Investment Land Plots in Jizan Region	11,128	11,128	11,128	-
Provision for Real Estate Investments Impairment	-	(1,008)	(675)	-
Net	11,128	10,119	10,453	-

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

Table No. (38): Provision for real estate investments impairment as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Balance opening - in the beginning of the year	-	-	1,008	-
Impairment gain/(loss) Investments real estate	-	1,008	(333)	-
Closing balance - at the end of the year	-	(333)	675	-

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

The Company purchased 18 plots of investment land in the Muhammadiyah investment scheme in the city of Jizan with a total area of (10.9000) square meters. It currently re-evaluates its real estate investments by an independent real estate appraiser who is approved by the Saudi Authority for Accredited Valuers. Real estate investments' net book value decreased from SR (11.1 million) as of December 31, 2018G to (10.1 million) as of December 31, 2019G, as a result of a decrease (losses) in the value of real estate investments with a value of SR (1.0 million) in the fiscal year 2019G, then it rose to 10.5 million Saudi riyals as on December 31, 2020, as a result of an increase (profits) in the value of investments, real estate investments, with a value of 333 thousand Saudi riyals during the same period. As on September 30, 2021, the company sold all these lands, which led to a decrease in the balance to nil, as these lands were sold at a value of 10.5 million Saudi riyals.

### Investments at Fair Value through Other Comprehensive Income (OCI)

Table No. (39): Investments at fair value through OCI as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
<b>Cost</b>				
Balance at the beginning of the year/period	1,256	1,256	1,256	1,256
Balance at the end of the year/period	1,256	1,256	1,256	1,256
<b>Evaluation Settlement</b>				
Balance at the beginning of the year/period	(651)	(583)	(666)	(582)
Unrealized profit (loss) during the year	68	(83)	84	87
Balance at the end of the year/period	(583)	(666)	(582)	(505)
Book Value	673	589	674	751

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

Investments at fair value through OCI are represented by investing in Yanbu National Petrochemical Company (YANSAB), where the Company owns 0.002% of the total shares of Yanbu National Petrochemical Company. The final balance of the investment is changed based on the Company's unrealized capital profits / losses. The book value of investments at fair value through OCI increased from SR (589,000) as of December 31, 2019G to SR (674,000) as of December 31, 2020G, and then to SR (751,000) as of September 30, 2021G, as a result of unrealized capital gains/profits during the same period.

### 5-5-2-2 Current Assets

Table No. (40): Current assets as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
Net Accounts Receivable	18,568	18,460	20,631	21,882
Net Inventory	17,265	17,007	21,249	16,283
Net Prepaid Expenses & Other Debit Balances	9,627	8,943	6,020	8,078
Related Party Liability	329	761	726	726
Cash & Cash Equivalents	4,014	1,724	2,392	15,993
<b>Total Current Assets</b>	<b>49,803</b>	<b>46,894</b>	<b>51,017</b>	<b>62,963</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

### Net Accounts Receivable (NAR)

Table No. (41): Accounts receivable as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Trade Receivables	26,357	26,717	30,042	31,652
Expected Credit Loss Provision	(7,789)	(8,257)	(9,412)	(9,770)
Net	18,568	18,460	20,631	21,882
Average days in Accounts Receivable (Day)*	199	97	97	135
Allowance for expected credit losses as a percentage of total trade receivables	29.6%	30.9%	31.3%	30.9%

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data.

\*Calculated using total credit sales.

Table No. (42): Expected Credit Loss Provision as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Opening Balance at the Beginning of the Year/Period	3,600	7,789	8,257	9,412
Impact of IFRS 9 Adoption	2500	-	-	-
Component During the Year/Period	1,691	535	1,206	388
Bad Debts During the Year/Period	(2)	(67)	(52)	(30)
Closing Balance at the End of the Year/Period	7,789	8,257	9,412	9,770

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

### Trade Receivables

The balance of trade receivables includes amounts owed by third parties as a result of deferred sales operations (on the account), and this account is focused on sales of all sectors of the Company. The average days of accounts receivable amounted to 119 days in the financial year 2018G and 97 days in the financial year 2019G and 2020G, which is in line with the terms of sale and credit with the majority of the company's clients, then increased to 135 days in the nine-month period ending on September 30, 2021G as a result of giving the company flexibility in terms of payment. Due to the economic effects around the Corona virus (where the payment terms are mostly for customers from 30 days to 90 days), in addition to some customers defaulting on payment, the company filed cases against them in order to recover these amounts.

Trade receivables proportionally decreased from SR (18.6 million) as of December 31, 2018G to SR (18.5 million) as of December 31, 2019G, as a result of collecting some receivables. Trade receivables rose to SR (20.6 million) as of December 31, 2020G, in line with the increase in the Company's sales, especially the hypermarket sector, in addition to the growing customers' number, especially in the meat and food factory, by about 20 new customers. It is worth noting that the Company has amended payment agreements with most customers and added a lot of flexibility to meet the conditions of many customers during the Coronavirus pandemic, as some of them faltered in paying. Hence, the Company filed lawsuits against some late-paying customers during the same period. Trade receivables increased from SR (20.6 million) as of December 31, 2021G to SR (21.9 million) as of September 30, 2021G, as a result of non-payment of receivables related to the hypermarket sector for more than a year, in addition to the increase in sales of the private brand sector.

## Net Inventory

Table No. (43): Inventory as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Raw Materials	9,809	9,610	10,032	6,826
Finished Goods/Materials	4,654	5,778	11,322	5,883
Spare Parts	3,666	3,409	3,588	3,603
<b>Total</b>	<b>18,129</b>	<b>18,798</b>	<b>24,942</b>	<b>16,312</b>
Provision for Slow Moving Inventory	(864)	(1,791)	(3,087)	(29)
Provision for Inventory Write-down or Impairment	-	-	(606)	-
Net	17,265	17,007	21,249	16,283
Inventory Average life (Day)**	118	95	108	109
Allowance for slow moving goods as a percentage of total inventory	4.8%	9.5%	12.4%	0.2%

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data.

\*\* Calculated excluding spare parts from total inventory.

Table No. (44): Provision for Slow Moving Goods/ Merchandise as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Opening Balance at the Beginning of the Year/ Period	557	863	1,791	3,087
Component During the Year/Period	307	927	1,426	(3,058)
Damaged Inventory During the Year/Period	-	-	(131)	-
Closing Balance at the End of the Year/Period	864	1,791	3,087	29

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

## Raw Materials

Raw materials' inventory decreased from SR (9.8 million) as of December 31, 2018G to SR (9.6 million) as of December 31, 2019G, in line with lower purchases and production levels over the same period.

Raw materials' inventory increased to reach SR (10.0 million) as of December 31, 2020G, as a result of the increase in the prices of basic raw materials in the manufacture of the products of the breakfast cereal factory and the food and meat factory.

Raw materials' inventory decreased from SR (10.0 million) as of December 31, 2020G to SR (6.8 million) as of September 30, 2021G, as a result of management's estimates to reduce the level of productivity (estimated budget), in addition to the decrease in purchases of raw materials for the vegetable factory and the pastry factory due to the increase in the prices of raw and primary materials for the products of these two factories. During the same period.

## Finished Materials/Goods

Finished materials increased from SR (4.6 million) as of December 31, 2018G to SR (5.8 million) as of December 31, 2019G, where this rise was supported by the increase in the productivity of the pastry factory in preparation for the season and customer demands.

The stock of finished materials increased to 11.3 million Saudi riyals as on December 31, 2020, as a result of an increase in finished vegetable products by 6.0 million Saudi riyals due to a decrease in the quantities sold of vegetable products during the same period.

The finished materials inventory balance decreased from 11.3 million Saudi riyals as on December 31, 2020G to 3.6 million Saudi riyals as on September 30, 2021G. As a result of the decrease in the quantities produced from the vegetable factory and the pastry factory, in line with the high prices of raw materials for the products of these two factories, and the company's use of old materials in the manufacturing process.

## Spare Parts

The spare parts' inventory decreased from SR (3.7 million) as of December 31, 2018G to SR (3.4 million) as of December 31, 2019G, as a result of disbursing and using spare parts in production operations during the same period. The spare parts' inventory increased to SR (3.6 million) as of December 31, 2020G, and as on September 30, 2021, as a result of purchasing spare parts more in anticipation of maintenance needs and spare parts during the same period.

## Provision for Slow Moving Inventory

The Company follows a policy of provisions for slow-moving items, through which it sets an estimated percentage of the idle inventory's value, that has a period of more than one year. The value of the provision for slow moving merchandise/goods amounted to SR (864,000) as of December 31, 2018G, SR (1.8 million) as of December 31, 2019G, SR (3.1 million) as of December 31, 2020G, and the provision for slow moving goods decreased to SR 29,000 as on 30, September 2021, as a result of writing off amounts of SR 3.1 million related to packaging materials and spare parts during the same period.

## Provision for Inventory Write-Down/Impairment

During the fiscal year 2020, the company's external auditor saw that there are spare parts worth 606 thousand Saudi riyals in the company's store that should be considered as an expense for the period instead of being capitalized on the stock, as the value of these spare parts was recorded as an expense in the fiscal year 2020. It is worth noting that the company's new legal auditor reversed this expense in addition to other previous amounts that were included in the provision during the nine-month period ending on September 30, 2021 G.

## Net Prepaid Expenses and Other Debit Balances

Table No. (45): Net Prepaid Expenses and Other Debit Balances as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Advance Payments to Suppliers	6,242	6,861	5,186	6,779
Employees Receivables	1,518	1,838	1,584	1,460
Advance Payments Expenses	1,490	467	1,490	634
Recoverable Insurances	88	76	75	76
Accrued Revenues	58	58	67	40
Borrowed Credits	500	500	-	-
Other Expenses	-	51	-	-
<b>Total</b>	<b>9,896</b>	<b>9,852</b>	<b>7,049</b>	<b>8,989</b>
Expected Fiduciary Losses	(269)	(909)	(1,029)	(919)
Net	9,627	8,943	6,020	8,078

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data

### Advance Payments to Suppliers

Advance payments to suppliers are mainly related to advances to suppliers for purchasing raw materials and all manufacturing needs in factories. Payments made to suppliers increased from SR (6.2 million) as of December 31, 2018G to SR (6.9 million) as of December 31, 2019G, as a result of the budget set by the management expecting a growing demand, which led to this rise. Payments made to suppliers decreased to SR (5.2 million) as of December 31, 2020G, as a result of settlements made by the company, in addition to a decrease in its purchases from suppliers during the same period.

Payments made to suppliers increased from 5.2 million Saudi riyals as on December 31, 2020G to then to 6.8 million Saudi riyals as on September 30, 2021G as a result of the increase in payments made to health insurance as a result of the renewal of the policy during the same period.

### Employee Receivables

Employee receivables relate to advances made by the Company to its employees. Their expenses increased from SR (1.5 million) as of December 31, 2018G to SR (1.8 million) as of December 31, 2019G, as a result of the increase in employees' number requesting these advances during the same period. Expenses decreased to SR (1.6 million) as of December 31, 2020G, then to SR (1.5 million) as of September 30, 2021G as a result of settlements obtained from advances by employees.

## Prepaid Expenses

Prepaid expenses are mainly associated with prepaid government fees, outlet rental costs and prepaid insurance costs. Prepaid expenses decreased from SR (1.5 million) as of December 31, 2018G to SR (467,000) as of December 31, 2019G, as a result of the decrease in prepaid expenses for the rental of outlets and the insurance expenses paid in advance during the same period. Prepaid expenses continued to decrease and reached SR (138,000) as of December 31, 2020G, due to the decrease in prepaid government fees during the same period.

Prepaid expenses increased from SR (138,000) as of December 31, 2020G to SR (634,000) as of September 30, 2021G, as a result of advance payments to consulting companies in line with the company's desire to offer priority rights.

## Recoverable Insurances

Recoverable insurances relate to insurance provided by the Company to be paid for goods being imported or delivered. Their expenses decreased from SR (88,000) as of December 31, 2018G to SR (76,000) as of December 31, 2019G, as a result of the expiry of the recoverable insurance for goods purchased and contracted during the same period.

Recoverable insurances' balance stabilized at SR (76,000) as of December 31, 2020G and as of September 30, 2021G because the Company didn't settle any amounts classified as recoverable insurances during the same period.

## Accrued Revenues

Accrued revenues are associated with the cash in the Company's investment portfolio in the Saudi Investment Bank regarding their investment in YANSAB Company. Accrued revenues increased from SR (58,000) as of December 31, 2019G to SR (66,000) as of December 31, 2020G, as a result of the increase in cash in the company's portfolio, then it decreased to 40 thousand Saudi riyals as on September 30, 2021 due to the use of some cash in the portfolio during the same period.

## Borrowed Credits

Borrowed credits are related to a credit paid by the Company when importing goods from an external supplier. Borrowed credits stabilized at SR (500,000) as of December 31, 2018G and 2019G, then were reduced to nil as of December 31, 2020G, as a result of the end of import and the duration of external credit during the same period.

## Other Expenses

Other prepaid expenses are related to various expenses paid to service suppliers. Expenses reached SR (51,000) as of December 31, 2019G and were associated with different prepaid expenses for service suppliers. They were later on reduced to nil as of December 31, 2020G because the amount was due during the same period. Prepaid expenses' balance reached SR (101,000) as of September 30, 2021G and was related to balances of rent and other accrued income.

## Expected Fiduciary Losses

Expected fiduciary losses' provision is associated with expected losses from accounts receivable in addition to other debit balances of the Company, as a result of adopting IFRS 9 on the simplified approach, based on the average provision for doubtful debts at the date of all financial statements. Expected fiduciary losses increased from SR (269,000) as of December 31, 2018G to SR (909,000) as of December 31, 2019G, as a consequence of additions to the provision in line with its policy, so that all the amounts in the provision were related to advance payments towards the suppliers during the same period.

The provision for expected credit losses decreased from SAR 1.0 million as on December 31, 2020G to SAR 911 thousand as on September 30, 2021G as a result of a reversal of amounts of SAR 118 thousand related to payments made to suppliers.

## Related Party Liability

Table No. (46): Related Party Liability as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
Rakhaa for Agricultural Investment & Development Co.	329	-	726	726
Jannat Agricultural Investment and development Co.	-	761	-	-
<b>Total</b>	<b>329</b>	<b>761</b>	<b>726</b>	<b>726</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

### Rakhaa for Agricultural Investment & Development Company

The amounts due from Rakhaa for Agricultural Investment & Development Company relate to financing expenses that were settled on behalf of Rakhaa Company related to a guarantee represented in the company's share of 8,063 thousand Saudi riyals at the rate of 8.6% of the amount of loan guarantee granted to others (Rakhaa Agricultural Investment and Development Company - Egyptian Joint Stock Company) from The Saudi Fund for Development accepted an amount of 93.5 million Saudi riyals. The balance due from a company from Jannat Investment Rakhaa for Agricultural Investment and Development decreased from 329 thousand Saudi riyals as on December 31, 2018G to nil as on December 31, 2019G as a result of settlements made by the Jannat Investment Company for Rakhaa Agricultural Investment and Development during the same period.

The amount due from Jannat Agricultural Investment Co. is equal to SR (726,000) as of December 31, 2020G and of September 30, 2021G. The balance was related to financing operations that occurred in the fiscal year 2020G and were not settled during the same period.

### Jannat Agricultural Investment and development Company

Amounts due from Jannat Agricultural Investment and development Company relate to purchases from the Company. The balance due from Jannat Agricultural Investment Company amounted to 761 thousand Saudi riyals as on December 31, 2019 AD, and the balance decreased to nil as on December 31, 2020 AD as a result of settlements obtained by the company during the same period.

## Cash and Cash Equivalents

Table No. (47): Cash and cash equivalents as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Management Data)
Cash in Fund	19	25	49	15,986
Cash at Banks	3,995	1,699	2,343	7
<b>Total</b>	<b>4,014</b>	<b>1,724</b>	<b>2,392</b>	<b>15,993</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and

management data

Balances of cash and cash equivalents decreased from SR (4.0 million) as of December 31, 2018G to SR (1.7 million) as of December 31, 2019G, as a result of the decrease in cash generated from operating activities during the same period. Balances of cash and cash equivalents increased to reach SR (2.4 million) as of December 31, 2020G, due to the increase in cash generated from operating activities during the same period. Balances of cash and cash equivalents also increased from SR (2.4 million) as of December 31, 2020G to SR (16.0 million) as of September 30, 2021G due the Company obtained sums through the sale of investment lands and the cash rise resulted from operating activities, amounting to 2.0 million Saudi riyals during the same period.

### 5-5-2-3 Shareholders' Equity

Table No. (48): Shareholders' equity as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
Capital	200,000	200,000	77,170	77,170
Fair Value Reserve	(583)	(666)	(582)	(505)
Accumulated Losses	(97,896)	(123,638)	(14,244)	(17,706)
Employee Defined Benefits Remeasurement Reserve	-	-	-	1,067
Total Shareholders' Equity	101,521	75,696	62,344	57,893

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

### Capital

The Company's capital consists of 20 million shares, and the value of each is SR (10). During the fiscal year 2020G, the shareholders' equity capital decreased from SR (200 million) as of December 31, 2018G and 2019G to SR (77.2 million) as of December 31, 2020G and as of September 30, 2021G, so that the value of each share became SR (10). As a result of the Board's Resolution at its meeting held on 22/04/1441H corresponding to 19/12/2019G, recommending a reduction of the Company's capital in return for extinguishing accumulated losses, which at that time amounted to SR (98.9 million).

### Fair Value Reserve

Fair value reserve is represented by investments at fair value through OCI by investing in Yanbu National Petrochemical Company (YANSAB), where the Company owns 0.002% of the total shares, the final balance of the investment is changed based on the Company's unrealized capital profits/ losses. The fair value reserve increased from losses of SR (583,000) as of December 31, 2018G to SR (666,000) as of December 31, 2019G, as a result of the increase in the value of investment in the shares of Yanbu National Petrochemical Company. The fair value reserve for shareholders' equity dropped to a loss of SR (582,000) as of December 31, 2020G, then to of SR (505,000) as of September 30, 2021G, as a consequence of the increase in the investment value in the shares of Yanbu National Petrochemical Company.

### Accumulated Losses

Accumulated losses increased from SR (97.9 million) as of December 31, 2018G to SR (123.6 million) as of December 31, 2019G, as a result of the Company continuing to realize losses during the fiscal year 2019G. Accumulated losses decreased to reach SR (14.2 million) as of December 31, 2020G, as a result of the Board of Directors' Resolution during its meeting held on 22/04/1441H corresponding to 19/12/2019G, recommending to reduce the Company's capital in return for extinguishing accumulated losses, which at the time amounted to SR (98.9 million).

Accumulated losses increased from SR (14.2 million) as of December 31, 2020G to SR (17.7 million) as of September 30, 2021G, as a result of realizing a net loss of SR (4.5 million) during the period of nine-month period ended September 30, 2021G.

### Employee Defined Benefits Remeasurement Reserve

The reserve for remeasurement of employee benefits relates to actuarial changes that occur in the calculation of employee benefit obligations, whether from losses or gains, as the reserve depends on many assumptions that affect its value. During the nine-month period ended on September 30, 2021G, the new legal auditor of the company separated and reclassified this account from the accumulated losses account to a separate account, and it amounted to SAR (1.1) million as on September 30, 2021G.

#### 5-5-2-4 Non-current Liabilities

Table No. (49): non-current liabilities as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Audited)	December 31, 2019G (Audited)	December 31, 2020G (Audited)	September 30, 2021G (Examined)
Non-current Portion of a Loan Guarantee Provision - Related Party	-	5,850	4,950	4,500
Non-current Portion of a Long-term Government Loan	11,000	25,000	16,000	12,000
Non-current Portion of Lease Obligations	-	2,530	2,416	2,290
Employee Benefits Obligations	6,427	7,257	8,758	8,776
Total Non-current Liabilities	17,427	40,637	32,124	27,566

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

#### Non-current Portion of a Loan Guarantee Provision - Related Party

The Company has guarantee obligations represented in its share of SR (8,100) at the rate of 8.6% of the amount of loans' guarantee granted to third parties (Rakhaa Agricultural Investment & Development Company – an Egyptian Joint Stock Company) by the Saudi Fund for Development (SFD) in the amount of SR (93.5 million). A full-value provision has been created to counteract this obligation. The provision for loan guarantee to a related party amounted to SR (8.1 million) in the fiscal year 2019G. The non-current portion of the loan guarantee provision - related party decreased from SR (5.8 million) as of December 31, 2019G to SR (5.0 million) as of December 31, 2020G and then decreased to SR (4.5 million) as of September 30, 2021G as a result of the increase in the current portion (the obligation due for the year) during the same period.

## Long-term Government Loan

Table No. (50): Long-term Government Loan as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Audited)	December 31, 2019G (Audited)	December 31, 2020G (Audited)	September 30, 2021G (Management Data)
Balance at the Beginning of the Year/Period	31,500	28,000	28,000	28,000
Paid During the Year/Period	(3,500)	-	-	(1,000)
Total Long-term Government Loan	28,000	28,000	28,000	27,000
Current Portion of the Long-term Government Loan	(17,000)	(3,000)	(12,000)	(15,000)
Non-current Portion of the Long-term Government Loan	11,000	25,000	16,000	12,000

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

The Company has a loan from the Saudi Industrial Development Fund for the purpose of financing a project to establish and expand a factory for the production of frozen vegetables and potatoes. The total approved facilities amounted to 34.0 million Saudi riyals. The loan is repaid over a period of six years and in semi-annual installments starting from August 2015G. During the fiscal year 2016G, the loan with the Saudi Industrial Development Fund has been rescheduled (restructuring) provided that the first installment is due after the rescheduling in December 2020G and the first installment was paid on September 6, 2021G. The loan includes a mortgage of both the vegetable factory and the food factory for meat production in full in favor of the Fund as a guarantee for loan. It is worth noting that the loan agreement contains undertakings that include, among other things, to limit future capital expenditures to maintain certain financial ratios, as the company obtained some exemptions after restructuring related to the indicator of the ratio of current assets to current liabilities for the year 2021G. The non-current portion of a long-term government loan increased from 11.0 million Saudi riyals as on December 31, 2018 to 25.0 million Saudi riyals as on December 31, 2019 as a result of rescheduling the loan with the Saudi Industrial Development Fund for longer periods, which affected the volume of the non-current and current commitment. In light of the difficulties the company is facing with regard to liquidity and working capital support, it is expected that this loan will be scheduled in the fiscal year 2020.

The non-current portion of a long-term government loan decreased to SR (16.0 million) as of December 31, 2020G, as a result of the rise and maturity of the Company's current obligation by the SIDF. It should be noted that no payments were made towards the loan, and there were no additions, then the non-current portion of a long-term government loan decreased to 12.0 million Saudi riyals as on September 30, 2021G as a result of rescheduling the loan and the company repaying one million Saudi riyals to the Saudi Industrial Development Fund.

## Lease Obligations

Table No. (51): Lease Obligations as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Audited)	December 31, 2019G (Audited)	December 31, 2020G (Audited)	September 30, 2021G (Management Data)
Non-current Leasing Obligations	-	2,530	2,416	2,290
Current Leasing Obligations	-	351	419	316
Total Lease Obligations	-	2,881	2,835	2,606

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

The Company has applied IFRS 16 "Lease Contracts" during the fiscal year 2019G, whereby lease contracts are recognized as right-of-use assets with corresponding obligations on the date when the leased assets become ready for use by the Company. The non-current portion of the leasing obligations decreased from SR (2.5 million) as of December 31, 2019G to SR (2.4 million) as of December 31, 2020G, as a result of the increase and entitlement of the Company's current leasing obligation and the payment of some due amounts during the same period. The non-current portion of leasing obligations decreased from SR (2.4 million) as of December 31, 2020G to SR (2.3 million) as of September 30, 2021G, as a result of settling some due amounts during the same period.

## Employee Benefit Obligations

Table No. (52): Employee Benefits Obligations as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Audited)	December 31, 2019G (Audited)	December 31, 2020G (Audited)	September 30, 2021G (Management Data)
Opening Balance – Employee Benefit Obligations	5,665	6,427	7,257	8,758
Current Service Costs	579	656	698	633
Interest Cost	212	235	196	203
Paid Benefits	(731)	(433)	(449)	669
Actuarial Losses for Employee Benefit Obligations	702	372	1,056	149
Closing Balance - Employee Benefit Obligations	6,427	7,257	8,758	8,776

Source: Audited financial statements for the financial years ended December 31, 2018, 2019 and 2020 and management data

The defined benefit obligation is remeasured periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the commission rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have terms approximating to those of the related obligations. In countries where there are no deep markets for these bonds, market rates for government bonds are used. With

regard to the obligation of end-of-service benefits for employees in the KSA, the actuarial evaluation process takes into account the provisions of the Saudi Labor and Workmen Law as well as the Company's policy. The Company's obligation of end-of-service benefits for employees increased from SR (6.4 million) as of December 31, 2018G to SR (7.3 million) as of December 31, 2019G, as a result of current service costs of SR (656,000) and an interest cost of SR (235,000) during the same period. The obligation of end-of-service benefits for employees continued to increase and reached SR (8.8 million) as of December 31, 2020G, and as of September 30, 2021G, as a result of current service costs of SR (698,000) and an interest cost of SR (196,000) during the same period. The obligation of end-of-service benefits for employees increased from SR (8.8 million) as of September 30, 2021G.

#### 5-5-2-5 Current Liabilities

Table No. (53): Current Liabilities as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
Current Portion of Loan Guarantee Provision - Related Party	-	2,213	2,250	2,700
Trade Payables	22,042	24,719	34,726	38,320
Related Parties Liabilities	-	-	-	271
Current Portion of Leasing Obligations	-	351	419	316
Oversubscription Creditors	3,259	3,259	3,259	3,259
Accrued Expenses and Accounts Payable	4,008	5,662	4,928	5,295
Dividends Payable	1,199	1,198	1,195	1,194
Current Portion of Long-term Government Loan	17,000	3,000	12,000	15,000
Sales Provisions	2,092	3,264	1,685	1,848
Estimated Zakat Provision	4,971	4,046	6,392	3,324
Total Current Liabilities	54,574	47,712	66,854	71,526
Average Accounts Payable Days (Day)***	128	133	177	244

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

\*\*\*Calculated using cost of sales excluding wages.

#### Current Portion of Loan Guarantee Provision - Related Party

The current portion of the loan guarantee provision from a related party increased from SR (2.2 million) as of December 31, 2019G to SR (2.3 million) as of December 31, 2020G and then to SR (2.7 million) as of September 30, 2021G due to the absence of changes in the provision and the absence of repayments for the loan during the same period.

## Trade Payables

Trade creditors are the balances related to goods and services and the amounts credited to all matters related to the import and supply of the Company. Trade payables increased from SR (22.0 million) as of December 31, 2018G to SR (24.7 million) as of December 31, 2019G, to (34.7 million) as of December 31, 2020G, then to SR (38.3 million) as of September 30, 2021G, as a result of the Company's failure to pay some suppliers due to a decrease in liquidity which led to an increase in the average days of accounts payable from 128 days, to 133 days, to 177 days, and to 244 days during the same period.

## Related Parties Liabilities

Related parties' liabilities amounted SR (270,000) as of September 30, 2021G, and it relates to purchases from the World Food Company and Premium Meat Company.

## Current Portion of Leasing Obligations

The current portion of leasing obligations increased from SR (351,000) in December 31, 2019G, to SR (419,000) as of December 31, 2020G as a result of the presence of additions to the right-of-use assets account, which led to an increase in the obligation during the same period. The current portion of leasing obligations decreased from SR (419,000) as of December 31, 2020G to SR (318,000) as of September 30, 2021G, as a result of paying some amounts due during the same period.

## Oversubscription Creditors

The oversubscription creditors' account is mainly related to the amounts owed to the Company's subscribers upon the process of listing or subscribing to rights issue. The balance of creditors has reached an oversubscription of SR (3.3 million) during the historical period, as the Company did not return this surplus to subscribers because of the inability to determine the addresses of those entitled to the oversubscription and their non-claims for this surplus until the period.

## Accrued Expenses and Other Accounts Payable

Table No. (54): Accrued Expenses and Accounts Payable as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
Accrued Expenses: Wages and Salaries Employee Benefits	2,877	2,275	2,358	2,447
Accrued Financing Expenses	-	-	630	-
Customers Advance Payments	436	2,340	356	392
Other Accrued Expenses	695	1,047	1,584	2,456
<b>Total</b>	<b>4,009</b>	<b>5,662</b>	<b>4,928</b>	<b>5,295</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and management data.

### Accrued expenses: Wages and salaries employee benefits

Accrued expenses for employee benefits' wages and salaries are related to accrued employee benefits' salaries and wages and all expenses payable to employees. Accrued expenses for employee wages and salaries decreased from SR (2.9 million) as of December 31, 2018G to SR (2.3 million) as of December 31, 2019G and 2020G, then to SR (2.4 million) as of September 30, 2021G as a result of settlements made by the Company to employees during the same period.

### Accrued Financing Expenses

Accrued financing expenses represent financing expenses and management fees related to the Company's loans, where accrued financing expenses averaged SR (630,000), as of 31 December 2020G. They then decreased to SR (0) as of September 30, 2021G as a result of settlements made by the Company during the same period.

### Customers Advance Payments

Customers' advance payments are related to amounts received before supplying goods, as these advance payments are not based on an approved policy, but differ from one customer to another according to the financial solvency of each customer. Advance payments from customers increased from SR (436,000) as of December 31, 2018G to SR (2.3million) as of December 31, 2019G, in line with the increase in the number of the Company's customers especially the wholesale sector, and sales during the same period. Payments made by customers decreased to reach SR (356,000) as of December 31, 2020G, as a result of the Company's supply of many products to customers and their maturity during the same period.

Payments made by customers increased from SR (356,000) as of December 31, 2020G to SR (392,000) as of September 30, 2021G as a result of incentives and returns due to customers during the same period.

### Other Accrued Expenses

Other accrued expenses are related to the accrued utilities expenses of electricity, water, cleaning services and to follow up on the Company's loan (the government loan of the Saudi Industrial Development Fund (SIDF)), in addition to fees payable related to the Saudi Stock Exchange (Tadawul). Other accrued expenses increased from SR (695,000) as of December 31, 2018G to SR (1.0 million) as of December 31, 2019G as a result of the balance settlement which is due to the Saudi Stock Exchange (Tadawul) and attached to its subscription fees during the same period.

Other accrued expenses continued to rise and reached SR (1.6 million) as of December 31, 2020G, as a result of accrued expenses to follow up on the government's loan of the SIDF during the same period.

Other accrued expenses increased from SR (1.6 million) as of December 31, 2020G to SR (2.5 million) as of September 30, 2021G, as a result of accrual expenses for following up on the Company's loan, in addition to the formation of the management allocated for commissions and overtime work for employees, which contributed to this increase during the same period.

### Dividends Payable

The balance of dividends payable is related to the amounts approved by the Company's OGA for previous years, but have not yet been paid to shareholders. Accrued dividends' balance settled at SR (1.2 million) as of December 31, 2018G, 2019G, and 2020G and as of September 30, 2021G as a result of the Company's failure to pay this due amount during the same period.

### Current Portion of a Long-term Government Loan

The current portion of a long-term government loan dropped from SR (17.0 million) as of December 31, 2018G to SR (3.0 million) as of December 31, 2019G, as a result of rescheduling the loan with the Saudi Industrial Development Fund for longer periods, which affected the volume of the non-current and current obligation.

The current portion of a long-term government loan increased and reached SR (12.0 million) as of December 31, 2020G, then SR (15.0 million) as of September 30, 2021G, as a consequence of reschedule the loan as mentioned, and there were no additions during the same period.

## Sales Provisions

Table No. (55): Sales Provisions as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Reviewed)	December 31, 2019G (Reviewed)	December 31, 2020G (Reviewed)	September 30, 2021G (Examined)
<b>Discount Allowed</b>				
Balance at the beginning of the year/period	-	1,827	2,176	785
Additions during the year/period	14,671	13,008	13,135	5,085
Paid / adjustments during the year / period	(12,844)	(12,659)	(14,526)	4,637
Balance at the end of the year	1,827	2,176	785	1,233
<b>Sales Returns</b>				
Balance at the beginning of the year/period	-	265	1,088	900
Additions during the year/period	2,540	2,046	1,902	1,410
Paid / adjustments during the year / period	(2,274)	(1,224)	(2,090)	(1,695)
Balance at the end of the year	265	1,088	900	615
<b>Total</b>	<b>2,093</b>	<b>3,264</b>	<b>1,685</b>	<b>1,848</b>

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

Sales provision relates mainly to the discounts allowed in addition to the sales returns of the Company. They represented 68% of the total provision. As for sales returns, they constituted 32% of the total provision during the fiscal years ended December 31, 2018G, 2019G and 2020G and the nine-month period ended September 30, 2020G and 2021G.

## Discount Allowed

The discount allowed increased from SR (1.8 million) as of December 31, 2018G to SR (2.2 million) as of December 31, 2019G, as a result of additions worth SR (14.7 million), as most of the discounts in the fiscal year 2019G were related to the pastry factory and the vegetable factory, in line with sales to hypermarket customers such as: Abdullah Al-Othaim Company, Panda Company, Carrefour Company, Mohammed Saeed Balubaid Company - Dar Al-Salmeen Establishment and Reem Tabuk Company, as the company aimed to increase its market share and increase the number of its customers.

Allowed discount decreased up to SR (785,000) as of December 31, 2020G, as a result of payments on the provision and adjustments to the balance of SR (14.5 million), offset by additions to the provision amounting to SR (13.1 million) during the same period.

Allowed discount increased from SR (785,000) as of December 31, 2020G to SR (1.2 million) as of September 30, 2021G, as a result of additions to the provision of SR (3.9 million) for the pastry factory and the vegetable factory in line with sales to hypermarket customers such as: Abdullah Al-Othaim Company, Panda Company, Carrefour Company, Mohammed Saeed Balubaid Company - Dar Al-Salmeen Corporation and Reem Tabuk Company. This was offset by payments on the provision and balance adjustments in the amount of SR (4.6 million). It is worth noting that the company aims to reduce the level of discounts for customers in order to increase its profitability in future.

### Sales Returns

Returns increased from SR (266,000) as of December 31, 2018G to SR (1.1 million) as of December 31, 2019G, as a result of additions amounting to SR (2.0 million), as most of the returns during the fiscal year 2019G were related to the sales' channel of wholesale customers due to the poor quality of the raw materials that were used in potato products.

Returns decreased reached SAR 900,000 as of December 31, 2020G as a result of returns and balance adjustments of SAR 2.1 million during the same period.

Returns decreased from SR (900,000) as of December 31, 2020G to SR (615,000) as of September, 2021G as a result of adjustments amounting to SR (1.7 million), this was offset by additions to the provision amounting to SR (1.4 million) for the company of: Mohammed Saeed Balubaid Company - Dar Al Salmeen Corporation and Reem Tabuk Company – and Habib Company, where most of these returns were of potato products, because the potato factory used different raw materials than it used to utilize before. This change led to a shift in customers' tastes and the return of these quantities to the Company during the same period.

### Zakat Provision

Table No. (56): Zakat Provision as of December 31, 2018G, 2019G and 2020G and as of September 30, 2021G

SAR 000	December 31, 2018G (Audited)	December 31, 2019G (Audited)	December 31, 2020G (Audited)	September 30, 2021G (Management Data)
Balance at the beginning of the year/period	2,255	4,971	4,046	6,392
Component during the year/period	950	1,289	794	595
Component during the year from previous years	3,021	-	2,729	-
Zakat paid during the year/period	(1,255)	(2,214)	(1,177)	(3,663)
Balance at the end of the year/period	4,971	4,046	6,392	3,324

Source: Audited financial statements for the financial years ended December 31, 2018, 2019 and 2020 and management data

Zakat declaration was submitted to the General Authority for Zakat, Tax and Customs for all years until December 31, 2019G and the Company obtained a restricted certificate for the fiscal year ended December 31, 2019G.

During the fiscal year 2018G, the General Authority for Zakat, Tax and Customs issued preliminary assessments for years from 2008G to 2011G. The Company objected to these assessments and obtained the revised Zakat assessment, which resulted in Zakat differences of SR (4.0 million) that were recorded within the estimated Zakat provision for the fiscal year 2018G.

During the fiscal year 2020G, the General Authority for Zakat, Tax and Customs issued preliminary assessments for the years from 2014G to 2018G. The Company objected to these assessments and received the revised Zakat

assessment, which resulted in a Zakat difference of SR (2.7 million). The Company objected once again to these assessments and is awaiting a response from the Authority. The Zakat differences were proven within the estimated Zakat provision for the fiscal year 2020G.

It is worth noting that the fiscal years 2019G and 2020G are under review by the General Authority for Zakat, Tax and Customs.

### 5-5-3 Consolidated Statement of Cash Flow

Table No. (57): Consolidated Statement of cash flow for the years ended December 31 2018G, 2019G, 2020G and the nine-month period ended September 30, 2021G.

SAR 000	December 31, 2018G (Management Data)	December 31, 2019G (Audited)	December 31, 2020G (Audited)	September 30, 2021G (Examined)
<b>Cash flow from operating activities</b>				
Net loss for the year/period	(26,501)	(25,370)	(12,379)	(4,518)
<b>Modifications for:</b>				
Consumptions	9,450	9,393	9,112	6,142
Cancellations	-	136	182	127
Estimated Zakat during the year	950	1,289	794	595
Estimated Zakat during the year for previous years	3,021	-	2,729	-
Employee benefit obligations	791	891	893	676
Component of expected credit loss provision	1,959	1,176	1,326	270
Bad debts during the year	(2)	(67)	(52)	-
Sales provisions	2,093	1,172	(1,579)	163
Provision for loan guarantee - related party	-	8,063	(863)	-
Component of slow-moving goods provision	307	927	1,426	-
Damaged slow-moving merchandise provision	-	-	(131)	-
Component of provision for declining inventory	-	-	606	-
Investment losses at fair value through profit or loss	6,500	4,354	-	-
(Profits) / losses of impairment in the value of real estate investments	-	1,008	(333)	-
Ownership investments profits	-	(1,613)	-	-

SAR 000	December 31, 2018G (Management Data)	December 31, 2019G (Audited)	December 31, 2020G (Audited)	September 30, 2021G (Examined)
Profits on sale of property, machinery and equipment	(19)	(70)	(192)	(762)
Financing cost	-	-	-	127
Inventory	8,613	(669)	(6,144)	5,727
Prepaid expenses and other debit balances	(1,540)	(97)	2,802	(2,058)
Trade payables	(2,919)	2,676	10,007	3,864
Accrued expenses and other credit balances	2,109	1,653	(734)	367
Cash generated from operating activities	6,222	4,491	4,146	8,860
Paid from estimated zakat	(1,255)	(2,214)	(1,177)	(3,663)
Paid employee benefits obligations	(731)	(433)	(449)	(669)
Net cash obtained from operating activities	4,236	1,844	2,520	4,528
<b>Cash flow from investing activities</b>				
Purchase of property, machinery and equipment	(2,194)	(2,405)	(1,772)	(926)
Purchase of intangible assets	-	(1,213)	-	-
Proceeds from the sale of property, machinery and equipment	18	138	192	857
The proceeds from the disposal of an investment property	-	-	-	10,500
Net cash used in investing activities	(2,175)	(3,479)	(1,580)	10,431
<b>Cash flow from financing activities</b>				
Related party liabilities	(35)	(431)	35	-
Payment of rental obligations	-	(224)	(303)	(356)
Long-term government loan	(3,500)	-	-	-
Dividends payable	(2)	(1)	(3)	(1)
Provision for loan guarantee - related party	-	-	-	(1,000)
Net cash used in financing activities	(3,537)	(656)	(271)	(1,358)

SAR 000	December 31, 2018G (Management Data)	December 31, 2019G (Audited)	December 31, 2020G (Audited)	September 30, 2021G (Examined)
Net change in cash and cash equivalents during the year	5,490	(2,291)	668	13,601
Cash equivalents at the beginning of the year	5,490	4,012	1,722	2,390
Cash equivalents at the end of the year	4,012	1,722	2,390	15,993

Source: Audited financial statements for the financial years ended December 31, 2018G, 2019G and 2020G, and the nine-month period ended September 30, 2021G.

### Cash Flow from Operating Activities (CFO)

Cash flow resulting from operating activities decreased from SR (4.2 million) in the fiscal year 2018G to SR (1.8 million) in the fiscal year 2019G, due to an increase in inventory by SR (669,000) in the fiscal year 2019G, compared to a decrease of SR (8.6 million) in the fiscal year 2018G, and an increase in trade receivables by SR (360,000). This was offset by a decrease in trade receivables by SR (2.6 million) during the same period.

Cash flow generated from operating activities increased to reach SR (2.5 million) in the fiscal year 2020G, mainly due to the decrease in net loss for the year before Zakat by SR (13.0 million), from SR (25.4 million) to SR (12.4 million), in line with the increase in the total operating income, due to an increase in sales and trade payables by SR (10.0 million) in the fiscal year 2020G, compared to an increase of SR (2.7 million) in the fiscal year 2019G. This was offset by an increase in trade receivables by SR (3.3 million) in the fiscal year 2020G, compared to an increase of SR (360,000) in the fiscal year 2019G, and an increase in inventory by SR (6.1 million) in the fiscal year 2020G, compared to an increase of SR (669,000) in the fiscal year 2019G during the same period.

Cash flow generated from operating activities totaled SR (4.5 million) in the nine-month period ended September 31, 2021G, as a result of an increase in net loss for the year prior to Zakat, in line with higher net loss from major operations, and the inventory decreased by SR (5.7 million) due to the decrease in the company's purchases of raw materials, in addition to the increase in the balance of trade creditors during the same period.

### Cash Flow from Investing Activities (CFI)

Cash flow from investing activities increased from SR (2.2 million) in the fiscal year 2018G to SR (3.5 million) in the fiscal year 2019G, in line with an increase in the purchase of machinery, property and equipment, from SR (2.2 million) to SR (2.4 million), as a result of a decrease in the purchase of vehicles and intangible assets amounting to SR (1.2 million). This was offset by an increase in proceeds from the sale of machinery, property and equipment from SR (19,000) to SR (138 million) during the same period.

Cash flow from investing activities dropped to SR (1.6 million) in the fiscal year 2020G, due to a decrease in the purchase of machinery, property and equipment which totaled SR (1.8 million), in addition to the absence of additions to intangible assets during the same period.

Cash flow generated in investing activities amounted to SR (10.4) million in the nine-month period ended September 30, 2021G, as a result of the company sold investment lands in the city of Jizan and the proceeds increased from the sale of property, machinery and equipment following the sale of cars during the same period.

### Cash Flow from Financing Activities (CFF)

Cash flow from financing activities decreased from SR (3.5 million) in the fiscal year 2018G to SR (656,000) in the fiscal year 2019G, due to the lack of additions to a long-term government loan, which was partially offset by the payment of rental obligations amounting to SR (224,000), attached to the right-of-use the assets during the same period.

Cash flow from financing activities decreased to SR (271,000) in the fiscal year 2020G, due to the payment of rental obligations equivalent to SR (303,000) during the same period.

Cash flow from financing activities totaled SR (1.4) million in the nine-month period ended September 30, 2021G, as a result of the payment of obligations related to the guarantee of the related party towards the Saudi Industrial Development Fund and the increase in rent obligations paid at the same value during the same period.

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## Use of Offering Proceeds and Future Projects

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## 6- Use of Offering Proceeds and Future Projects

### 6-1 Net Offering Proceeds

The Rights Issue's total proceeds are estimated at a value of one hundred fifty-four million three hundred forty thousand seven hundred SR (154,340,700), of which four million three hundred forty thousand seven hundred SR (4,340,700) are used to cover the expenses of the offering that include the fees of the financial advisor, the lead manager, the underwriter, the legal advisor, the auditor, the media and public relations advisor, in addition to the underwriting, marketing, printing, distribution's expenses and other expenses related to the subscription. The offering's net proceeds shall be equivalent to one hundred and fifty million SR (150,000,000). They shall be used to support the Company's expansion operations, the automation of production lines, and the optimization of the Company's commercial trademark in order to cover all the Kingdom's regions, which will enable the Company to make profits and achieve its business goals.

The Company will disclose to the public on the Saudi Stock Exchange (Tadawul) ([www.saudiexchange.sa](http://www.saudiexchange.sa)) when there is a discrepancy of (5%) or more of the actual use of the offering proceeds before the opening of the trading session, in parallel with what was disclosed in this Prospectus, as soon as it is informed and in accordance with paragraph (b) of Article fifty-four (54) of the Rules of the Offer of Securities and Continuing Obligations which states the following: "The issuer must, in the event of any deviation of (5%) or more from the planned use of proceeds as set out in the relevant rights issue prospectus, disclose it to the public

### 6-2 Use of the Offering Proceeds

The Company intends to use the offering proceeds in order to finance its business operations, implement its future plans and projects, expand its various activities, automate production lines, and make optimal use of the spread of its trademark in the Kingdom which will enable the Company to make profits and achieve its business goals.

The net offering proceeds, totaled one hundred and fifty million SR (150,000,000), will be used as follows:

#### 1. Capital expenditure for the development and renewal of production lines in the amount of one hundred and twenty million SR (120,000,000) divided as follows:

- a. Increasing production lines in the frozen meat factory: the Company will pump an amount of forty-four million SR (44,000,000) in order to:
  - install a new production line for burgers and kebabs, in addition to the current line, by 1 ton/hour capacity at a cost of fifteen million five hundred thousand SR (15,500,000)
  - install a new production line dedicated to cooked meat, in addition to the current line, by 400 kg/hour capacity at a cost of sixteen million five hundred thousand SR (16,500,000)
  - install a new production line dedicated to ground beef, in addition to the current line, by 1 ton/hour capacity at a cost of seven million five hundred thousand SR (7,500,000)
  - equip a production area with a capacity suitable for all the new lines at a cost of four million five hundred thousand SR (4,500,000)
- b. Improving production line efficiency by developing and increasing the vegetable factory production line: the Company will inject an amount of forty million SR (40,000,000) for the:
  - installation of a new french fries production line, in addition to the current line, with a capacity of 5 tons/hour at a cost of twenty-five million SR (25,000,000)
  - improvement and development of the optical sorting machine with a 4 tons/hour capacity at a cost of one million five hundred thousand SR (1,500,000)
  - installation of an optical sorting machine that costs three million five hundred thousand SR (3,500,000)
  - installation of a hash brown and mashed potato production line, in addition to the existing line, with 1 ton/hour capacity at a cost of ten million SR (10,000,000)
- c. Developing and increasing the pasta factory production lines: the Company will pump eighteen million SR (18,000,000) in order to:

- improve and develop the current spaghetti production line so as to increase the capacity to 1 ton/hour at a cost of eight million SR (8,000,000)
  - install an additional packaging machine with a 1 ton/hour capacity at a cost of two million SR (2,000,000)
  - install an additional packaging and sealing machine for food bags with a capacity of 2.1 tons/hour at a cost of two million SR (2,000,000)
  - improve and develop the vermicelli production line to increase the capacity to 250 kg/hour at a cost of three million SR (3,000,000)
  - install an additional automatic discharge conveyor with a capacity suitable for three production lines in order to transport products from the production area to the packaging area at a cost of three million SR (3,000,000)
- d. Developing and increasing the breakfast cereal factory production lines: the Company will pump an amount of eighteen million SR (18,000,000) to buy:
- an additional packaging machine for cereals with a capacity of 60 packs per minute at a cost of four million SR (4,000,000)
  - an additional packaging machine for cereal products with a capacity of 45 boxes per minute at a cost of six million SR (6,000,000)
  - an additional packaging machine for spices with a capacity of 60 boxes per minute at a cost of five million five hundred thousand SR (5,500,000)
  - an additional cooling system in the packaging and warehouses areas at a cost of two million five hundred SR (2,500,000)

**2. Supporting working capital improvements: the Company will use an amount of thirty million SR (30,000,000) to purchase raw materials (potatoes, semolina, flour, meat) to support working capital**

It should be noted that the abovementioned projects will be exclusively financed by the offering proceeds.

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The following table sets forth the expected use of the offering proceeds:

Table No. (58): Use of the Offering Proceeds

Uses (1,000,000) SR	2022G				2023G				2024G				2025G		Total	%
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
Increasing production lines in the frozen meat factory	-	-	10.0	15.0	10.0	-	-	-	-	5.0	-	-	-	4.0	44.0	%28.5
Improving production line efficiency by developing and increasing the vegetable factory production line	-	-	10.0	15.0	10.0	-	-	-	-	3.0	-	-	-	2.0	40.0	%25.9
Developing and increasing the pasta factory production lines	-	-	5.0	7.5	2.5	-	-	-	-	1.0	-	-	-	2.0	18.0	%11.7
Developing and increasing the breakfast cereal factory production lines	-	-	5.0	7.5	2.5	-	-	-	-	1.0	-	-	-	2.0	18.0	%11.7
Working Capital Support	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	-	30.0	%19.4	
Offering Expenses	4.34	-	-	-	-	-	-	-	-	-	-	-	-	4.34	%2.8	
<b>Total</b>	<b>6.84</b>	<b>2.5</b>	<b>32.5</b>	<b>47.5</b>	<b>27.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>12.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>10.0</b>	<b>154.34</b>	<b>%100</b>

Source: The Company's Management



## Experts Statements

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## 7- Experts Statements

All Advisors whose names appear on the pages (ix) and (x) of this Prospectus, have provided their written consent to indicate their names, logos and statement, and none of them has withdrawn their consent as of the date of this Prospectus.

Wafrah Company for Industry and Development has appointed Maven Investment Partners FZ LLC, P.O. 283735, Dubai, UAE, as an advisor to the company to prepare a future business plan for the use of the offering proceed. Maven Investment Partners FZ LLC provides independent market research and market assessment services including market size, growth forecast and competitive analysis for its clients.

All the Advisors, whose names are listed, do not, themselves, nor do their employees or their relatives, have any shares or interest of any kind in the Company or its subsidiaries, which may affect their independence, as of the date of this Prospectus.



## Declarations of the BOD Members

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## 8- Declarations of the BOD Members

Up to the date of this prospectus, the BOD members acknowledge the following:

- There has been no interruption in the Company's business that could affect or have had a noticeable impact on its financial position during the last (12) months.
- No commissions, discounts, brokerage fees or any non-cash compensation were granted by the Company during the three years immediately preceding the date of submitting the application for registration and offering of securities in connection with the issue or offering of any securities.
- With the exception of reducing the Company's capital in 2020G to extinguish accumulated losses amounting to 50% and more (for more information, please refer to subsection to subsection (9.1) "**Introduction about the Company and the Most Important Changes that Have Occurred**" of Section (9) "**Legal Information**"), there has been no fundamental negative change in the financial and commercial position of the issuer during the three years immediately preceding the date of submitting the application for registration and offering the securities subject to this Prospectus, in addition to the period covered by the chartered accountant's report until the issuance of the Prospectus.
- Other than what is stated on page "vi", the BOD members or any of their relatives have no shares or interest of any kind in the Company.
- The Company did not maintain treasury shares, and the Extraordinary General Assembly did not approve the purchase of the Company's shares.



## Legal Information

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## 9- Legal Information

### 9-1 Introduction about the Company and the Most Important Changes That Have Occurred

#### 9-1-1 Trade Name

Wafrah for Industry and Development Company is a Saudi a joint stock company established under Commercial Registration Certificate No. (1010076996) dated 24/10/1410H (corresponding to 19/05/1990G) which expires on 23/101443H (corresponding to 24/05/2022G).

The Company was registered in the commercial register of joint stock companies in Riyadh, initially under the trade name "Food Products Company".

On 24/08/1434H (corresponding to 03/07/2013G), the (Extraordinary) General Assembly of Shareholders approved the amendment of the Company's trade name from "Food Products Company" to "Wafrah for Industry and Development Company", which is the current trade name, and there has been no amendment to the name as of the date of this prospectus.

#### 9-1-2 Company Incorporation and Capital Development Stages

- On 19/09/1409H (corresponding to 25/04/1989G), the Company was incorporated as a Saudi joint stock company pursuant to Ministerial Resolution No. (893) dated 25/11/1409H (corresponding to 29/06/1989G) approving the establishment of the Company, and Ministerial Resolution No. ( 834) and on 09/20/1410H (corresponding to 04/16/1990G) approving the announcement of the establishment of the Company in the name of "Food Products Company", which was registered in the Commercial Registry No. (1010076996) on 24/10/1410H (corresponding to 19/05/1990G). The number of shareholders upon incorporation was (86), all of them are Saudi companies and individuals, with a capital of two hundred million (200,000,000) Saudi riyals divided into two million (2,000,000) shares, all of them are ordinary cash shares of equal value, with a nominal value of one hundred (100) Saudi riyals. The founders subscribed to nine hundred and sixty-five thousand (965,000) shares, and the rump shares, totaling one million and thirty-five thousand (1,035,000) shares. The trading of the shares began in the Saudi Stock Exchange (the main market) as of 09/07/1413H (corresponding to 02/01/1993G), and the Company is considered one of the first companies whose shares were listed after obtaining the approval of the Ministry of Commerce and the Saudi Arabian Monetary Agency ( The competent authority at the time), prior to the establishment of the automated stock trading system (in 2001G) as an alternative system to the electronic securities information system ESIS, which was working under the supervision of the Stock Control Department at the Saudi Arabian Monetary Agency.
- During the year 2000G, the Company decided to split the nominal value of one share from one hundred (100) Saudi riyals to fifty (50) Saudi riyals, bringing the number of the Company's shares to four million (4,000,000) shares. In 2006G, the nominal value of one share was modified to ten (10) Saudi riyals, and accordingly the Company divided its shares from four million (4,000,000) shares to twenty million (20,000,000) shares of equal value, each with a nominal value of ten (10) Saudi riyals, all of which are ordinary cash shares, in accordance with the decision of the Capital Market Authority No. (4-154-2006) to divide the shares of joint stock companies in four stages, and based on the decision of the Council of Ministers that the nominal value of the shares of joint stock companies shall be ten (10) Saudi riyals per share.
- On 24/08/1434H (corresponding to 03/07/2013G), the Extraordinary General Assembly (the second meeting) approved the amendment of the Company's trade name from "Food Products Company" to "Wafrah for Industry and Development Company".
- On 01/02/1441H (corresponding to 30/09/2019G), the Company's accumulated losses amounted to ninety-eight million eight hundred and seventy-six thousand nine hundred and five (98,876,905) Saudi riyals, which represents (49.44%) of the capital. As a result, the BOD recommended, on 22/04/1441H (corresponding to 19/12/2019G), to reduce the Company's capital from two hundred million (200,000,000) Saudi riyals to one hundred and one million, one hundred twenty-three thousand and one hundred (101,123,100) Saudi riyals, with a reduction rate of (49.438%) of the capital. Since the Company's losses reached as of 02/07/1441H (corresponding

to 26/02/2020G), an amount of one hundred and twenty-one million, two hundred and eighty-two thousand six hundred and forty-five (121,282, 645) Saudi riyals, which represents (61%) of its capital, the BOD decided on 20/07/1441H (corresponding to 15/03/2020G) to amend its previous recommendation issued on 22/04/1441H (corresponding to 19/12/2019G) and the (Extraordinary) General Assembly (EGA) recommendation to the to reduce the Company's capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million, one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals, bearing in mind that this recommendation is conditional on obtaining approvals from all competent authorities (the CMA "The Authority", the Stock Exchange Company "Tadawul" and the Ministry of Commerce) and the (Extraordinary) General Assembly EGA of shareholders. The Company obtained the approval of the Authority on 29/07/1441H (corresponding to 24/03/2020G).

- On 29/03/1441H (corresponding to 26/11/2019G), the (Extraordinary) General Assembly (EGA) of shareholders voted to amend and update the Bylaws to conform to the amendments made to the Companies Law.
- On 15/08/1441H (corresponding to 08/04/2020G), the (Extraordinary) General Assembly (EGA) of shareholders agreed to reduce the Company's capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million, one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals, with a reduction of (61.4%) by canceling the number of twelve million two hundred and eighty-two thousand nine hundred and sixty-five (12,282,965) shares of the Company's shares and reducing the number of shares from twenty million (20,000,000) shares to (7,717,035) shares. The reason of this capital reduction is due to the amortization of accumulated losses in the amount of one hundred twenty-two million eight hundred and twenty-nine thousand six hundred and fifty (122,829,650) Saudi riyals. On 01/11/144H (corresponding to 22/06/2020G), the Company announced that its accumulated losses had decreased to zero (0%) of the capital as of 15/08/1441H (corresponding to 08/04/2020G).
- On 28/11/1441H (corresponding to 19/07/2020G), the BOD received a request from a number of shareholders, representing (7.14%) of the capital, demanding the dismissal of the BOD members and the election of a new Board. On 05/12/1441H (corresponding to 26/07/2020G), the BOD obtained a request from a number of shareholders representing (7.14%) of the capital, demanding the dismissal of the members of the Audit Committee and the appointment of a new Audit Committee.
- On 01/06/1442H (corresponding to 14/01/2021G), the Ordinary General Assembly (OGA) of shareholders was held and decided to dismiss the BOD and the Audit Committee members, pursuant to the BOD recommendation and based on the request of shareholders representing (7.14%) of the capital, and the appointment of new BOD and Audit Committee members.
- On 10/10/1442H (corresponding to 22/05/2021G), the BOD recommended the increase of the Company's capital from seventy-seven million, one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals, to two hundred and thirty-one million five hundred and eleven thousand fifty (231,511,050) Saudi riyals at a rate of (200%), thus increasing the number of shares from seven million, seven hundred and seventeen thousand and thirty-five (7,717,035) ordinary shares to twenty-three million, one hundred and fifty-one thousand, one hundred and five (23,151,105) ordinary shares of equal value, the value of each of which is ten (10) Saudi riyals, through the offering of Rights Issue Shares at a value of one hundred and fifty-four million three hundred and forty thousand seven hundred (154,340,700) Saudi riyals, amounting to fifteen million four hundred and thirty-four thousand and seventy (15,434,070) ordinary shares, on the condition that the Company shall obtain all necessary approvals from the competent authorities (the CMA "The Authority", the Stock Exchange "Tadawul" and the Ministry of Commerce) and the shareholders of the (Extraordinary) General Assembly. Moreover, the (Extraordinary) General Assembly's approval must be obtained within six (6) months from the date of the Authority's approval. If the Company was unable to obtain the approval of the (Extraordinary) General Assembly during that period, the Authority's approval is considered canceled, and the Company must resubmit the application if it decided to increase the capital. The Company obtained both the Authority and Tadawul approvals on 03/09/1443H (corresponding to 04/04/2022G) and on 07/06/1443H (corresponding to 10/01/2022G) respectively. It also obtained the approval of the (Extraordinary) General Assembly on 15/11/1443H (corresponding to 14/06/2022G).

### 9-1-3 Substantial Shareholders

As of the date of this Prospectus, there is no substantial shareholder who owns (5%) or more of the Company's shares.

#### 9-1-4 Headquarters

The Company headquarters in Riyadh - Third Industrial City - PO Box: (131) - Postal Code (11383) - Tel: (0114023456). According to Article Five (5) of the Bylaws, the Company may establish branches, offices or agencies inside or outside the Kingdom by a BOD Resolution (for more information, please refer to subsection (9.2.2) "**The Company's Branches and Points of Sale**" of this section).

#### 9-1-5 Duration of the Company

Article Six (6) of the Bylaws stipulates that the Company's duration shall be fifty (50) Gregorian years starting from the date of its registration in the Commercial Register. The commercial registry data indicates the expiry of the Company's term on October 23, 1460H (corresponding to 20/11/2038G).

#### 9-1-6 Bylaws

The current version of the Company's Bylaws was issued based on the EGA Resolution dated 14/12/1441H (corresponding to 04/08/2020G). The Bylaws have been amended several times according to the following:

- 1. Amendment of the Company Name:** On 24/08/1434H (corresponding to 03/07/2013G), the EGA (the second meeting) approved the amendment of the Company's trade name from the "Food Products Company" to "Wafrah for Industry and Development Company".
- 2. Bylaws Update:** On 29/03/1441H (corresponding to 26/11/2019G), the EGA of shareholders voted to amend and update the Bylaws so as to conform to the amendments made to the Companies Law.

**Capital Reduction:** On 15/08/1441H (corresponding to 08/04/2020G), the EGA of shareholders agreed to reduce the Company's capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million, one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals, with a reduction of (61.4%) by canceling twelve million two hundred and eighty-two thousand nine hundred and sixty-five (12,282,965) shares of the Company's shares and the reduction of the number of shares from twenty million (20,000,000) shares to seven million seven hundred and seventeen thousand and thirty-five (7,717,035) shares. The reason for capital reduction is to amortize the accumulated losses amounting to one hundred twenty-two million eight hundred twenty-nine thousand six hundred and fifty (122,829,650) Saudi riyals.

The Company complied with the requirements of the Saudi Stock Exchange and Capital Market Authority (Tadawul) in terms of uploading a copy of the bylaws on the Company's page on the Tadawul website. The last amended version of the Company's Bylaws was approved by the Ministry of Commerce (Corporate Governance Department) on 11/12/1441H (corresponding to 11/08/2020G).

#### 9-1-7 The Company's Business Activity

According to the commercial registry certificate, the Company may carry out the following activities: ("The production of chilled and frozen meat, the manufacture of food products made from potatoes, including (potato chips), breakfast foods from cereals in the form of flakes, including (cornflakes, chips, etc....), and all kinds of pasta and noodles). The Company conducts its activities through its headquarters and branches established inside the Kingdom in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities. The Company has obtained the necessary licenses from the competent authorities to carry out its activity (for more information, please refer to sub-paragraph (9.2) "**Licenses and Permits obtained by the Company**" of this section).

#### 9-1-8 The Administration

According to Article fifteen (15) of the Bylaws, the Company is managed by a Board of Directors consisting of seven (7) members elected by the Ordinary General Assembly (OGA) of Shareholders for a period not exceeding three (3) years.

### 9-1-8-1 Board Composition

On 01/06/1442H (corresponding to 14/01/2021G), the OGA of shareholders elected the BOD members for a new term starting from the date of the assembly meeting on 01/06/1442H (corresponding to 14/01/2021G) and for a period of three (3) years. It expires on 01/07/1445H (corresponding to 13/01/2024G), and the BOD of the mentioned session was formed from the gentlemen whose names are shown in the following table:

Table No. (59): Board of Directors\*

Name	Position	On Behalf of	Nationality	Age	Membership Status	Owned Shares			
						Direct	Indirect**	Total	Percentage (%)
Muhammad Yaqou Al-Makhdhab	BOD Chairman of	Himself	Saudi	44	Independent	100	-	100	0.0012958
Mohammed Hindi Al-Otaibi	BOD Vice-Chairman	Himself	Saudi	45	Independent	4,995	-	4,995	0.0647269
Faisal Mohammed Al-Khudairi	Board Member & Managing Director	Himself	Saudi	45	Executive	10	-	10	0.0001295
Mohammed Saud Al-Semari	Board Member	Himself	Saudi	48	Independent	1,000	-	1,000	0.0129583
Iyad Abdul Rahman Al-Bunyan	Board Member	Himself	Saudi	47	Independent	12,000	-	12,000	0.1555001
Vacancy***	Board Member	-	-	-	-	-	-	-	-
Faisal Abdullah Al-Qahtani	Board Member	Himself	Saudi	47	Independent	100	-	100	0.0012958

Source: The Company

\* On 01/06/1442H (corresponding to 14/01/2021G), the OGA of shareholders was held based on the request submitted by a number of the Company's shareholders, who own (7.14%) of the Company's shares to dismiss the previous BOD members. Accordingly, the GA agreed to dismiss the previous BOD members and elect the current BOD members in its twelfth session for a period of three (3) years, starting from the date of the Assembly's meeting and ending on 01/07/1445H (corresponding to 13/01/2024G).

\*\* Refers to the shares indirectly owned by the BOD members through their ownership in companies owning shares in the Company or shares owned by relatives of members of the BOD, either directly or through their ownership in companies that own shares in the Company.

\*\*\* On 28/03/1443H (corresponding to 03/11/2021G), the BOD former member, Muhammad Abdul Razzaq About Al-Baghdadi, submitted his resignation, which was approved by the BOD pursuant to Resolution No. (11-12) dated 29/03/1443H (corresponding to 04/11/2021G) provided that it is considered valid from the date of its submission.

The Company is compliant with the Companies Law and the Corporate Governance Regulations, as it was determined that the number of the Board members is not less than three (3) and not more than eleven (11). It was also ascertained that the Company's commitment to Article Sixteen (16) of the Corporate Governance Regulations, which obliges listed companies to have the majority of Board members from non-executive members, and the number of independent members not less than two members or one-third of Board members (whichever is more). With the exception of the Managing Director, six (6) non-executive members have been appointed, all of them are independent (for more information on the Company's compliance with the Governance Regulations,

please refer to subsection (9.4.5) "Continuing Obligations as Per the Requirements of the Capital Market Authority" of this section).

### 9-1-8-2 Appointment to Mandatory Positions (Chairman, Vice-Chairman, Secretary and Managing Director)

- In accordance with Article (20) of the Company's Bylaws, the BOD appoints amongst its members a chairman and a vice-chairman and may appoint a managing director. It is not permissible to combine the position of the chairman of the Board with any executive position in the Company. The BOD appoints a secretary chosen from amongst its members or others.
- The Company is compliant with the Bylaws and the Corporate Governance Regulations regarding the mandatory appointment in these positions, where the BOD approved this appointment according to the following:

Table No. (60): Positions of the Board of Directors

Name of the Assigned Member	Appointment Decision	Position
Muhammad Yaqoub Yusuf al-Makhdhab	Minutes of the Board Meeting Held on 18/01/2021G	Chairman of the Board
Mohammed Hindi Shuja Al-Otaibi	Minutes of the Board Meeting Held on 18/01/2021G	Vice-Chairman of the Board
Faisal Mohammed Abdul Aziz Al-Khudairi	Minutes of the Board Meeting Held on 18/01/2021G	Managing Director
Khaled Saleh AbuBAker El Amudi	Minutes of the Board Meeting Held on 20/01/2022G	Chief Executive Officer (CEO) (commissioned)
Salah Ali Mahgoub	Minutes of the Board Meeting Held on 18/01/2021G	Secretary of the Board

Source: The Company

On 08/05/1443 H (corresponding to 12/12/2021 G), the Board of Directors approved the resignation of the former CEO, Mr. Maqid Ibrahim Ramdan Al-Otaibi, which he submitted on 04/04/1443 H (corresponding to 09/11/2021 AD) for special reasons. On 06/17/1443 H (corresponding to 01/20/2022G), the Board of Directors decided - based on the recommendation of the Remuneration and Nominations Committee - to assign Mr. Khaled Saleh Abu Bakr Al-Amoudi as CEO of the company.

The Board's powers are defined in Article (18) of the Company's Bylaws, as well as the powers of the chairman, the vice-chairman, the managing director and the secretary which are detailed in Article (20) of the Company's Bylaws. The Board's Secretary is responsible for recording the minutes and resolutions of the BOD's meetings and keeping them in a special register prepared for this purpose.

### 9-1-8-3 Board Remuneration

- According to Article (19) of the Company's Bylaws, the BOD's remuneration consists of the percentage stipulated in Article 43, paragraph 5 (43/5), and within the limits stipulated in the Companies Law and its regulations, in an amount not exceeding five hundred thousand (500,000) Saudi riyals.
- The Board's report to the OGA shall include a comprehensive statement of all the remuneration, fees, salaries, expense allowances and other benefits received by the Board members as a compensation for their services during the fiscal year. It shall also state the Board members received related to performance of their official duties in their capacity as workers or administrators, or in return for technical or administrative work or consultancy. Moreover, it shall contain a statement of the number of the Board sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.

- The BOD report for the fiscal year ended December 31, 2020G, which was approved by the OGA on 20/10/1442H

(corresponding to 01/06/2021G), disclosed the criteria adopted by the Company in the payment of remuneration to the BOD. The report also included a comprehensive statement of all that the BOD members receive during the fiscal year, including salaries, a share in the profits, attendance allowance, expenses and other benefits; the value of the remuneration of the Board members for the fiscal year ended December 31, 2020G totaled one million, one hundred and thirty-two thousand seven hundred and eighty-seven (1,132,787) Saudi riyals.

- (For more information, please refer to sub-paragraph (4.6) “**Compensation and Remuneration of Board Members and Senior Executives**” of Section (4) “**The Organizational Structure of the Company**” of this Prospectus).

#### 9-1-8-4 Board Meetings

- According to Article (21) of the Company’s Bylaws, the Board of Directors shall meet at least twice a year at the invitation of the Chairman. The invitation shall be in writing, and may be delivered or sent by mail, fax or any other means accompanied by a business agenda. The Chairman shall call the Board to a meeting whenever two members request it.
- The Company is compliant with the minimum number of Board meetings requirement. The Company’s number of Board meetings reached five (5) meetings during the year 2018G, six (6) meetings during the year 2019G, six (6) meetings during the year 2020G, and six (6) meetings during the year 2021G.

#### 9-1-8-5 Board Committees

The Board of Directors has three (3) committees that assist it in the performance of its duties as follows:

##### 9-1-8-5-1 The Audit Committee

According to Article (35) of the Company’s Bylaws and Paragraph (1) of Article (1) of the Company’s Audit Committee Regulations, the Audit Committee shall consist of three (3) members who are not members of the Executive Board of Directors, whether from the shareholders or others. The number of the current Committee members is three (3) members. The members of the Audit Committee were appointed by the OGA of shareholders held on 05/08/1442H (corresponding to 18/03/2021G) and their term ends at the end of the current Board of Directors session on 01/07/1445H (corresponding to 13/01/2024G). The Audit Committee consists of the following members:

Table No. (61): Members of the Audit Committee\*

Name	Position	Other Positions Currently Held by the Member
Faisal Abdullah Mohammed Al-Qahtani	Chairman	Member of the Board of Directors of Wafrah Company - Member of the Nominations and Remuneration Committee of Wafrah Company
Hani Abdullah Siraj Abul-Naga	Member	-
Abdul Rahman Abdul Mohsen Suleiman with Al-Ghunaim	Member	-

Source: The Company

\* On 01/06/1442H (corresponding to 14/01/2021G), the OGA of shareholders was held, based on the request submitted by a number of the Company’s shareholders, who own (7.14%) of its shares to dismiss the members of the previous Audit Committee. Accordingly, the aforementioned GA agreed to dismiss the members of the Audit Committee. On 05/08/1442H (corresponding to 18/03/2021G), the OGA of shareholders appointed the Audit Committee’s members for a new term starting from the date of the GA and ending with the end of the current Board session on 01/07/1445H (corresponding to 13/01/2024G).

It is worth noting that, as of the date of this Prospectus, none of the members of the Audit Committee holds any other positions in the Company, except for the Chairman of the Committee, Faisal Abdullah Muhammad

Al-Qahtani, serving as an independent Board member and a member of the Nomination and Remuneration Committee.

The work regulation of the Audit Committee was approved by the OGA of shareholders in its meeting no. (37) held on 05/08/1442H (corresponding to 18/03/2021G), (please refer to sub-paragraph (4.4.1) "Audit Committee" of paragraph (4.4) "Board Committees" from Section 4 "The Organizational Structure of the Company").

The committee meets periodically, provided that its meetings are not less than four (4) meetings during the Company's fiscal year. It convenes at the invitation of its Chairman. The Audit Committee held four (4) meetings during the fiscal year ended December 31, 2018G, three (3) meetings during the fiscal year ended December 31, 2019G, three (3) meetings during the fiscal year ended December 31, 2020G, and twelve (12) meetings during the year 2021G.

Table No. (62): Number of Audit Committee Meetings during the Past Three Years.

Audit Committee	2018G	2019G	2020G	2021G
	4	3	3	12

Source: The Company

#### 9-1-8-5-2 Nomination and Remuneration Committee

In accordance with the work regulations of the Nomination and Remuneration Committee and the requirements of the Governance Regulations issued by the Capital Market Authority, (the Nomination and Remuneration Committee) is formed by a Board of Directors Resolution. It consists of three (3) members who are not members of the Executive Board of Directors, whether from the shareholders or others, provided that at least one independent member is among them. The Nomination and Remuneration Committee is composed of three (3) members. It was formed at the Board of Directors meeting held on 13/07/1442H (corresponding to 25/02/2021G) and its term ends at the end of the current Board session on 07/07/1445H (corresponding to 13/01/2024G). It consists of the following members:

Table No. (63): Members of the Nomination and Remuneration Committee

Name	Position	Other Positions Currently Held by the Member
Company Mohammed Saud Al-Semari	Chairman	Independent Board Member of Wafrah Company
Mohammed Hindi Al-Otaibi	Member	Vice-Chairman and Independent Member of Wafrah Company
Faisal Abdullah Al-Qahtani	Member	Independent Board Member of Wafrah Company - Chairman of the Audit Committee of Wafrah Company

Source: The Company

The Nomination and Remuneration Committee shall hold its meetings at least every six (6) months and whenever the need arises. The committee held two (2) meetings during the fiscal year ended December 31, 2018G, two (2) meetings during the fiscal year ended December 31, 2019G, three (3) meetings during the fiscal year ended December 31, 2020G, and seven (7) meetings during the year 2021G.

Table No. (64): The Number of Meetings of the Nomination and Remuneration Committee during the Past Three Years.

Nomination and Remuneration Committee	2018G	2019G	2020G	2021G
	2	2	3	7

Source: The Company

### 9-1-8-5-3 Executive Committee

The Executive Committee consists of three (3) members. The Executive Committee was formed at the Board of Directors meeting held on 13/07/1442H (corresponding to 25/02/2021G). It expires at the end of the current term of the Board of Directors on 01/07/1445H (corresponding to 13/01/2024G). It consists of the following members:

Table No. (65): Members of the Executive Committee

Name	Position	Other Positions Currently Held by the Member
Muhammad Yaqoub Al-Makhdhab	Chairman	Chairman of the Board of Directors at Wafrah Company
Faisal Mohammed Al-Khudairi	Member	Member of the Board of Directors and Managing Director of Wafrah Company
Iyad Abdul Rahman Al-Bunyan	Member	Independent Board Member of Wafrah Company

Source: The Company

According to the committee's work regulations, the committee meets at least four (4) times during the year. The Committee held three (3) meetings during the fiscal year ended December 31, 2018G. It is worth noting that on 01/11/1440H (corresponding to 04/07/2019G), the Board of Directors decided to cancel the Executive Committee before deciding to re-form it in the year 2021G. The Committee held three (3) meetings during the fiscal year ended December 31, 2018G. No meeting was held during the fiscal year ended December 31, 2019G or the fiscal year ended December 31, 2020G, as meetings were canceled at the time and during 2021G, the Executive Committee held three (3) meetings.

Table No. (66): Number of Executive Committee Meetings during the Past Three Years.

Executive Committee	2018G	2019G	2020G	2021G
	3	0	NA	3

Source: The Company

### 9-1-8-5-4 Executive Management

The current executive management is headed by the Chief Executive Officer (commissioned), Khaled Saleh El Amudi, as of 17/06/1443H (corresponding to 20/01/2022G). The following table shows the details of the Company's Executive Management:

Table No. (67): Executive Management of the Company

Name	Position*	Nationality	Age	Membership Date	Owned Shares			
					Direct		Indirect	
					#	%	#	%
Faisal Mohammed Abdul Aziz Al-Khudairi	Managing Director	Saudi	45	14/01/2021G	10	0.0001295	-	-
Khaled Saleh El Amudi **	CEO (commissioned)	Saudi	44	20/01/2022G	None	-	-	-
Khaled Reda Al-kharraz ***	Financial Director (commissioned)	Jordanian	43	01/08/2021G	None	-	-	-
Omar Abdel Karim Abdel Aziz	Operation Manager	Sudanese	49	08/11/2003G	-	-	-	-
Suleiman Muhammad Murshid Abu Ghazal	Director of Human Resources	Yemeni	30	01/06/2013G	-	-	-	-
Babker Othman Ibrahim	Purchase Manager	Sudanese	37	30/06/2013G	-	-	-	-
Third Party****	Internal Auditor	-	-	-	-	-	-	-
Shahnawaz Hassan Ali	Information System Analyst	Indian	33	07/03/2013G	-	-	-	-
Wael Ahmed Al-Ghamdi	Quality Manager	Saudi	37	26/09/2021G	-	-	-	-
-	Commercial Director*****	-	-	-	-	-	-	-

Source: The Company

\*The designations of the positions mentioned in this table will be modified to suit the new approved organizational structure.

\*\* On 08/05/1443 H (corresponding to 12/12/2021 AD), the Board of Directors approved the resignation of the former CEO, Mr. Maqid Ibrahim Ramdan Al-Otaibi, which he submitted on 04/04/1443 H (corresponding to 11/11/2021 G) for special reasons. On 06/17/1443 H (corresponding to 01/20/2022 G), the Board of Directors decided - based on the recommendation of the Remuneration and Nominations Committee - to assign Mr. Khaled Saleh Abu Bakr Al-Amoudi as CEO of the company.

\*\*\*On 23/07/1443H (corresponding to 24/02/2022G), the Remuneration and Nominations Committee submitted its recommendation to assign Khaled Reda Al-Kharraz as the Financial Director of Wafrah Company for Industry and Development, which was approved by the Chairman of the Board of Directors.

\*\*\*\*On 08/03/1443H (corresponding to 14/10/2021G), the Company appointed the Allied Accountants (RSM) to provide Accounting and Audit services as internal auditor.

\*\*\*\*\*As of the date of this Prospectus, the position of Commercial Director is still vacant.

## 9-2 Licenses and Permits Obtained by the Company

### 9-2-1 Headquarters Related Licenses, Certificates and Approvals

The Company has obtained several legal and operational licenses and certificates from the competent authorities necessary to carry out its activities in accordance with the applicable regulations in the KSA, and these licenses are renewed periodically. The following tables show the current licenses and approvals obtained by the Company in relation to its main registry.

Table No. (68): Approvals, licenses, certificates and permits under which the Company operates

License Type	Purpose	License Holder	License Number	Date of Issue	Expiry Date	Issuing Authority
Commercial Register	Registration of the Company at the Commercial Register	Wafrah for Industry and Development Company	1010076996	24/10/1410H corresponding to 19/05/1990G	23/10/1443H corresponding to 24/05/2022G	Ministry of Commerce - Commercial Register Office in Riyadh
Membership Certificate of the Chamber of Commerce	In compliance with the provisions of the Commercial Register Law (Excellent Class)	Wafrah for Industry and Development Company	101000007285	23/10/1420H (Corresponding to 30/01/2000G)	23/10/1443H (Corresponding to 24/05/2022G)	Riyadh Chamber of Commerce
Certificate of Participation in Social Insurance *	In compliance with the social insurance law	Wafrah for Industry and Development Company	42950207	16/05/1443H (Corresponding to 20/12/2021G)	16/06/1443H (Corresponding to 19/01/2022G)	General Organization of Social Insurance
Saudization Certificate**	To indicate that the Company is committed to the required Saudization percentage according to Nitaqat program	Wafrah for Industry and Development Company	20002111026111	24/04/1443H (Corresponding to 29/11/2021G)	27/07/1443H (Corresponding to 28/02/2022G)	Ministry of Human Resources and Social Development
Wages Protection Certificate***	In compliance with the wages protection system	Wafrah for Industry and Development Company	20012111023046	20/04/1443H (Corresponding to 25/11/2021G)	22/06/1443H (Corresponding to 25/01/2022G)	Ministry of Human Resources and Social Development
Zakat and Income Certificate	To indicate that the company submitted its annual declaration and committed to paying zakat	Wafrah for Industry and Development Company	11107332350	29/11/1442H (Corresponding to 07/09/2021G)	29/09/1443H (Corresponding to 30/04/2022G)	Zakat, Tax and Customs Authority****

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License Type	Purpose	License Holder	License Number	Date of Issue	Expiry Date	Issuing Authority
VAT Registration Certificate	To indicate that the Company is registered with value added tax	Wafrah for Industry and Development Company	300805643	16/05/1440H (Corresponding to 01/22/2019G)	None	Zakat, Tax and Customs Authority
Company Entity Evaluation Certificate – Nitaqat	Evaluation of the company's entity according to the Nitaqat program, which indicates that the company is in the (medium green) range.	Wafrah for Industry and Development Company	None	31/10/2021G	None	Ministry of Human Resources and Social Development (Labour Office - Electronic Services)
ISO Certification	To indicate that the factory operates in accordance with the Food Safety Management System that is compatible with the standards of: ISO 9001;2015	Wafrah for Industry and Development Company	SA20/2123234744	23/01/1442H (Corresponding to 09/11/2020G)	12/06/1445H (Corresponding to 09/11/2023G)	SGS
ISO Certification	To indicate that the factory operates in accordance with the Food Safety Management System that is compatible with the standards of: ISO 22000;2018	Wafrah for Industry and Development Company	SA20/2123234752	13/02/1442H (Corresponding to 30/09/2020G)	14/03/1445H (Corresponding to 29/09/2023G)	SGS

Source: The Company

\*A commitment certificate that is valid for a maximum period of one month and is electronically renewable upon request.

\*\* A commitment certificate that is valid for a maximum of three months and is electronically renewable upon request.

\*\*\* A commitment certificate that is valid for a maximum of 60 days and is electronically renewable upon request.

\*\*\*\*The name of the “General Authority for Zakat and Income Tax” has been modified to become the “Zakat, Tax and Customs Authority”.

## 9-2-2 Company Branches and Points of Sale

- Article (5) of the Company's Bylaws stipulates that the Company may establish branches, offices or agencies inside or outside the KSA by a BOD Resolution.
- As of the date of publishing the Prospectus, the Company has established ten (10) branches inside the Kingdom according to the following:

Table No. (69): List of Branches (Regional Administrations), Points of Sale and Their Commercial Records

#	Company's Branches	Register #	Site	Activity	Issue Date	Expiry Date	Branch Manager
1.	Wafrah for Industry and Development Company	2050028895	Dammam - King Abdul Aziz Street - Al Rabieh District	Wholesale of Food and Beverages, Food and Beverages Distribution Centers	12/06/1415H (corresponding to 16/11/1994G)	12/06/1444H (corresponding to 05/01/2023G)	Khaled Saleh El Amudi
2.	Wafrah for Industry and Development Company	4030108227	Jeddah - Al Haramain Road - Intersection of Tahlia Street - Al Safa District	Wholesale of Food and Beverages - Distribution Centers for Food and Beverages	04/07/1415H (corresponding to 07/12/1994G)	04/07/1443H (corresponding to 05/02/2022G)	Under Modification ***
3.	Wafrah for Industry and Development Company*	1011016028	Al-Kharj - Al-Sahba District	Drying and packaging of Dates and the Manufacture of Their Products	03/01/1433H (corresponding to 28/11/ 2011G)	13/01/1445H (corresponding to 31/07/2023G)	Khaled Saleh El Amudi
4.	Wafrah Grain Products Factory	1010320952	Riyadh Third Industrial City	Production & Processing of Breakfast Foods from Cereals in the Form of Flakes	03/01/1433H (corresponding to 28/11/ 2011G)	03/01/1446H (corresponding to 09/07/2024G)	Khaled Saleh El Amudi
5.	Wafrah Factory for Frozen Vegetables, a Branch of Wafrah for Industry and Development Company	1010320956	Riyadh Third Industrial City	Pickle Production - Pickling	03/01/1433H (corresponding to 28/11/ 2011G)	09/01/1446H (corresponding to 15/07/2024G)	Khaled Saleh El Amudi

#	Company's Branches	Register #	Site	Activity	Issue Date	Expiry Date	Branch Manager
6.	Wafrah Factory for Ready-made Food, Wafrah for Industry and Development Company	1010320955	Riyadh Third Industrial City	Production of Chilled and Frozen Meat	03/01/1433H (corresponding to 28/11/ 2011G)	03/01/1446H (corresponding to 09/07/2024G)	Khaled Saleh El Amudi
7.	Wafrah Factory for Pasta and Noodles, a Branch of Wafrah for Industry and Development Company	1010320947	Riyadh Third Industrial City	Pasta Industry of All kinds	03/01/1433H (corresponding to 28/11/ 2011G)	03/01/1446H (corresponding to 09/07/2024G)	Khaled Saleh El Amudi
8.	Wafrah Factory for Ready-made Food**	1010320946	Riyadh Third Industrial City	Production & Processing of Breakfast Foods from Cereals in the Form of Flakes	03/01/1433H (corresponding to 28/11/ 2011G)	09/01/1446H (corresponding to 15/07/2024G)	Khaled Saleh El Amudi
9.	Wafrah for Industry and Development Company	5855339110	Khamis Mushait - Damak Neighborhood - Refrigerator Market	Marketing of the Company's Products	22/05/1439H (corresponding to 08/02/2018G)	28/02/1444H (corresponding to 24/09/2022G)	Khaled Saleh El Amudi
10.	Wafrah for Industry and Development Company Branch**	1011016029	Al-Kharj - Al-Sahba District	Production of Fodder under Industrial licensee No. (26/R) dated 20/01/1411H	03/01/1433H (corresponding to 28/11/ 2011G)	03/01/1446H (corresponding to 09/07/2024G)	Khaled Saleh El Amudi

Source: The Company

\* The Company stated that the factory was suspended from work because it was located on the course of Wadi Ghailana and did not comply with the environmental health requirements to approve the issuance of a municipal license.

\*\*According to the Company's statement, these two registers will be deleted.

\*\*\* On 08/05/1443 H (corresponding to 12/12/2021 G), the Board of Directors approved the resignation of the former CEO, Mr. Maqid Ibrahim Ramdan Al-Otaibi, which he submitted on 04/04/1443 H (corresponding to 09/11/2021 G) for special reasons. On 06/20/1443 H (corresponding to 01/23/2022 G), the company submitted an electronic request to the Ministry of Commerce in order to amend the commercial records data by deleting the name of the resigned CEO and adding the name of the current CEO in his place.

- With the Company's branch in Dammam, which has issued a membership certificate in the Chamber of Commerce and Industry for the Eastern Region with the number (286579) dated 06/17/1443H (corresponding to 01/20/2022G) and valid until 12/06/1444 H (Corresponding to 01/05/2023 G) in addition to the Company's

branches in the city of Riyadh affiliated to the main branch's subscription, the Company does not have a membership of the Chamber of Commerce for any of its other branches mentioned in the above table.

- For municipal licenses, with the exception of industrial establishments located within Modon, only one municipal license was obtained as shown in the table below. As for the Company's factory in the city of Al-Kharj, it was suspended due to the location of the industrial facility, and the Company was unable to obtain a municipal license.

Table No. (70): List of municipal licenses for branches (regional administrations) and points of sale obtained

#	Company Branches	Municipal License #	Issue Date	Expiry Date	Address	Civil Defense Certificate for Security & Safety Products
1.	Wafrah for Industry and Development Company (The Company's Branch in Dammam)	42065159735	-	26/06/1446H (corresponding to 27/12/2024G)	Dammam	Compliant, under Safety Certificate No. (1-000602764-42) issued on 10/03/1442H (corresponding to 27/10/2020G) and valid until 10/03/1443H (corresponding to 16/10/2021G)

Source: The Company

### 9-3 Subsidiaries

According to Article (4) of the Bylaws, the Company may establish its own limited liability or closed joint stock companies, provided that the capital is not less than five million (5,000,000) Saudi riyals. The Company may also have an interest or participate in any way with bodies or companies that practice similar business or may assist it in achieving its purpose. It may also own shares and stocks in other existing companies or merge with them, and it has the right to participate with others in the establishment of joint stock or limited liability companies, after fulfilling the requirements of the regulations and instructions followed in this regard. The Company may also dispose of these shares or stocks, provided that this does not include mediation in their trading. As of the date of publication of this Prospectus, the Company has no subsidiaries inside or outside the KSA.

- Investments in Other Companies:

The Company has investments in other companies, two of which are inside the Kingdom and one is outside the Kingdom, according to the following:

1. The Company owns shares in East Asia Development and Agricultural Investment Company (Closed Joint Stock Company) with a number of nine hundred and ninety-nine thousand nine hundred and fifty (999,950) shares worth nine million, nine hundred and ninety-nine thousand and five hundred (9,999,500) Saudi riyals, which represents (14.285%) of the Company's capital which is equal to seventy million (70,000,000) Saudi riyals.
2. The Company owns shares in Jannat Agricultural Investment Company (a limited liability company - under liquidation) amounting to six million nine hundred and ninety-three thousand (6,993,000) Saudi riyals, which represents (11.1%) of the Company's capital worth sixty-three million (63,000,000) Saudi riyals.

It should be noted that on 18/06/1439H (corresponding to 06/03/2018G), partners in Jannat Agricultural Investment Company issued a resolution to dissolve and liquidate their company due to the incurred losses that exceeded more than (50%) of the capital, in accordance with the terms of the company's Corporate Bylaws and the Companies Law provisions. As of the date of this Prospectus, the Jannat Agricultural Investment Company is still a limited liability company - under liquidation.

3. The Company owns shares in Rakhaa for Agricultural Investment and Development Company (an Egyptian joint stock company) at a rate of (8.628%) of the capital of eighty million (80,000,000) Egyptian pounds, equivalent to SR (18,692,753) (according to the currency exchange rate as of November 28, 2021G).

## 9-4 Continuing Obligations Imposed on the Company in its Capacity as the License Holder by Government Agencies

The regulatory authorities below require the license holder to comply with some essential requirements as follows:

### 9-4-1 Continuing Obligations According to the Requirements of the Ministry of Commerce

- The Company is in compliance with the Commercial Register Law in terms of registration with the Commercial Register Department in the city of Riyadh, where it headquarters, pursuant to Certificate No. (1010076996) dated 24/10/1410H (corresponding to 19/05/1990G), and which expires on 23/10/1443H (corresponding to 24/05/2022G).
- The Company is also compliant with the Companies Law, in terms of adopting its Bylaws in line with the new and recent amendments made to the Companies Law, after obtaining a prior approval from the Ministry of Commerce on the Bylaws draft and the approval of the EGA of shareholders meeting held on 14/12/1442H (corresponding to 04/08/2020G). The Bylaws were approved by the Corporate Governance Department (Ministry of Commerce) on 21/12/1441H (corresponding to 11/08/2020G). The Company also complied with the requirements of the CMA and the Saudi Stock Exchange (Tadawul), by downloading a copy of the Bylaws on the Company's page on the Tadawul website.
- Moreover, the Company is compliant with the Commercial Register Law in terms of obtaining a membership certificate in the Chamber of Commerce and Industry under Certificate No. (101000007285) dated 23/10/1420H (corresponding to 30/01/2000G) which expires on 23/10/1443H (corresponding to 24/05/ 2022G).
- Besides, the Company is in compliance with the procedures for establishing its branches and to the Commercial Register Law in terms of registration with the Commercial Register Department (for more details about the Company's branches and points of sale, please see sub-paragraph (9.2.2) "**The Company Branches and Points of Sale**" of this section). However, the Company did not commit to obtaining membership certificates for its branches in the Chamber of Commerce.
- Article (129) of the Companies Law requires the Company to set aside (10%) annually of the net profits to form the statutory reserve. It should be noted that the Company used the statutory reserve to cover its losses, in accordance with Article (130) of the Companies Law. Therefore, as of the date of this Prospectus, the Company does not have any amounts in the statutory reserve balance.
- The Company is compliant with Article (150) of the Companies Law, which provides that if the losses of a JSC reached half of its capital at any time during the company's fiscal year, the company's management or its auditor, as soon as they become aware of such losses, must inform the chairman of the board, who must directly inform the board. Within 15 days, the board must call an extraordinary general assembly (EGA) to meet within 45 days to decide whether to increase or decrease the capital of the company so that the losses become less than half of the share capital of the company, or to dissolve the Company before its renewed term stated in the Bylaws. The EGA, held on 15/08/1441H (corresponding to 08/04/2020G), decided to reduce the capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million, one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals in order to extinguish the accumulated losses, which amounted to (61.4%) of the capital on 02/07/1441H (corresponding to 26/02/2020G).
- The Company has logos that it uses in its transactions, and it has been registered as trademarks with the Ministry of Commerce in categories (29-30). This will enable the Company to put its name and logo on the external facade of its building or offices in addition to its products, as it has registered the trademark and granted it the necessary legal protection according to the trademark law. It should be noted that the authority to register trademarks has been transferred from the Ministry of Commerce to the Saudi Authority for Intellectual Property Rights (for more information, please see paragraph (9.9) "**Trademarks**" of this section).
- Except as mentioned above and in Section (2) "**Risk Factors**" of this Prospectus, the Company is in compliance with the laws and regulations of the Ministry of Commerce.

#### 9-4-2 Continuing Obligations According to the Requirements of the Zakat, Tax and Customs Authority

- The Company, like other registered establishments and companies operating in the Kingdom, is obliged to submit its Zakat and tax returns within (120) days from the end of the fiscal year for the purpose of renewing the certificate issued by the Zakat, Tax and Customs Authority. The Company was registered as a taxpayer under the Tax Identification Number (TIN: 3000805643) and submitted its Zakat declaration for the fiscal year ended December 31, 2020G. It obtained a Zakat certificate from the Zakat, Tax and Customs Authority with the number (1110848131) dated 29/11/1442H (corresponding to 09/07/2021G) which is valid until 29/09/1443H (corresponding to 30/04/2022G). It should be noted that the Zakat paid to the General Authority of Zakat and Income for the fiscal year ended December 31, 2020G, amounted to seven hundred ninety-three thousand nine hundred fifty-one (793,951) Saudi riyals.
- The Company is compliant with the value-added tax (VAT) law and its implementing regulations and is registered with the Zakat, Tax and Customs Authority under the tax number (300080564300003), according to a certificate issued on 16/05/1440H (corresponding to 22/01/2019G). It is noteworthy that the Company has been registered since 24/06/1438H (corresponding to 23/08/2017G).
- In compliance with the regulations of the Zakat, Tax and Customs Authority, the Company's branches in Riyadh, Jeddah and Dammam have been added to the list of the taxpayer's branches (Wafrah Company).
- The Company submitted its Zakat returns for all fiscal years from the beginning of the activity until the fiscal year ended December 31, 2020G, paid the due zakat according to those returns and obtained a zakat certificate valid until April 30, 2022G.
- The Zakat, Tax and Customs Authority issued the initial Zakat assessments for the fiscal years from 2008G to 2011G, during the year 2018G. The Company objected to these assessments; hence, the Zakat Authority amended the Zakat assessments which resulted in Zakat differences of the amount of four million and twenty-one thousand four hundred and twenty-five (4,021,425) Saudi riyals. The Zakat differences have been proven within the estimated Zakat provision for the year 2018G.
- During the year 2020G, the Zakat, Tax and Customs Authority issued the initial Zakat assessments for the years from 2014G to 2018G. The Company objected to these assessments before the Zakat Authority. Accordingly, the Zakat Authority issued an adjusted Zakat assessment, which resulted in Zakat differences of three million eight hundred and fifty-two thousand and twenty-nine (3,852,029) Saudi riyals. Pursuant to this revised assessment, the Company objected to the modified Zakat assessment and received an amended Zakat assessment with a value of two million seven hundred and twenty-eight thousand one hundred and forty-six (2,728,146) Saudi riyals, which the company objected to within the specified statutory period of sixty (60) days from the date of the receipt of the Zakat Authority letter. As of the date of this Prospectus, the Company did not receive the response of the Zakat Authority to the submitted objection. It should be noted that the Zakat differences have been recognized in the estimated Zakat provision for the year 2020G.
- The fiscal years from 2019G to 2020G are subject to review by the Zakat, Tax and Customs Authority. As of the date of this Prospectus, no decision has been issued in this regard.

Except as mentioned above and in Section (2) "**Risk Factors**" of this Prospectus, the Company is in compliance with the laws and regulations of the Zakat, Tax and Customs Authority.

#### 9-4-3 Continuing Obligations According to the Requirements of the Ministry of Human Resources and Social Development

- A file has been opened with the Ministry of Human Resources and Social Development (Labour Office) with the unified number (1-59918) according to the Saudization certificate. As of the date of this Prospectus, the Company benefits from the electronic services of the Ministry of Human Resources and Social Development. A Saudization certificate has been issued to indicate that the Company is compliant with the required percentage of Saudization according to the Nitaqat program, amounting to (24.87%), and it is classified within the medium green range (medium category-C).
- The Company has an internal work regulation approved by the Ministry of Human Resources and Social Development (Labour Office) No. (399363) dated 23/08/1442H (corresponding to 05/04/2021G).
- The Company applies the wages protection system and the regular raising of the wages of its employees, according to a report issued by the (Modad) platform on 25/03/1443H (corresponding to 31/10/2021G), where the commitment rate was (97%) for the month of September 2021G. Accordingly, the Ministry of Human Resources

and Social Development (Labour Office in Riyadh) has granted the Company a certificate of compliance with the wages protection system with the number (20012111023046) dated 20/04/1443H (corresponding to 25/11/2021G), and it is valid until 22/06/1443H (corresponding to 25/01/2022G).

- The company is also in compliance with the electronically registration requirement of the work contracts of its employees, and the commitment rate reached (95%) as in August 2021G, according to a report issued by the (Modad) platform on 29/01/1443H (corresponding to 06/09/2021G).
- A file has been opened with the Ministry of Human Resources and Social Development (Labour Office) for the Company's branch (Wafrah Factory for Grain Products) with the unified number (1-300943) according to the Nitaqat certificate. As of the date of publishing this Prospectus, the branch benefits from the electronic services of the Ministry of Human Resources and Social Development, and a Nitaqat certificate has been issued to indicate that the branch is compliant with the required percentage of Saudization according to the Nitaqat program, which is (16.17%) and is located in the low green range (medium category-A).
- Employees and Saudization

Table No. (71): Number of employees working for the Company and its branches according to the data of the various government agencies

Authority	Document Type	Saudi Employee	Non-Saudi Employee	Total	Observations
Social Security	Insurance Certificate	74	223	297	As on 20/12/2021G
Labour Office*	Nitaqat Certificate	74	219	293	As on 12/01/2022G
Passports – Muqem Platform**	Extracted from Muqem Platform	NA	240*	240	-
Company	Payroll	-	-	278	As of July 2021G

Source: The Company

\* According to the Nitaqat certificate issued in January 2022G, the total number of the company's entity is two hundred and ninety-three (293) workers, including seventy-four (74) Saudi workers and two hundred and nineteen (219) non-Saudi workers, as follows:

Wafrah Factory for Ready-made Food, Wafrah Company for Industry and Development (Branch No. 1-299782), has eighty-six (86) workers, including sixteen (16) Saudi workers and seventy (70) non-Saudi workers.

Wafrah Factory for Freezing Vegetables, a branch of Wafrah Company for Industry and Development (Branch No. 1-300497), has a number of fifty-five (55) workers, including four (4) Saudi workers and fifty-one (51) non-Saudi workers.

Wafrah Factory for Grain Products, a branch of Wafrah Company for Industry and Development (Branch No. 1-300943), has twenty-eight (28) workers, including twelve (12) Saudi workers and sixteen (16) non-Saudi workers. Wafrah Factory for Pasta and Noodles, a branch of Wafrah Company for Industry and Development (Branch No. 1-302699), has forty-six (46) workers, including fifteen (15) Saudi workers and thirty-one (31) non-Saudi workers.

\*\*The number of employees of the Company (Wafrah for Industry and Development) reached sixty (60) employees, according to the data of the Ministry of Interior (Muqem Platform) as of 09/06/2021G.

The number of employees at the Company's branch (Wafrah Factory for Ready-made Food), which is registered in the Commercial Register under the number (1010320955), is sixty-six (66) workers, according to the data of the Ministry of the Interior (Muqem Platform) as of 09/06/2021G.

The number of employees at the Company's branch (Wafrah Factory for Grain Products) registered in the Commercial Register under the number (1010320952) reached twenty-three (23) workers, according to the data of the Ministry of Interior (Muqem Platform) as on 09/06/2021G.

The number of employees at the Company's branch (Wafrah Factory for Frozen Vegetables) registered in the Commercial Register under the number (1010320956) reached fifty (50) workers, according to the data of the Ministry of Interior (Muqem Platform) as on 09/06/2021G.

The number of employees at the Company's branch (Wafrah Factory for Pasta and Noodles), which is registered in the Commercial Register under the number (1010320947), is forty-one (41) workers, according to the data of the Ministry of Interior (Muqem Platform) as of 06/09/2021G.

Table No. (72): Number of employees working for the Company branch (Wafrah Factory for Grain Products) according to the data of the various government agencies

Authority	Document Type	Saudi Employee	Non-Saudi Employee	Total	Observations
Social Security	Insurance Certificate	-	-	-	-
Labour Office	Nitaqat Certificate	12	16	28	As on January 2022G
Passports – Muqem Platform	Extracted from Muqem Platform	NA	23	23	As of 09/06/2021G

Source: The Company

Except as mentioned in Section (2) “**Risk Factors**” of this Prospectus, the Company is compliant with the required Saudization rate in accordance with the requirements of the Ministry of Human Resources and Social Development.

#### 9-4-4 Continuing Obligations According to the Requirements of the General Organization for Social Insurance

- A file for the Company has been opened with the General Organization for Social Insurance under the subscription number (13225931), and it is a participant in the pension and occupational hazards branches for Saudi contributors, and for non-Saudis, subscription to the occupational hazards branch, according to Social Insurance Certificate No. (42950207) dated 16/05/1443H (corresponding to 20/12/2021G). The total number of those registered in the social insurance system reached (297) employees, with (74) Saudi employees and (223) non-Saudi employees. The value of the contributions paid for the year 2020G is an amount of one million two hundred and sixty-two thousand two hundred and two riyals and forty-four halalas (1,262,202.44) Saudi riyals.

Table No. (73): Number of Saudi and non-Saudi employees registered in insurance

Number of Saudi and non-Saudi Employees*				
Authority	Reference	Number of Saudi Employees	Number of non-Saudi Employees	Total
Social Security	Insurance Certificate	74	223	297

Source: The Company

\*As in December 2021G

- Unemployment System (SANED):

It is a system aimed at social solidarity issued by the General Organization for Social Insurance (GOSI) that strives to insure against unemployment. It is designed to support (Saudi) workers and their families during a period of

unemployment for reasons beyond their control, and as a remedy for the deterioration of social conditions for unemployed persons and as compensation for unemployment. It was issued by royal decree No. (M/18) dated 12/03/1435H (corresponding to 14/01/2014G) approving the unemployment insurance system "Saned System". According to this system, the employer pays (1%) per month of the salary, and the contributor pays (1%) as well. Compensation is paid between two thousand (2,000) and nine thousand (9,000) Saudi riyals. Compensation is disbursed at the rate of (60%) of the average monthly wages for the last two years for each month of the first three months, with a maximum limit of nine thousand (9,000) Saudi riyals for the amount of compensation, and at a rate of (50%) of this average for each month over that. This scheme is obligatory for all companies, and they must register all Saudi contributors in the Annuities Branch and bear the percentage stipulated in the system. Failure to comply and violate any provision of the unemployment insurance law and the regulation, exposes the employer to a fine not exceeding ten thousand (10,000) Saudi riyals. This limit shall be doubled in the event of repetition, and the fine shall be multiplied by the number of participating workers in respect of whom the employer committed one or more violations. According to the insurance certificate, the Company is compliant with the provisions of the law in terms of registering Saudi workers in the pension branch.

After the spread of the Coronavirus pandemic and in order to mitigate its effects on private sector companies, an honorable Royal Order was issued to support Saudi workers in private sector facilities affected by the repercussions of the emerging Coronavirus through the unemployment insurance system (Saned), and in accordance with the Royal Order to extend the support period for an additional three (3) months, provided that the support percentage is a maximum of (70%) of Saudi workers in the establishments most affected by the pandemic, and a maximum of (50%) of Saudi workers in the least affected facilities, in order to achieve full benefit from the initiatives announced since the beginning of the pandemic. During the validity of the initiative, the Company did not submit any request to benefit from the support provided by the initiative.

Except as mentioned in Section (2) "**Risk Factors**" of this Prospectus, the Company is compliant with the laws and regulations of the General Organization for Social Insurance.

#### 9-4-5 Continuing Obligations According to the Requirements of the Capital Market Authority (CMA)

- The Authority obliges Listed Companies to abide by the rules on the offer of securities and continuing obligations and special instructions issued by the CMA, especially the obligation to periodically disclose material and financial developments as well as the BoD's report. According to the Continuing Commitments Guide for Listed Companies, the annual financial results announced on the (Tadawul) website must be derived from the audited financial statements approved by the Company's external auditor appointed by the Assembly and approved by the Board of Directors. The Company must also provide a statement of all the reasons and influences for the change in the financial results for the current fiscal year with the comparison period, so that the reasons include all the items for announcing the financial results.
- The Authority also obligated companies listed in the capital market to disclose the stages of their compliance with the transition to international accounting standards. On 03/05/1438H (corresponding to 31/01/2017G), the Company announced on the Tadawul website that it is compliant with this binding regulations.
- Moreover, the Authority binds the companies listed in the financial market to follow the regulations related to the announcements of (Joint Stock Companies) JSC whose shares are listed in the capital market issued by the Authority's Board Resolution No. (1-199-2006) and dated 18/07/1427H (corresponding to 12/08/2006G) and amended by virtue of the Resolution No. (1-104-2019) dated 01/02/1441H (corresponding to 30/09/2019G).
- The Authority obligated the companies listed in the capital market to appoint their representatives to the Capital Market Authority for all purposes related to the application of the Capital Market Authority law and its implementing regulations. The company is compliant with this, as the Board of Directors, by a letter addressed to the Capital Market Authority, dated 19/05/1443 H (corresponding to 23/12/2021 G), appointed Muhammad Hindi Shuja' al-Otaibi (Vice Chairman of the Board of Directors) and Faisal Mohammed Abdul Aziz Al-Khudairi (Managing Member) to represent the company before the Authority for all purposes related to increasing the company's capital, the subject of this prospectus.
- On 23/01/1438H (corresponding to 24/10/2016G), the Authority's Board Resolution No. (1-130-2016) was issued to amend the procedures and instructions for companies listed in the market and whose accumulated losses amounted to (50%) or more of their capital, in light of the new Companies Law. Their name was modified to become "Procedures and instructions for companies whose shares are listed in the market and accumulated losses totaled (20%) or more of their capital," and amended by the CMA Board's Resolution No. (1-77-2018) dated 05/11/1439H (18/07/2018G).

It should be noted that on 01/02/1441H (corresponding to 30/09/2019G), the Company's accumulated losses amounted to ninety-eight million eight hundred and seventy-six thousand nine hundred and five (98,876,905) Saudi riyals, representing (49.44%) of the capital. As a result, the BoD recommended, on 22/04/1441H (corresponding to 19/12/2019G), to reduce the Company's capital from two hundred million (200,000,000) Saudi riyals to one hundred and one million, one hundred twenty-three thousand and one hundred (101,123,100) Saudi riyals, with a reduction rate of (49.438%) of the capital. Given that the Company's losses reached as of 02/07/1441H (corresponding to 26/02/2020G), an amount equal to one hundred and twenty-one million, two hundred and eighty-two thousand six hundred and forty-five (121,282,645) Saudi riyals which represented (61%) of the Company's capital, the BoD decided on 20/07/1441H (corresponding to 15/03/2020G) to amend its previous recommendation issued on 22/04/1441H (corresponding to 19/12/2019G) and recommend to the EGA to reduce the Company's capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million, one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals.

The Company shall thus be compliant with the procedures and instructions of the companies whose shares are listed in the market and accumulated losses amount to (20%) or more of their capital, especially the Articles (5) and (6) thereof. Article (5) of these procedures and instructions states that in the event that the Company's accumulated losses amount to (50%) or more of its capital, the Company must disclose to the public immediately and without delay an independent announcement when its cumulative losses reach (50%) or more of its capital. The market will add a mark next to the Company's name on the market's website, symbolizing that the accumulated losses have reached (50%) or more of its capital as soon as the Company's announcement is issued. After this announcement, the Company shall announce (1) the last date on which the BoD can invite the EGA to meet, and the last day of the EGA to address accumulated losses, (2) The BoD's recommendation to the EGA regarding its accumulated losses as soon as it is issued – in accordance with the requirements of Article (150) of the Companies Law – either by increasing or decreasing the Company's capital, or dissolving the Company before the deadline specified in its Bylaws, and (3) the date of the last day to complete the subscription process to a capital increase to address accumulated losses (where applicable).

On 11/01/1443H (corresponding to 19/08/2021G), the Company announced that its accumulated losses had reached (22.07%) of the capital. The Company shall therefore be subject to the procedures stipulated in this regulation related to the number of accumulated losses (20%) or more, and less than (35%) of its capital. The Company complied with the requirements of Article (3) in terms of disclosing to the public immediately and without delay that its accumulated losses reached (20%) or more and less than (35%) of its capital. The announcement indicated the number of accumulated losses, their percentage of the capital, the main reasons that led to these losses and the fact that these procedures and instructions will be applied to these accumulated losses. Since this disclosure coincided with the announcement of the preliminary financial results for the period ended September 30, 2021G, the Company was exempted from making a separate announcement and included the announcement of the preliminary financial results for the period ended September 30, 2021G. In application of Paragraph (b) of Article (3) of the procedures and instructions for companies whose shares are listed in the market and accumulated losses amounted to (20%) or more of their capital, the market added a mark next to the Company's name on the market's website, symbolizing that the Company's accumulated losses had reached (20%) or more and less than (35%) of its capital.

- The Authority also obligated Listed Companies, in application of the conditions contained in the regulatory rules and procedures issued in implementation of the Companies Law for Listed JSC (3rd issue), issued by the Authority's Board pursuant to Resolution No. (8-127-2016) dated 16/01/1438H (corresponding to 17/10/2016G), based on the Companies Law issued by Royal Decree No. M/3 dated 28/01/1437, as amended by the Authority's Council Resolution No. (3-57-2019) dated 15/09/1440H (corresponding to 20/05/2019G), and with the exception of the remuneration earned by the Managing Director in return for his assignment to manage the Company's daily business, and those paid annually to the BoD members, as indicated in sub-paragraph (9.1.8.3) "**Board Members Remuneration**" and sub-paragraph (4.6) "**Compensation and Remuneration of Board Members and Senior Executives**", no remuneration is paid to the BoD members. The criteria stipulated in the controls and procedures were taken into consideration. The Company has also complied with Article (7) of the controls and procedures in terms of disclosure in the Board's report to a comprehensive statement of all the Board members received during the fiscal year in terms of remuneration, expense allowances and other financial and in-kind benefits paid to each member of the Board for any work or executive, technical, managerial or advisory positions.
- The Company does not have treasury shares allocated to its employees within the employee share plan, and the EGA has never approved the purchase of the Company's shares, and the Company is compliant with the provisions of Article (20) of the rules and procedures whereby the capital may be increased by offering rights shares. Although there is a provision in the Bylaws allowing the Company to issue preferred shares, there is no resolution issued by the EGA in this regard.

- The OGA has the right to delegate the authority of licensing the business and contracts done for the Company's account and in which a Board member has a direct or indirect interest to the BoD, provided that this delegation is in accordance with the conditions specified in Article (56) of the regulatory rules and procedures issued in implementation of the Companies Law of listed JSC, and the Wafrah' s GA of shareholders has not delegated the authority to license the business and contracts done for the Company's account and in which a Board member has a direct or indirect interest to the BoD.

In the event that the OGA does not delegate the authority of the license, as is the case with the Company, the license must be obtained from the OGA in the business and contracts made for the Company's account and in which a Board member has a direct or indirect interest. The Company did not commit to obtaining the approval of the GA on the transactions and contracts that take place with related parties, and the reason for this is that these transactions are of a financing nature for sister companies within the normal context of their business and are not of a commercially competitive nature. While the company has commercial dealings with companies in which one of the board members had an interest and was not presented to the general assembly for approval at the time, the board of directors member resigned from the board as on the date of this prospectus, (for more details about the Company's transactions with related parties, please refer to subparagraph (9.5.1) "**Contracts and Transactions with Related Parties**" of paragraph (9.5) "**Summary of Material Contracts**" of this Section).

- Regarding the Corporate Governance, the table below includes a summary of the Company's compliance with the Corporate Governance Regulations issued by the CMA.

Table No. (74): A summary of the most important provisions of the Corporate Governance Regulations that the Company has adhered to

Article	Details	Responsible Authority	Comment
9/b	The BoD shall establish a clear policy regarding the distribution of dividends in a manner that serves the interests of the Board's Shareholders and the Company in accordance with the Company's Bylaws.	The Board of Directors	Compliant - Dividend Policy Board of Directors Resolution dated 08/07/1439H (corresponding to 25/03/2018G).
8/a	Providing a copy of the information about the candidates for membership of the BoD on the Company's website	The Board of Directors.	Compliant - The last announcement on the Tadawul website was on 20/12/1441H (corresponding to 10/08/2020G).
12/5 and 54	Formation of the Audit Committee	The General Assembly of Shareholders	Compliant - The formation of the Audit Committee, its duties, work regulations, and the remuneration of its members was approved by the OGA held on 05/08/1442H (corresponding to 18/03/2021G).

Article	Details	Responsible Authority	Comment
54/c	The Company's GA, based on a proposal from the BoD, issues a regulation for the work of the Audit Committee, provided that this regulation includes the rules and procedures for the Committee's work, its duties, rules for its members' selection, their nomination, the duration of their membership, their remuneration, and the mechanism for temporarily appointing them in the event that one of the Committee's seats becomes vacant.	The General Assembly of Shareholders	Compliant - The updated Audit Committee's work regulations were approved by the OGA held on 05/08/1442H (corresponding to 18/03/2021G).
12/6	Approval of the Consolidated Financial Statements for the Year 2020G	The General Assembly of Shareholders	Compliant - The consolidated financial statements for the fiscal year 2020G were approved by the OGA held on 20/09/1442H (corresponding to 02/05/2021G).
12/7	Approval of the BoD Annual Report for the Year 2020G	The General Assembly of Shareholders	Compliant - The BoD's report for the fiscal year 2020G was approved by the OGA held on 20/09/1442H (corresponding to 02/05/2021G).
12/9 and 81	Designation of the Company's Auditors, their Remuneration, and Re-appointment, Replacement, and the Approval of their Reports	The General Assembly of Shareholders	Compliant - to vote on the appointment of the auditor Al-Kharashi & Co, Certified Public Accountants and Auditors) to review and audit the financial statements for the second, third, fourth and annual quarters of the fiscal year 2021G and the first quarter of the fiscal year 2022G.
13/d	Publishing the announcement of the date, place and agenda of the GA meeting at least (21) days before the date on the Company's website.	The Board of Directors	Compliant - Via the Tadawul website
14/c	Providing shareholders, through the Company's website, when publishing the invitation to convene the GA, to obtain information related to its agenda, especially the Board's report, the auditor, the financial statements and the Audit Committee's report.	The Board of Directors	Compliant - Via the Tadawul website.

Article	Details	Responsible Authority	Comment
22/2	<p>Establishing systems and controls for internal control and general supervision, including: Establishing a written policy to address actual and potential cases of "conflict of interest" for each of the Board members, executive management and shareholders, including misuse of the Company's assets and facilities, and misconduct resulting from transactions with related persons. Ensuring the integrity of the financial and accounting systems, including those related to the preparation of financial reports. Ensuring the application of appropriate control systems to measure and manage risks, by developing a general perception of risks that the Company may face. Creating an environment familiar with the culture of risk management at the Company level and to transparently presenting it with stakeholders and related parties to the Company. Annual review of the effectiveness of the Company's internal control procedures.</p>	The Board of Directors	Compliant - The policy of regulating conflict of interest was approved in the minutes of the BoD meeting held on 08/07/1439H (corresponding to 25/03/2018G) and it was amended by the BoD on 29/03/1441H (corresponding to 26/11/2019G).
22/3	<p>Setting clear and specific policies, standards and procedures for membership in the BoD, and putting them into practice after approval by the GA</p>	The General Assembly of Shareholders	Compliant - The list of policies and criteria for membership in the BoD was approved by the GA held on 22/12/1439H (corresponding to 02/09/2018G) and based on Board Resolution issued on 08/07/1439H (corresponding to 25/03/2018G).

Article	Details	Responsible Authority	Comment
22/4	<p>Developing a written policy that regulates the relationship with stakeholders in accordance with the provisions of the Corporate Governance, and it shall cover - in particular - the following:</p> <p>Mechanisms for compensating stakeholders in the event of a violation of their rights, which are recognized by regulations and protected by contracts.</p> <p>Mechanisms for settling complaints or disputes that may arise between the Company and stakeholders.</p> <p>Appropriate mechanisms to establish good relations with customers and suppliers, and to maintain the confidentiality of information related to them.</p>	The General Assembly of Shareholders	Compliant - The policy of regulating the relationship with stakeholders was approved in the Board's minutes meeting held on 08/07/1439H (corresponding to 25/03/2018G).
22/5	<p>Laying down policies and procedures that ensure the Company's compliance with laws and regulations and its commitment to disclosing material information to shareholders and stakeholders, and verifying compliance by the executive management with them.</p>	The Board of Directors	Compliant - The disclosure policy for the Board's members and senior executives of the Company and the Authority was approved by the BoD pursuant to its Resolution issued on 08/07/1439H (corresponding to 25/03/2018G).
22/13, 50, 60, 60/a and 64	<p>Formation of specialized committees emanating from the Board by resolutions specifying the duration of the committee, its powers and responsibilities, and the Board monitoring, provided that the formation resolution shall include: appointing the members and specifying their tasks, rights and duties, with an evaluation of the performance and work of these committees and their members.</p>	The Board of Directors	<p>Compliant - the Company has three (3) main committees:</p> <p>The Audit Committee - Appointed by the OGA held on 05/08/1442H (corresponding to 18/03/2021G).</p> <p>The Nomination and Remuneration Committee - Appointed pursuant to the Board's Resolution issued during the meeting held on 13/07/1442H (corresponding to 25/02/2021G) (Minutes12-2).</p> <p>The Executive Committee - Appointed pursuant to a Board's Resolution issued during the meeting held on 13/07/1442H (corresponding to 25/02/2021G).</p>

Article	Details	Responsible Authority	Comment
23/1	Adopting the internal policies related to the work and development of the Company, including defining the tasks, competencies and responsibilities assigned to the various organizational levels.	The Board of Directors	Compliant - Approved by the Board's Resolution issued during the meeting held on 08/07/1439H (corresponding to 25/03/2018G).
23/2	Approving a written and detailed policy defining the powers delegated to the executive management and a table showing those powers, method of implementation and delegation period. The BoD may request the executive management to submit periodic reports on its exercise of the delegated powers.	The Board of Directors	Compliant - The Executive Committee's Bylaw has been defined and is under Board approval.
25	Appointment of a CEO	The Board of Directors	Compliant - The position of Chief Executive Officer is currently held by Mr. Khaled Saleh Abu Bakr Al-Amoudi, after the Board of Directors decision on 17/06/1443 H (corresponding to 20/01/2022G) based on the recommendation of the remuneration and Nomination Committee, on his assignment as CEO of the company after the resignation of the previous CEO.
26/5	Laying the Company's organizational and functional structures and submitting it to the BoD for approval.	The Board of Directors	Compliant - the organizational structure has been approved by the BoD on 13/04/1443H (corresponding to 18/11/2021G)
26/10	Suggesting a policy and types of remuneration to be granted to employees, such as fixed remuneration, performance-related remuneration, and remuneration in the form of shares.	The Board of Directors	Not-Compliant

Article	Details	Responsible Authority	Comment
43	A written and clear policy for dealing with actual or potential conflict of interest cases that could affect the performance of Board members, executive management or other employees of the Company when they deal with the Company or with other stakeholders	The Board of Directors	Compliant - The policy of regulating conflict of interest was approved in the minutes of the BoD meeting held on 08/07/1439H (corresponding to 25/03/2018G).
55/b/4 and 74	Appointing the director of the internal audit unit or department or the internal auditor and suggesting his remuneration.	The Board of Directors	Compliant - Abdullah Ibrahim Youssef was appointed on 18/10/1442H (corresponding to 30/05/2021G).
60/b and 64/b	The Company's GA, based on a proposal from the BoD, issues a regulation for the work of the Nomination and Remuneration Committee, provided that this regulation includes the rules, procedures and work plan of the Committee, its tasks, the basis for selecting its members, their nomination, their membership's term, their remuneration, and the mechanism for temporarily appointing members in the event of a vacancy in one of the Committee seats.	The General Assembly of Shareholders	Compliant - The work list of the Remuneration and Nominations Committee was approved by the General Assembly held on 10/24/2019.
61/1	The Nomination and Remuneration Committee prepares a clear policy for the remuneration of Board members and committees emanating from the Board and the Executive Management, and submits it to the BoD for consideration in preparation for its approval by the GA, provided that such policy should follow standards related to performance, disclose them, and verify their implementation.	The General Assembly of Shareholders	Not-Compliant - The remuneration policy for Board members, committees and executive management has not been reviewed.
65/3	Preparing a description of the capabilities and qualifications required for Board membership and executive management positions.	The Nomination and Remuneration Committee	Compliant - Approved by the GA held on 12/12/1439H (corresponding to 02/09/2018G) and the Board's Resolution issued on 08/07/1439H (corresponding to 25/03/2018G).

Article	Details	Responsible Authority	Comment
68	Publishing the announcement of candidacy for Board membership on the Company's website.	The Board of Directors	Compliant - It was announced on the Tadawul website on 20/12/1441H (corresponding to 10/08/2020G).
84	Policies Or procedures followed by stakeholders in submitting their complaints or reporting violations	The Board of Directors	Not-Compliant
86	Code of ethics and professional conduct	The Board of Directors	Compliant– The professional Code of ethics and professional conduct has been approved by Board Resolution held on 08/07/1439H (corresponding to 25/03/2018G).
89	Written disclosure policies and supervisory procedures and systems in line with the disclosure requirements contained in the Companies Law and the CMA	The Board of Directors	Compliant - The disclosure policy for Board members and senior executives of the Company and the Authority was approved by Board's Resolution dated 08/07/1439H (corresponding to 25/03/2018G).
91/b	Publication of the Audit Committee report on the Company's website	The Board of Directors	Not-Compliant
94	Corporate Governance Regulations that do not conflict with mandatory provisions	The Board of Directors	Compliant - The Corporate Governance Regulations were approved by the Board on 08/07/1439H (corresponding to 25/03/2018G).

Source: The Company

- On 01/12/1439H (corresponding to 12/08/2018G), the trading of the Company's shares in the Saudi Stock Exchange (Tadawul) was suspended until the Company announced its interim financial statements for the fiscal period ended 30/06/2018G. On 09/01/1440H (corresponding to 19/09/2018G), the Saudi Stock Exchange (Tadawul) announced lifting the suspension on trading the Company's shares starting from Wednesday 09/01/1440H (corresponding to 19/09/2018G), after the Company announced the interim financial statements for the fiscal period ended 30/06/2018G.
- On 16/08/1441H (corresponding to 09/04/2020G), the trading of the Company's shares in the Saudi Stock Exchange (Tadawul) was suspended for two trading sessions starting from Thursday 16/08/1441H (corresponding to 09/04/2020G), following the reduction of the Company's capital from two hundred million (200,000,000) Saudi riyals to seventy-seven million one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals, until the Securities Depository Center Company (Edaa) implements the reduction of Wafrah Company shares in the shareholders' investment portfolios. The suspension on trading the Company's shares has been lifted starting from Sunday 19/08/1441H (corresponding to 12/04/2020 G).
- On 10/15/1435H (corresponding to 11/08/2014G), the Authority's Board issued a Resolution imposing a fine of ten thousand (10,000) Saudi riyals on Wafrah for Industry and Development Company, for violating Paragraph (a) of Article (46) of the Capital Market Law and paragraph (a) of Article (41) and sub-paragraph (2) of paragraph

(b) of Article (46) of the registration and listing rules, for the Company's failure to inform the Authority and the public through the Saudi Stock Exchange website "Tadawul" at the official time specified in its Board's recommendation during the meeting held on 07/05/1435H (corresponding to 08/03/2014G), and to distribute cash dividends to its shareholders for the year 2013G, as it was not announced until after the closing of the trading period on 08/05/1435H (corresponding to 09/03/2014G).

- On 21/03/1436H (corresponding to 12/01/2015G), the Authority's Board issued a Resolution imposing a fine of thirty thousand (30,000) Saudi riyals on Wafrah for Industry and Development Company, for violating Paragraph (a) of Article (9) of the Corporate Governance Regulations, because the Board's report for the fiscal year 2013G neither contained unapplied provisions from the Corporate Governance Regulations nor the reasons behind that.

Except as mentioned above and in Section (2) "Risk Factors" of this Prospectus, the Company is in compliance with the Corporate Governance Regulations in accordance with the requirements of the CMA.

#### 9-4-6 Continuing Obligations According to the Requirements of the Ministry of Municipal, Rural Affairs and Housing

- A municipal license should be obtained for administrative offices and industrial facilities (factories, stores, warehouses, etc.) so that the Company can operate, bearing in mind that the municipality or the secretariat requires the following documents: a copy of the Commercial Register, a copy of the Corporate Bylaws (Bylaws), a copy of the lease contract and a copy of the building permit for the leased building, facility, shop, warehouse or store, a copy of the real estate office license, a photo of the building from a distance, including the plate (with a copy of the plate invoice and the Company's trademark ownership registration to be used on the facade) in addition to the civil defense license.
- The Company has leased several sites from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for it and its branches in the second industrial city of Riyadh, with the aim of practicing its business activity in the food products industry through its branches and factories. Therefore, it is not bound by the requirements of the Ministry of Municipal, Rural Affairs and Housing and is subject to the requirements of the Saudi Authority for Industrial Cities and Technology Zones (for more information, please see paragraph (9.4.9) of this section).
- As for the sites that are outside the scope of the Saudi Authority for Industrial Cities and Technology Zones, the Company is compliant with the requirements of the Ministry of Municipal and Rural Affairs, as it issued a municipal license for its branch in Dammam with the number (42065159735) on 26/06/1446H (corresponding to 27/12/2024G), which is valid until 07/04/1444H (corresponding to 01/11/2022G).

Table No. (75): List of obtained municipal licenses for branches (regional administrations) and points of sale

#	Company Branches	Municipal license number	Issue Date	Expiry Date	Address	Civil Defense Certificate for Security & Safety
1.	Wafrah for Industry and Development Company (the Company's Branch in Dammam)	42065159735	-	26/06/1446H (corresponding to 27/12/2024G)	Dammam	Compliant, under Safety Certificate No. (1-000602764-42) issued on 10/03/1442H (corresponding to 27/10/2020G) and valid until 10/03/1443H (corresponding to 16/10/2021G)

Source: The Company

In accordance with the list of health requirements issued by the Ministry of Municipal and Rural Affairs regarding the regulation of health control over foodstuffs, their places of manufacture and circulation, and service providers. In addition to one of the basic conditions that must be met by workers in the food sector is holding a health card

that proves their eligibility to work in this sector and that they are free from infectious diseases. In compliance with these requirements, the Company has issued health licenses for factory workers issued by the Riyadh Municipality - Services Agency, General Administration of Environmental Health. The number of licenses reached ninety-five (95) health cards, all are valid as of the date of this prospectus.

Except as mentioned in Section (2) "Risk Factors" of this Prospectus, the Company and its subsidiaries are in compliance with the regulations of the Ministry of Municipal, Rural Affairs and Housing and the relevant implementing regulations and instructions.

#### 9-4-7 Continuing Obligations According to the Requirements of the Saudi Food and Drug Authority

- The Company's business is subject to the Food Control Law issued by Royal Decree No. (M/1) dated 06/01/1436H (corresponding to 30/10/2014G), during all the stages of food processing from initial production to consumer, including its import, export, manufacture, preparation, processing, packaging, storage, transportation, possession, distribution, offering for sale, sale, distribution etc. No food establishment may handle food without obtaining a technical license from the Saudi Food and Drug Authority.
- It should be noted that the Ministry of Municipal and Rural Affairs continues to exercise the food-related competencies stipulated in the Food Control Law, which it was in charge of prior to its entry into force - until the Food and Drug Authority undertakes these competencies, in accordance with the arrangements stipulated in Cabinet of Ministers Resolution No. (470) dated 26/12/1435H (corresponding to 20/10/2014G).
- The Company is Compliant with the requirements of the Food and Drug Authority and has obtained food facility licenses (for factories), according to the following:
  1. Wafrah Pasta and Noodles Factory: The branch has a food establishment license no. (E-2-N-020314-44268) dated 25/09/1440H (corresponding to 30/05/2019G) which expires on 25/09/1443H (corresponding to 26/04/2022G) for the manufacture of pasta, noodles and similar products, the manufacture of pasta such as noodles and vermicelli, whether cooked or stuffed.
  2. Wafrah Factory for Frozen Vegetables: The branch has a food facility license no. (E-2-N-240214-41018), dated 26/05/1440H (corresponding to 01/02/2019G) which expires on 26/05/1443H (corresponding to 30/12/2021G), for the operations of manufacturing and preserving vegetables, in addition to preserving nuts by one of the following methods: freezing, drying, immersion in oil or vinegar, or canning, processing and preserving potatoes, manufacturing nuts.
  3. Wafrah Factory for Grain Products: The branch has a food facility license no. (E-2-N-030414-61866), dated 26/05/1440H (corresponding to 01/02/2019G) which expires 26/05/1443H (corresponding to 30/12/2021G) for the operations of manufacturing breakfast cereals, flour products, groats or cereal puffs using types of cereals such as wheat, barley, oats, corn or other cereals.
  4. Wafrah Factory for Ready-made Food: The branch has a food establishment license no. (E-2-N-020314-44241) dated 11/09/1440H (corresponding to 16/05/2019G) which expires on 11/09/1443H (corresponding to 12/04/2022G) for meat processing and preservation operations, meat production using different methods, such as: drying, salting and smoking, production of meat products in the following forms: sausages, salami, sausages, manufacture of ground grain products and starch and their products, manufacture of ground grain products, manufacture of mixed and ready-to-use flour, ready-to-use dough for making bread, cakes, biscuits or pancakes.
- The Company is Compliant with the requirements of the Food and Drug General Authority and has obtained Halal Certification (for factories), according to the following:
  1. Wafrah for Industry and Development Company (Wafrah Factory for Pasta and Noodles): The Company has Halal Certification No. (SHC-02-F-21-SAU-196) under the Halal Service Category (E), issued on 24/04/1443H (corresponding to 29/11/2021G) and valid until 27/05/1446H (corresponding to 29/11/2024G). Products licensed under this Certificate include: pasta, spaghetti and vermicelli.
  2. Wafrah for Industry and Development Company (Wafrah Factory for Grain Products): The Company has a Halal Certification No. (SHC-02-F-21-SAU-197) under Halal Service Category (E) issued on 24/04/1443H (corresponding to 29/11/2021G) and valid until 27/05/1446H (corresponding to 29/11/2024G). Products licensed under this Certificate include: cereals with chocolate, peanut butter, corn flakes, wheat bran flakes, toasted chocolate rice balls, salted peanuts, toasted rice balls, and toasted corn flakes.
  3. Wafrah for Industry and Development Company (Wafrah Factory for Frozen Vegetables): The Company has Halal Certification No. (SHC-02-F-21-SAU-198) under Halal Service Category (D) issued on 24/04/1443H (corresponding to 29/11/2021G) and valid until 27/05/1446H (corresponding to 29/11/2024G). Products licensed under this Certificate include: frozen potato chips and frozen thick potato fingers.

4. Wafrah for Industry and Development Company (Wafrah Factory for Ready-made Food): The Company has Halal Certification No. (SHC-02-F-21-SAU-199) under Halal Service Category (C) issued 24/04/1443H (corresponding to 29/11/2021G) and valid until 27/05/1446H (corresponding to 29/11/2024G). Products licensed under this Certificate include: chicken burger, chicken kebab, meat balls, beef pepper mortadella, plain beef mortadella, olive beef mortadella, plain chicken mortadella, pepper chicken mortadella, chicken olive mortadella, smoked chicken, smoked chicken breasts, chicken breasts, meat sausage, chicken burger and meat burger.

Except as mentioned in Section (2) “**Risk Factors**” of this Prospectus, the Company is in compliance with the Food Control Law and the SFDA Regulations.

#### 9-4-8 Continuing Obligations According to the Requirements of the Ministry of Industry and Mineral Resources

- The Company and its subsidiaries have industrial licenses issued by the Ministry of Industry and Mineral Resources, and with regard to continuing obligations according to the requirements of the Ministry of Industry and Mineral Resources. The Ministry obliges the licensed industrial enterprises and establishments to abide by the following conditions in order to maintain the license:
  1. Commit to the articles of the Common Industrial Regulatory Law of the GCC countries and its executive regulations.
  2. Not to make any expansion or modification to the products before obtaining the approval of the Ministry.
  3. Commit to the update of factory data every six months via the Ministry's website.
  4. Commit to the compliance with the approved specifications and standards or the adopted standards by the Saudi Standards and Metrology and Quality Organization.
  5. Commit to the Articles of the General Environmental Regulations and Rules for Implementation and its executive regulations to preserve the environment from pollution.
  6. Comply with the general safety rules, regulations, instructions, industrial security and public health.
  7. Make sure that the accounts of the industrial project are regular in accordance with the accounting principles and the applicable legal regulations, and to provide the Ministry with a balance sheet certified by a chartered accountant for each fiscal year.
  8. Not to abuse the benefits granted to the project.
  9. Provide the Ministry with the required complete and correct data about the project.
  10. Allow the Ministry's employees to enter the industrial project, view records, documents and accounts, monitor the production process and other project activities.
  11. It is not permissible to establish an industrial project, expand it, develop it, change its products, or merge it with an industrial project.

Table No. (76): Industrial Licenses

No.	Branch	Industrial License No.	Site	Industrial Activity	Issue Date	Expiry Date
1.	Wafrah Factory for Grain Products, a Branch of Wafrah Company for Industry and Development	11	Riyadh	Manufacture of breakfast foods from cereals in the form of flakes (including corn flakes, chips, etc.), wheat packing and grinding, nuts roasting and packing	21/03/1441H (corresponding to 18/11/2019G)	20/03/1444H (corresponding to 16/10/2022G)

No.	Branch	Industrial License No.	Site	Industrial Activity	Issue Date	Expiry Date
2.	Wafrah Factory for Frozen Vegetables, a Branch of Wafrah Company for Industry and Development	1001009440	Riyadh	Manufacture of breakfast foods from cereals in the form of flakes (including corn flakes, chips, etc...), other activities related to the manufacture of animal feed, pickles and pickling.	17/03/1441H (corresponding to 14/11/2019G)	16/03/1444H (corresponding to 12/10/2022G)
3.	Wafrah Factory for Ready-made Food, Wafrah Company Branch for Industry and Development	11	Riyadh	Manufacture of food extracts and additives for natural foodstuffs and drinks, production of chilled and frozen meat, manufacture of all kinds of pies	21/03/1441H (corresponding to 18/11/2019G)	20/03/1444H (corresponding to 16/10/2022G)
4.	Wafrah Pasta and Noodles Factory	411102104122	Riyadh	All kinds of vermicelli industry, pasta industry of all kinds.	22/08/1441H (corresponding to 15/04/2020G)	21/08/1444H (corresponding to 13/03/2023G)

Source: The Company

Except as mentioned in Section (2) **"Risk Factors"** of this Prospectus, the Company is compliant with the regulations of the Ministry of Industry and Mineral Resources.

#### 9-4-9 Continuing Obligations According to the Requirements of the Saudi Authority for Industrial Cities and Technology Zones ("Modon")

The Company and its subsidiaries hold operating licenses issued by the Saudi Authority for Industrial Cities and Technology Zones. With regard to continuing obligations according to the requirements of (Modon), the cities of the licensed authorities are required to abide by the following conditions in order to maintain the license:

1. The license entitles its holder (the licensee) to operate the facility being the real operator according to its legal entity, licenses and records. The owner of the facility doesn't have the right to assign the operation and license or any part of it to others.
2. The licensee is obligated to abide by the conditions and obligations and all the laws, regulations and instructions issued by "Modon." Reference is made to the applicable laws and regulations in force in the KSA in matters not mentioned in the regulation of "Modon."
3. The licensee is obligated to renew this license within a period not exceeding 15 days after its expiry.
4. The licensee shall contract with an authority approved by the Civil Defense to carry out periodic maintenance of firefighting/safety systems.
5. The licensee shall ensure the effectiveness of the firefighting/safety control system and its link to a main control panel.
6. The firefighting system (fire protection and safety requirements) shall conform with the approved plans of the factory.
7. The licensee shall ensure that emergency exits are sufficient and conform to specifications.
8. The licensee shall implement the safety requirements during storage and transportation of dangerous chemicals and gases.

Table No. (77): Operating Licenses

No.	Branch	License No.	Issue Date	Expiry Date	Contract No. (MODON)
1.	Wafrah Factory for Frozen Vegetables, a Branch of Wafrah Company for Industry and Development	5781443125019658	25/01/1443H (corresponding to 02/09/2021G)	28/07/1443 AH (corresponding to 01/03/2022 AD)	811783
		5781443125019660	25/01/1443H (corresponding to 02/09/2021G)	28/07/1443 AH (corresponding to 01/03/2022 AD)	811784
2.	Wafrah Factory for Ready-made Food, Wafrah for Industry and Development Company	5781443125019664	25/01/1443H (corresponding to 02/09/2021G)	28/07/1443H (corresponding to 01/03/2022G)	812382
		5781443125019662	25/01/1443H (corresponding to 02/09/2021G)	28/07/1443H (corresponding to 01/03/2022G)	811785
3.	Wafrah Factory for Pasta, Noodles and Vermicelli, a Branch of Wafrah for Industry and Development Company	5781443125019666	25/01/1443H (corresponding to 02/09/2021G)	28/07/1443H (corresponding to 01/03/2022G)	811264
4.	Wafrah Factory for Grain Products, a branch of Wafrah Company for Industry and Development	5781443125019668	25/01/1443H (corresponding to 02/09/2021G)	28/07/1443H (corresponding to 01/03/2022G)	812381

Source: The Company

Except as mentioned in Section (2) "Risk Factors" of this Prospectus, the Company is bound by the regulations of the Saudi Authority for Industrial Cities and Technology Zones.

#### 9-4-10 Continuing Obligations According to the Requirements of the National Center for Environmental Compliance\* NCEC (the "Center")

The Company's branches (factories) have an environmental permit for operation issued by the NCEC (the "Center"). With regard to continuing obligations, the Center obliges the licensee to abide by the following conditions in order to maintain the license:

1. Commit to the standards, criteria and requirements issued by the NCEC (the "Center").
2. Allow technicians and specialists to enter the facility at any time.
3. In the event of any modification or change to the activity and functions of the facility or the quality of raw materials or production or when making any expansion or addition to the project without informing the Center in advance, the environmental permit for operation shall be considered void.

4. The Center must be notified in advance of the desire to use or retrieve any industrial waste within the manufacturing process, and inform the authority's specialists about the technology and the method used in this regard.
5. Comply with the studies and technical reports submitted when requesting a permit regarding the operation and maintenance of pollutant control systems and the methods used for the disposal of non-recoverable waste by one of the qualified authorities with the competent authorities in the field of industrial and hazardous waste disposal.
6. Submit the study of the environmental auditing of the facility and to the Center's specialists upon the inspection visit or the request to renew the environmental permit.
7. Attach self-reports every 6 months to be included in the environmental records.
8. Commit to include the types and quantities of hazardous solid and liquid waste generated by the facility for the period of time prior to renewal from the qualified authorities at the competent authorities in the documented contracts and invoices as well as the environmental auditing study.
9. Implement the environmental monitoring and management plan for the facility and the recommendations contained in the study and its annexes.
10. Allocate warehouses and stores to store raw materials and finished products suitable with the nature of materials, their specifications and the degree of their danger, according to the materials handling and storage.

\*After reviewing what was submitted by His Excellency the Minister of Environment, Water and Agriculture, and after reviewing the recommendation prepared in the Council of Economic and Development Affairs No. (10-31/40/d) and dated 16/06/1440H (corresponding to 21/02/2019G), the Council of Ministers decided in its session held on 19/07/1440H (corresponding to 26/03/2019G), the following:

1. Establishing the National Center for Meteorology, The National Center for Vegetation Development and Combating Desertification, the National Center for Environmental Compliance, and the National Center of Wildlife (NCW), in accordance with their regulations, and the plan for establishing national centers affiliated with the environment sector.
2. Cancellation of the General Authority of Meteorology and Environmental Protection and the Saudi Wildlife Authority, provided that they continue to practice their activities until the abovementioned centers exercise their powers, in accordance with the relevant provisions contained in their establishment plan.

Table No. (78): Environmental Permits for Operation

No.	Facility Name	Site	License No.		Activity Type	Issue Date	Expiry Date
			Issue No.	Application No.			
1.	Wafrah Factory for Frozen Vegetables, a Branch of Wafrah for Industry and Development Company	Second Industrial City - Riyadh	4367	1443/7986	Processing and preserving fruits and vegetables, breakfast production and pickle industry	21/02/1443H (corresponding to 28/09/2021G)	06/02/1446H (corresponding to 10/08/2024G)
2.	Wafrah Factory for Ready-made Food, a Branch of Wafrah for Industry and Development Company	Second Industrial City - Riyadh	4356	1442/14679	Production of frozen and chilled meat	21/02/1443H (corresponding to 28/09/2021G)	04/01/1446H (corresponding to 10/07/2024G)

No.	Facility Name	Site	License No.		Activity Type	Issue Date	Expiry Date
			Issue No.	Application No.			
3.	Wafrah Factory for Pasta, Noodles and Vermicelli, a Branch of Wafrah for Industry and Development Company	Second Industrial City - Riyadh	4368	1443/8766	Pasta production of all kinds	21/02/1443H (corresponding to 28/09/2021G)	06/02/1446H (corresponding to 10/08/2024G)
4.	Wafrah Factory for Grain Products, a Branch of Wafrah for Industry and Development Company	Second Industrial City - Riyadh	4372	1442/10604	Production of puffed corn and breakfast cereals	21/02/1443H (corresponding to 28/09/2021 G)	04/01/1446H (corresponding to 10/07/2024G)

Source: The Company

Except as mentioned in Section (2) **“Risk Factors”** of this Prospectus, the Company is in compliance with the regulations and instructions related to the environment, health and safety protection.

## 9-5 Summary of Material Contracts

### 9-5-1 Contracts and Transactions with Related Parties

- Paragraph (1) of Article (71) of the Companies Law states that a BoD member shall not have any direct or indirect interest in the business and contracts that are made for the Company's account, without a license from the OGA, and in accordance with the controls set by the competent authority. The Board member shall inform the BoD of his direct or indirect interest in the business and contracts that are made for the Company's account, and this notification shall be recorded in the meeting's minutes. This member shall not participate in voting on the resolution issued in this regard in the BoD and the shareholders' assemblies. The Board Chairman shall inform the OGA, when it convenes, of the business and contracts in which a Board has a direct or indirect interest, and the notification is accompanied by a special report from the Company's external auditor.
- The Company has contracts and transactions with related parties. BoD member, Muhammad Al-Baghdadi, is compliant at the time (as of the date of this Prospectus, Muhammad Al-Baghdadi resigned from the membership of the Board and his position became vacant) to disclose the current contractual relationship between Wafrah Company and Premium Meat Company, which is owned by a company he owns. He also disclosed the contractual relationship that is being established between Wafrah Company and one of the companies owned by his company (World of Food Company).

However, the Company was not obligated to inform the GA when it was held - through the Board Chairman - about those contracts in which the BoD member had a direct interest in accordance with Paragraph (3) of Article (71) of the Companies Law. The liability for damages resulting from the business and contracts referred to in Paragraph (1) of this Article shall fall to the Board members, if those acts or contracts were carried out in violation of the provisions of that paragraph, or if it is proven unfair, or involving a conflict of interest and harmful to shareholders. Accordingly, the Company has the right to demand appropriate compensation before the competent judicial authorities for the transactions that took place between Wafrah Company on the one hand, the Premium Meat Company and the World of Food Company on the other hand, at a time when the Board member was a related party and had a direct or indirect interest in it.

The table below set forth all business activities and contracts that have a direct or indirect interest for the BoD members or senior executives during the year 2020G and until September 30, 2021G.

Table No. (79): Contracts and Transactions with Related Parties

Due from Related Parties						
Related Party	Relation Nature	Transaction Nature*	Transactions Amount (SR)		Transactions Balance (SR)	
			31/12/2020G	30/09/2021G	31/12/2020G	30/09/2021G
Jannat Agricultural Investment Co.	Sister Company	Financing	55,498	-	-	-
Rakhaa for Agricultural Investment and Development Co.	Sister Company	Financing	725,576	725,576	725,576	725,576
<b>Total</b>			<b>781,074</b>	<b>725,576</b>	<b>725,576</b>	<b>725,576</b>
Due to Related Parties						
Related Party	Relation Nature	Transaction Nature*	Transactions Amount (SR)		Transactions Balance (SR)	
			31/12/2020G	30/09/2021G	31/12/2020G	30/09/2021G
World of Food Co.	Related Party to A Board Member	Sales	-	375,373	-	-
World of Food Co.	Related Party to a Board Member	Purchases	-	642,314	-	266,941
Premium Meat Co.	Related Party to a Board Member	Purchases	-	3,795	-	3,795
<b>Total</b>			<b>-</b>	<b>1,021,482</b>	<b>-</b>	<b>270,736</b>

\* Letters addressed to the Company requesting the transfer of funds to the account of Jannat Agricultural Investment Company have been viewed:

1. In the year 2017G, Jannat Agricultural Investment Company approached its partners with a request to transfer a sum of money as a guarantee submitted to the Saudi Fund for Development, and since Wafrah Company owns (11.10%) of the shares of Jannat Agricultural Investment Company, the amount resulting from it has been set at one hundred thousand three hundred and one (100,301) Saudi riyals.
2. In the year 2017G, Jannat Agricultural Investment Co. approached its partners with a request to provide financial support to Rakhaa for Agricultural Investment & Development Co. (in the capacity of the Jannat Investment Co. owning 77.73% of the shares of Rakhaa for Agricultural Investment & Development Co.), and the amount owed by Wafrah Co. (in its capacity as the owner of a percentage of 11.10% of the shares of Jannat Agricultural Investment Co.) with six hundred and seventy-one thousand three hundred sixty-nine (671,369) Saudi riyals.

It should be noted that the letter indicated that these amounts will be treated as a debtor in the balance sheet of the two companies (Jannat Agricultural Investment Co. and Rakhaa for Agricultural Investment & Development Co.).

3. In 2018G, Jannat Agricultural Investment Co. approached its partners with a request to provide financial support to Rakhaa for Agricultural Investment & Development Co. (in the capacity of Jannat Investment Co. owning 77.73% of the shares of Rakhaa for Agricultural Investment & Development Co.), and the amount owed by Wafrah Co. (in its capacity as the owner of a percentage of 11.10% of the shares of Jannat Agricultural Investment Co.) at four hundred and thirty-one thousand four hundred fifty-one halalas (431,401.50) Saudi riyals. It should be noted that the letter indicated that these amounts will be included in the financial statements as a debt to the partners.
  - As of the date of this Prospectus, the GA of shareholders has neither approved the transactions and contracts that have taken place or will take place with related parties nor has it licensed them for the coming year.

### 9-5-2 Lease Contracts/Agreements

- The Company has signed thirteen (13) lease contracts as a tenant, including nine (9) contracts with the Saudi Authority for Industrial Cities and Technology Zones, which are six (6) industrial lands and three (3) residential lands designated for workers' housing, in order to carry out its activity. These sites are within the scope of (Modon) and don't require the issuance of municipal and civil defense licenses, but rather the issuance of operating licenses from cities. Most of these contracts are traditional lease agreements (which stipulate the lease rate that the Company (the lessee) pays to the lessor annually) that are renewable, and considered void if the tenant is late paying rent and is thus not entitled to sub-rent the property without taking the written consent of the landlord. The method of using the leased property or the activity may not be changed without the lessor's consent.

The Company also entered into four (4) contracts with individuals, including three lease contracts for warehouses and a lease for an apartment in a building at the city of Jeddah.

- The following is a list of the Company's sites lease contracts and their most important details:

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Table No. (80): List of valid and renewed lease contracts for sites occupied by the Company as a lessee

No.	Lessor	Tenant	Location	Real Estate Type	Contract Date	Contract Duration	Contract Expiry Date	Contract Value	Renewal	Documentation
1	The Saudi Authority for Industrial Cities and Technology Zones	Wafrah Frozen Vegetable Factory	Second Industrial City - Riyadh	Industrial Land	12/10/1441H (corresponding to 04/0/2020G)	(20) Twenty years starting from 12/10/1441H (corresponding to 04/0/2020G)	11/10/1461H (corresponding to 29/10/2039G)	SR (110,648) Annually	-	Documented on Emodon system
2	The Saudi Authority for Industrial Cities and Technology Zones	Wafrah Frozen Vegetable Factory	Second Industrial City - Riyadh	Industrial Land	12/10/1441H (corresponding to 04/0/2020G)	(17) Seventeen years starting from 12/10/1441H (corresponding to 04/0/2020G)	11/10/1458H (corresponding to 29/11/2036G)	SR (19,352) Annually	-	Documented on Emodon system
3	The Saudi Authority for Industrial Cities and Technology Zones	Al Ghizaiya for Olives and Derivatives Production	Second Industrial City - Riyadh	Residential Land	03/07/1439H (corresponding to 20/03/2018G)	(2) Two years starting from 03/07/1439H (corresponding to 20/03/2018G)	19/03/2020G	SR (27,120) Annually	Automatically renewed for eighteen (18) years	Documented on Emodon system
4	The Saudi Authority for Industrial Cities and Technology Zones (Lessor)	Al Ghizaiya Ready-made Food Factory	Second Industrial City - Riyadh	Residential Land	13/04/1439H (corresponding to 31/12/2017G)	(2) Two years if the tenant complies with the general and special conditions, Starting from 13/04/1439H (corresponding to 31/12/2017G).	30/12/2019G	SR (20,040) Annually	Automatically renewed for eighteen (18) years	Documented on Emodon system

No.	Lessor	Tenant	Location	Real Estate Type	Contract Date	Contract Duration	Contract Expiry Date	Contract Value	Renewal	Documentation
5	The Saudi Authority for Industrial Cities and Technology Zones (Lessor)	Al Chizaiya Pasta & Noodles Factory	Second Industrial City - Riyadh	Residential Land	03/07/1439 AH (corresponding to 19/02/2018G)	(2) Two years starting from 03/07/1439H (corresponding to 19/02/2018G)	18/02/2020G	SR (20,040) Annually	Automatically renewed for eighteen (18) years, if the tenant complies with the general and special conditions	Documented on Emodon system
6	The Saudi Authority for Industrial Cities and Technology Zones (Lessor)	Wafrah Ready-made Food Factory	Second Industrial City - Riyadh	Industrial Land	12/02/1442H (corresponding to 29/09/2020G)	20 (twenty) years starting from 12/02/1442H (corresponding to 29/09/2020G)	11/02/1462H (corresponding to 21/06/2040G).	SR (45,092) Annually	-	Documented on Emodon system
7	The Saudi Authority for Industrial Cities and Technology Zones	Wafrah Ready-made Food Factory	Second Industrial City - Riyadh	Industrial Land	12/10/1441H (corresponding to 04/06/2020G)	20 (twenty) years starting from 12/10/1441H (corresponding to 04/06/2020G)	10/11/1461H (corresponding to 29/10/2039G)	SR (53,784) Annually	-	Documented on Emodon system
8	The Saudi Authority for Industrial Cities and Technology Zones	Wafrah Pasta & Noodles Factory	Second Industrial City - Riyadh	Industrial Land	03/05/1441H (corresponding to 29/12/2019G)	Sixteen (16) years starting from 03/05/1441H (corresponding to 29/12/2019G)	02/05/1457H (corresponding to 08/07/2035G)	SR (53,784) Annually	-	Documented on Emodon system

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No.	Lessor	Tenant	Location	Real Estate Type	Contract Date	Contract Duration	Contract Expiry Date	Contract Value	Renewal	Documentation
9	The Saudi Authority for Industrial Cities and Technology Zones	Wafrah Grain Products Factory	Second Industrial City - Riyadh	Industrial Land	12/02/1442H (corresponding to 29/09/2020G)	Twenty (20) years starting from 12/02/1442H (corresponding to 29/09/2020G)	11/02/1462H (corresponding to 24/02/2040G)	Saudi Authority for Industrial Cities and Technology Zones	-	Documented on Emodon system
10	Ali Ahmed Ali Musa	Wafrah for Industry and Development Company	King Abdul Aziz Street - Al Rabieh District - Dammam City	Warehouse (No.10) and Office (No.2)	05/06/1436H (corresponding to 25/03/2015G)	Two Hijri years starting on 05/06/1436H (corresponding to 25/03/2015G)	04/06/1438H (corresponding to 03/03/2017G)	SR (100,000) Annually in addition to the value of services	It is renewable according to the wishes of both parties.	Not electronically documented
11	Walid Faisal Abdullah Al-Awdhali	Wafrah for Industry and Development Company	Salmiya District - Jeddah City	Apartment (No. 5) in a building	13/03/1436H (corresponding to 04/01/2015G)	One year starting on 13/03/1436H (corresponding to 04/01/2015G)	12/03/1437H (corresponding to 23/12/2015H)	SR (25,000) Annually	The contract is automatically renewed unless one of the parties notifies the other party about his desire to vacate one month before the end of the term.	Not electronically documented
12	Mubarak Abdullah Al-Shahrani	Wafrah for Industry and Development Company	Khums Mushait	Warehouse (No. 4)	26/03/1441H (corresponding to 23/11/2019G)	Five years starting 06/05/1441H (corresponding to 01/01/2020G)	01/07/1446H (corresponding to 01/01/2025G)	SR (60,000) Annually	-	Not electronically documented

No.	Lessor	Tenant	Location	Real Estate Type	Contract Date	Contract Duration	Contract Expiry Date	Contract Value	Renewal	Documentation
13	Talib Abd Al-Rahman Saed Al-Hazmi	Wafrah for Industry and Development Company	Tayeb bin Taher Al-Sassi, 23241, 3097, 7652, Jeddah, Makkah Al Mukarramah	Warehouse (Storing Unit 1) in a mall)	24/04/1443H (corresponding to 29/11/2021G)	(364) days starting from 30/03/1443H (corresponding to 05/11/2021G)	10/04/1444H (corresponding to 04/11/2022G)	SR (172,500) Annually	The contract is electronic/ The lease term expires with the expiry of the contract term. If both parties wish to agree upon by both parties. renew, a new contract is written,	Electronically documented

Source: The Company

- As of the date of this Prospectus, the Company (as a lessor) didn't conclude any lease agreement.
- There is no lease contract concluded with a legal person that has any direct or indirect relationship with the company's BoD members and senior executives as of the date of this Prospectus.
- It should be noted that the Cabinet Resolution No. (292) dated 16/05/1438H (corresponding to 13/02/2017G) stipulates that a lease contract which is not registered in the electronic network is not considered a valid contract that produces administrative and judicial effects, and that the electronic network for lease services has been launched in cooperation between the Ministries of Justice and Housing on 17/05/1439H (corresponding to 03/02/2018G), and a circular was issued by the Ministry of Justice approving its application to all contracts signed after 05/05/1440H (corresponding to 11/01/2019G). As on the date of publishing this prospectus, the Company has documented the lease contract (warehouse in Jeddah) concluded with the lessor, Talib Abdul Rahman Saed Al-Hazmi, on a rental network, while the lease contracts concluded with cities are documented on the Emodon system, and the company has three (3) undocumented contracts on the rental network.

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### 9-5-3 Supply Contracts

As of the date of publishing the Prospectus, the Company has entered into a number of supply contracts according to the following table:

Table No. (81): Supply Contracts

No.	1st Party	2nd Party	Agreement Purpose	Contract Signature Date	Contract Expiry Date	Contract Value	Contract Duration	Observations
1	Al Ghurair Food Company (Seller)	Wafrah Factory for Pasta and Noodles (Buyer)	Supplying fine Canadian semolina with (60,000) bags, each bag weighing (50) kg	14/11/1440H (corresponding to 17/07/2019G)	-	The total value of the supplied semolina is specified in the agreement.	The supply period has been set to extend from July 2019G to July 2020G.	In the event of any dispute arising in connection with this contract, it shall be resolved in accordance with the laws in force in the UAE, and the Dubai Courts shall have the authority to consider it. The first party is a company established in Dubai.
2	Al-Jouf Development Company	Wafrah for Industry and Development Company	Supplying potatoes according to the agreed types and quantities to the second party	08/12/1442H (corresponding to 18/07/2021G)	-	The price of one ton of the potato crop was set at SR (1,000) during the contract period.	The supply process takes place during the months of August and September.	Disputes that may arise from this agreement shall be resolved amicably between the two parties within (10) days, and if this is not possible, the civil courts in Riyadh shall have jurisdiction over them.

No.	1st Party	2nd Party	Agreement Purpose	Contract Signature Date	Contract Expiry Date	Contract Value	Contract Duration	Observations
3	Wafrah for Industry and Development Company	Maha Al Dossary Foundation	The second party shall provide the first party with a quantity of industrial potatoes (Sageta - Marquise) that can be increased and decreased at a rate of (10%) according to the specifications attached to the contract.	-	From 06/05/1441H (corresponding to 01/01/2020G) until 16/05/1442H (corresponding to 31/12/2020G)	The price per ton was set at SR (1,050).	One Gregorian year	The possibility of rescinding the contract by either party in case the other party violates any of its clauses, provided that he is warned and given (10) days to address it. In the event that any dispute arises regarding the implementation of the contract, it shall be resolved amicably. If this is not possible, the dispute shall be referred to an arbitration panel, in accordance with the Arbitration law in the KSA.

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No.	1st Party	2nd Party	Agreement Purpose	Contract Signature Date	Contract Expiry Date	Contract Value	Contract Duration	Observations
4	National Poultry Company	Wafrah for Industry and Development Company	The second party's supply of food products produced by the first party.	09/01/1443H (corresponding to 17/08/2021G)	From 04/01/1443H (corresponding to 12/08/2021G) until 13/01/1444H (corresponding to 11/08/2022G)	The second party is provided with the price list by an official letter or email.	One Gregorian year. It should be noted that the first (6) months are for trial, and the first party has the right to terminate this contract during the trial period without paying any compensation to the second party.	The contract is renewable unless the first party notifies the second party of its unwillingness to renew, at least (30) days prior to the expiry date. The courts in the KSA are competent to hear any dispute arising from the implementation or interpretation of the contract.

Source: The Company

The Company also deals with a number of its suppliers under purchase orders as follows:

- On 25/03/1443H (corresponding to 31/10/2021G), with Elite Markets to supply a specific quantity of chicken with a total value determined under the purchase order.
- On 01/03/1443H (corresponding to 07/10/2021G), with Sonic Biochem Extractions Company (India) for the supply of a specified quantity of soybeans with a total value specified under the purchase order.
- On 06/02/1443H (corresponding to 13/09/2021G), with Shar Company to supply a specific quantity of beef with a total value determined under the purchase order.

### 9-5-4 Marketing Contracts for the Company's Products

The Company has a number of contracts concluded for the purpose of marketing its products.

Table No. (82): List of Contracts for Marketing the Company's Products

No.	1st Party	2nd Party	Agreement Purpose	Contract Signature Date	Contract Expiry Date	Contract Value	Contract Duration	Observations
1	Saudi Hypermarkets Company - Carrefour	Wafrah for Industry and Development Company	The desire of the first party to make periodic purchase of goods and merchandise under purchase orders of different descriptions specified in the agreement with the aim of selling them in the mentioned stores.	05/05/1442H (corresponding to 20/09/2020G)	16/05/1442H (corresponding to 31/12/2020G)	According to purchase orders	One year starting from 06/05/1441H (corresponding to 01/01/2020G)	-
2	Saudi Hypermarkets Company - Carrefour	Wafrah for Industry and Development Company	The desire of the first party to make periodic purchase of goods and merchandise under purchase orders of different descriptions specified in the agreement with the aim of selling them in the mentioned stores.	02/09/1441H (corresponding to 25/04/2020G)	16/05/1442H (corresponding to 31/12/2020G)	According to purchase orders	One year starting from 16/05/1442H (corresponding to 31/12/2020G)	-

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No.	1st Party	2nd Party	Agreement Purpose	Contract Signature Date	Contract Expiry Date	Contract Value	Contract Duration	Observations
3	Tamimi Markets Co. Ltd.	Wafrah for Industry and Development Company	15/06/1439H (corresponding to 03/03/2018G)	16/05/1442H (corresponding to 31/12/2020G)	The second party sells its manufactured products to the first party with the aim of displaying and selling them in Tamimi Markets, according to the conditions specified between the two parties.	According to a schedule that specifies the minimum and maximum discount agreed upon between the two parties.	Two (2) Gregorian years, starting from 14/04/1439H (corresponding to 01/01/2018G)	-
4	City Concepts Trading Co. Ltd.	Wafrah for Industry and Development Company	The 2nd party sells its products to the 1st party and then the latter markets these products.	06/05/1441H (corresponding to 01/01/2020G)	16/05/1442H (corresponding to 31/12/2020G)	The method of payment and the value of the annual support, amounting to SR (3,000) annually, have been determined.	A Gregorian year starting on 06/05/1441H (corresponding to 01/01/2020G) and ends on 16/05/1442H (corresponding to 31/12/2020G)	Automatically Renewable
5	Al Sadhan Trading Co.	Wafrah for Industry and Development Company	Agreement to sell the Company's products in the specified stores, according to the terms stipulated in the contract.	25/04/1440H (corresponding to 01/01/2019G)	05/05/1441H (corresponding to 31/12/2019G)	According to purchase orders	One Gregorian year starting from 25/04/1440H (corresponding to 01/01/2019G)	-

No.	1st Party	2nd Party	Agreement Purpose	Contract Signature Date	Contract Expiry Date	Contract Value	Contract Duration	Observations
6	Al Sadhan Trading Co.	Wafrah for Industry and Development Company	Agreement to sell the Company's products in the specified stores, according to the terms stipulated in the contract.	25/04/1440H (corresponding to 01/01/2019G)	05/05/1441H (corresponding to 31/12/2019G)	According to purchase orders	One Gregorian year starting from 25/04/1440H (corresponding to 01/01/2019G)	-
7	Abdullah Al-Othaim Markets Co.	Wafrah for Industry and Development Company	Commercial Agreement – Sale / The 1st party purchases the products of the 2nd party and sells them in its retail and wholesale markets.	30/04/1439H (corresponding to 17/01/2018G)	04/24/1440H (corresponding to 31/12/2018G)	The net purchase value for the previous year (2017G) was set at SR (8,611,190).	One Gregorian year starting from 14/04/1439H (corresponding to 01/01/2018G)	Automatically renewable (extension letter viewed until the end of 2020G)
8	Abdullah Al-Othaim Markets Co.	Wafrah for Industry and Development Company	The 2nd party manufactures, packages and supplies the products whose type and specifications are stated in the contract for the account of the 1st party and under its trademark (Halley).	18/02/1438H (corresponding to 07/11/2017G) Agreement Supplement: 06/14/1440H (corresponding to 19/02/2019G)	Not specified	Prices have been modified in this appendix, and the adjustment schedule has been reviewed.	Not specified in the appendix	-

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No.	1st Party	2nd Party	Agreement Purpose	Contract Signature Date	Contract Expiry Date	Contract Value	Contract Duration	Observations
9	Abdullah Al-Othaim Markets Co.	Wafrah for Industry and Development Company	The 2nd party manufactures, packages and supplies the products whose type and specifications are stated in the contract for the account of the 1st party and under its trademark (Halley)	29/10/1440H (corresponding to 02/07/2019G)	05/05/1441H (corresponding to 31/12/2019G)	According to purchase orders	One year starting from 25/04/1440H (corresponding to 01/01/2019G)	Automatically renewable
10	Panda Trading Company	Wafrah for Industry and Development Company	Selling the products of the 2nd party under purchase orders to the 1st party and then the latter to market these products.	11/06/1441H (corresponding to 05/02/2020G)	16/05/1442H (corresponding to 31/12/2020G)	According to purchase orders	One Gregorian year	-
11	Lulu Hypermarket Trading Co.	Wafrah for Industry and Development Company	Food Products Sale Agreement	-	16/05/1442H (corresponding to 31/12/2020G)	According to purchase orders and specific discounts	One Gregorian year starting from 06/05/1441H (corresponding to 01/01/2020G)	Automatically renewable
12	Jal Al-Sahraa Company for Agricultural Production	Wafrah for Industry and Development Company	Food Products Production and Packaging Agreement	04/08/1443H (corresponding to 07/03/2022G)	14/08/1444H (corresponding to 06/03/2023G)	According to the terms of the concluded agreement	One Gregorian year	-

Source: The Company

### 9-5-5 Contracts and Agreements for Services and Consulting Advisory Services

The Company has entered into agreements with law firms, audit firms and external chartered accountants, to review the financial statements and examine the interim consolidated financial statements, in addition to a software development consultant agreement, according to the following:

Table No. (83): List of contracts for marketing the Company's products

No.	Contract or Agreement Type	Contract or Agreement Purpose	Contracting Party	Contract Signature Date	Contract Value	Contract Duration	Observations
1.	Legal Services Agreement	Providing legal advice to the Company, pleading in labor cases, and expressing legal opinion when concluding commercial transactions/deals and contracts	Abdullah Suleiman Al-Khelaiwi Lawyers and Legal Consultants Office	02/08/1442H (corresponding to 15/03/2021G)	A fixed lump sum for legal advice and a specific amount for each labor case	One Gregorian year starting from the signature date, renewable for another similar period, in accordance with the terms of the contract.	-
2.	Engagement Letter - Audit Services	Examination, review and audit of the financial statements for the 2nd 3rd 4th and annual quarters of the fiscal year 2021G and the 1st quarter of the fiscal year 2022G	Al Kharashi & Co. (Certified Accountants and Auditors)	04/12/1442H (corresponding to 07/14/2021G)	Specified by letter	One year	The appointment of the auditor was voted on at the OGA held on 20/10/1442H (corresponding to 01/06/2021G).
3.	Engagement Letter - Zakat and Tax Services	Submitting the annual Zakat declaration and issuing a certificate for the year 2021G / Request for settlement and objection before the tax committees	Al Kharashi & Co. (Certified Accountants and Auditors)	01/12/1442H (corresponding to 11/07/2021G)	Specified by Letter	Until the end of the agreed services.	-
4.	Agreement to provide software consulting services	Provide and implement download, implementation, and project management support services for the Oracle/JD Edwards software, as specified in the contract.	Al-Falak Company for Electronic Equipment and Supplies (Delegated by Oracle) – Astronomy	09/01/1435H (corresponding to 12/11/2013G)	Specified according to the Agreement	This agreement starts from its signature date and is valid until thirty (30) days from the end of the implementation date of the last clause, according to the timetable agreed upon in the contract.	-

Source: The Company

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### 9-5-6 Loans and Facilities

- The Company has a loan contract with the Saudi Industrial Development Fund (SIDF) to finance, establish and expand its factories for the production of frozen vegetables and potatoes, according to the following detail:

Table No. (84): Loans and Facilities

Funding Entity	Agreement Date	Agreement Duration	Credit Limit (SR)	Amounts Used (SR)	Payments* (SR)	Remaining Amounts* (SR)
SIDF	16/03/1417H (corresponding to 31/07/1996G)	-	SR (57,345,000)	-	SR (29,345,000)	SR (28,000,000)

Source: The Company

\*As of 09/30/2021G

- The most important financial and operational pledges and guarantees granted by the Company in favor of the funding entity under the agreement include the following:
  - The working capital ratio shall not be less than one (1) to one (1) (throughout the loan period).
  - The ratio of liabilities to net tangible assets shall not exceed three (3) to one (1).
  - Adherence to the standards of the Food and Drug General Authority and the requirements of the General Authority of Meteorology and Environmental Protection.
  - Any dealings between the project and other relevant parties shall be carried out on commercial grounds that serve the project.
  - The borrower commits, from the start of the establishment of his industrial project and after its operation, until the full payment of the Fund's loan, to purchase all the needed materials from local factories and to use Saudi consulting offices in addition to the auditor.
  - The borrower ensures his project with insurance companies, provided that the Fund approves them.
  - It is not permissible for the borrower to merge or unite with any person or entity unless approved by the Fund.
  - No change shall be made in the legal description of the Company or persons constituting the borrower without the prior written consent of the Fund.
- Guarantees:
  - Mortgaging the Company's entire factory for frozen vegetables, buildings and facilities erected or to be erected on the 27,661 m2 plot of land located in the Second Industrial City in Riyadh.
  - Mortgaging the Company's entire factory for meat production, which is located on the 15,631 m2 plot of land located in the Second Industrial City in Riyadh.
  - Irrevocable and unconditional guarantee of SR (34,000,000) issued in the name of the Company.
- On 03/03/1441H (corresponding to 31/10/2019G), the loan was rescheduled for the remaining amount, which is twenty-eight million (28,000,000) Saudi riyals to be paid after scheduling in six (6) semi-annual installments, the first payment is due after rescheduling on 15/04/1442H (corresponding to 01/12/2020G) and it has not been paid. On 19/07/1442H (corresponding to 03/03/2021G), the loan was rescheduled to the first installment due after the rescheduling on 15/04/1442H (corresponding to 01/12/2020G), but has not been paid, and the sixth and final payment is due after rescheduling on 10/15/1444H (corresponding to 05/05/2023G).

### 9-6 Memorandum of Understanding (MoU)

On 28/02/1443H (corresponding to 05/10/2021G), the Company entered into a MoU with the Dutch Schaab Company, in order to obtain an exclusive agency from the Dutch company for a period of 3 years, to develop and distribute varieties of potato seeds (Amora and Valencia) in the KSA. The following is a summary of this Memorandum:

Table No. (85): Memorandum of Understanding with the Dutch Company Schaab

Memorandum Date	1st Party	2nd Party	Memorandum Subject	Memorandum Duration	Memorandum Value	Observations
28/02/1443H (corresponding to 05/10/2021 G)	The Dutch Schaab Company (Supplier)	Wafrah for Industry and Development Company (Distributor)	Exclusive agency of the Dutch Schaab Company for the purpose of developing and distributing the following potato seed varieties: Amora and Valencia, in the KSA.	Three (3) years. The MoU also provided for the possibility of terminating this term before its due date, with a prior notice of (60) days from the date of termination.	The price of seed potatoes for the year 2021G has been set at (580) Euros / Metric Ton. The payment must be in full and in advance for the first year of dealing.	-In the event of the success of this contractual relationship, the two parties will conclude a distribution agreement for marketing purposes. The distributor has the right to use the trade name of the supplier after obtaining written confirmation from him. -The supplier ensures that the supplied materials comply with the requirements of the regulations in force in the KSA, at the risk of retrieving the materials and bearing the cost on his own responsibility.

Source: The Company

## 9-7 Company Real Estate

The Company owns a number of real estate according to the statutory deeds issued by the Notary Public in Jazan, and the number is eighteen (18) real estate\*. The following is an overview of the real estate and sites owned by the Company, whose title deeds have been viewed:

Table No. (86): The Company's Real Estate

No.	Real Estate Type	Document/ Title Deed No.	Date	Site	Area (m2)	Owner	Issuer
1	Plot of Land	472005001465	05/01/1436H (Corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2705 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
2	Plot of Land	372005001476	06/01/1436H (corresponding to 30/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan

No.	Real Estate Type	Document/ Title Deed No.	Date	Site	Area (m2)	Owner	Issuer
3	Plot of Land	372005001474	05/01/1436H (Corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
4	Plot of Land	372005001475	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
5	Plot of Land	272005001477	06/01/1436H (corresponding to 30/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
6	Plot of Land	372005001478	06/01/1436H (corresponding to 30/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
7	Plot of Land	472005001479	06/01/1436H (corresponding to 30/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
8	Plot of Land	572005001481	06/01/1436H (corresponding to 30/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
9	Plot of Land	572005001466	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
10	Plot of Land	372005001468	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
11	Plot of Land	372005001467	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
12	Plot of Land	972005001469	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan

No.	Real Estate Type	Document/ Title Deed No.	Date	Site	Area (m2)	Owner	Issuer
13	Plot of Land	972005001470	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
14	Plot of Land	772005001471	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
15	Plot of Land	972005001472	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
16	Plot of Land	372005001473	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	600	Wafrah for Industry and Development Company	First Notary Public in Jazan
17	Plot of Land	372005001480	06/01/1436H (corresponding to 30/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	601.80	Wafrah for Industry and Development Company	First Notary Public in Jazan
18	Plot of Land	372005001464	05/01/1436H (corresponding to 29/10/2014G)	Muhammadiyah District, Jizan City, Plot No. 2706 of Plan No. 250	601.80	Wafrah for Industry and Development Company	First Notary Public in Jazan

Source: The Company

\*Based on the recommendation of the Executive Committee, the Board of Directors approved by passing minutes (12-6) dated (corresponding to 12/09/2021G) the sale of all these investment lands in the Muhammadiyah Investment Scheme in Jizan City (Buyer: Omar Abdullah Abdul Rahman) which has a total area of (10,803.6) square meters, at a total price of ten million five hundred and sixteen thousand (10,516,000) Saudi riyals. The value was paid by certified checks, and the reason for holding this transaction is the Company's desire to increase liquidity and support the working capital.

As of the date of this Prospectus, the Company does not have any real estate registered in its name.

## 9-8 Litigation

As of the date of this Prospectus, the Company's management stated that the Company and its subsidiaries are not a party to any lawsuits, cases, complaints, claims, arbitrations, administrative procedures or investigations that exist or are likely to be established, that would have, collectively or individually, a material impact on its business activity or financial position. Moreover, the Company's management was not aware of the existence of any current or potential legal disputes, litigation or facts that could create, collectively or individually, an imminent risk related to a fundamental dispute, until the date of preparing this report, except for the following:

Table No. (87): Cases Filed by the Company against Third Parties in its Capacity as a Plaintiff\*

Plaintiff	Allegation	Plaintiff Request	Lawsuit Status	Judicial Authority	Lawsuit No.	Observations
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (662,725)	Inadmissibility of the performance order request and not the lawsuit	Commercial Court (Riyadh)	4301023171	439020865
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (19,472)	Inadmissibility of the performance order request and not the lawsuit	Commercial Court (Riyadh)	4301023234	439016604
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (26,465)	Inadmissibility of the performance order request, not the lawsuit	Commercial Court (Riyadh)	4301023292	439020202
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (2,068,086.24)	Waiting for the Scheduling of a Session	Commercial Court (Riyadh)	430103989901	--

Source: A report issued by the Company's lawyer, Abdullah Suleiman Al-Khalili Office (Lawyers and Legal Consultants)

\* The total amounts claimed by the Company as a plaintiff amounted to two million eight hundred and thirteen thousand seven hundred and four (2,813,704) Saudi riyals.

Work is underway to file ordinary lawsuits for the lawsuits that were not accepted as a performance order.

Table No. (88): Cases Filed by the Company against Third parties in its Capacity as a Defendant\*

Defendant	Allegation	Plaintiff Request	Lawsuit Status	Judicial Authority	Lawsuit No.	Observations
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (2,035,762.61)	Reconciliation	Commercial Court (Riyadh)	508	On 25/03/1443H (corresponding to 31/10/2021G), the conciliation deed was issued in this case after the two parties agreed on the method of payment of the amounts, after it was agreed to settle this case and Case No. (5349).

Defendant	Allegation	Plaintiff Request	Lawsuit Status	Judicial Authority	Lawsuit No.	Observations
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (3,187,640.65)	-	Commercial Court (Riyadh)	5349	On 25/03/1443H (corresponding to 31/10/2021G), the conciliation deed was issued in this case after the two parties agreed on the method of payment of the amounts, after it was agreed to settle this case and Case No. (508).
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (73,395)	Pending	Commercial Court (Riyadh)	6465	-
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (38,000)	Pending	Labor Court (Riyadh)	4216030724	-
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (727,359)	Entry of Final Judgment in Favor of the Plaintiff	Labor Court (Riyadh)	6968	-
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (70,000)	-	Labor Court (Riyadh)	409	On 20/03/1443H (corresponding to 26/10/2021G), the conciliation judgement was issued after the two parties agreed on the method of settling the amounts.
Wafrah for Industry and Development Company	Financial Claim	Claiming the Amount of SR (3,000,000)	Inadmissibility of the Case	Labor Court (Riyadh)	8487	-

Source: A report issued by the Company's lawyer, Abdullah Suleiman Al-Khalili Office (Lawyers and Legal Consultants)

\* The total value of the sums required of the Company to pay as a defendant amounted to four million five thousand seven hundred and sixty-two (4,005,762) Saudi riyals.

## 9-9 Trademarks

- The Company used to own a trademark (Namat Al Wadi) that was registered with the Ministry of Commerce (Trademarks Department\*) under the number (143109452) and dated 20/09/1431H (corresponding to 30/08/2010G), and the protection of the trademark under this certificate ended on 11/11/1441H (corresponding to 02/07/2020G). This trademark was registered under category (31), which is one of the trademarks categories that specialize in (agricultural crops, horticultural and forestry products, crops not included in other categories, live animals, fresh fruits and vegetables, natural seeds, plants and flowers, animal food, barley and wheat). Wafrah Company will not be able to place this logo on the external facade of the building or offices it occupies or its products because it is no longer owned by it according to the Trademark Laws and Regulations. This trademark was previously the subject of a legal dispute and litigation between Wafrah Company and another institution that owns a trademark similar to Namat Al Wadi. The case ruling/judgement was issued by the Administrative Court in Riyadh on 08/08/1436H (corresponding to 26/05/2015G), canceling the Ministry of Commerce Decision to accept the registration of the trademark (Namat al-Wadi).
- The Company has another trademark (Wafrah) registered under the number (142304191) on 19/02/1424H (corresponding to 21/04/2003G) and the protection of the trademark under this certificate ended on 22/07/1433H (corresponding to 12/06/2012G). The company renewed the protection of this trademark under the registration certificate no. (1443007039) to be valid from the date of 26/02/1443 H (corresponding to 03/10/2021 G) until the date of 25/02/1453 H (corresponding to 06/16/2031 G). And The trademark has been registered under category (29), which is one of the trademarks categories that specialize in (Meat, fish, poultry and game meat, meat extracts, preserved, dried and cooked fruits and vegetables, jelly, jams and fruits cooked with sugar, eggs, milk and dairy products, edible oils and fats, preserved foods and pickles).
- Moreover, the Company has a trademark (Saudi Gardens) registered with the Ministry of Commerce (Trademarks Department\*) under the number (142907361) on 14/01/1430H (corresponding to 01/01/2009G) and the protection of the trademark under this certificate ended on 01/07/1439H (corresponding to 18/03/2018G). The trademark was registered under category (30), which is one of the trademark categories that specialize in (coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee, flour and preparations made from cereals, bread, biscuits, pies, ices, honey, treacle, yeast, salt, mustard, vinegar, spices, seasonings, sauce, pasta, ice). The Company has submitted application No. (314476), and as on the date of this prospectus, the renewal application is still under study, according to the statement of the Saudi Authority for Intellectual Property dated 29/05/1443 H (corresponding to 02/01/2022 G).
- Besides, the Company has a trademark (Caprini) that was registered with the Ministry of Commerce (Trademarks Department\*) under the number (141401870) and dated 04/02/1415H (corresponding to 13/07/1994G) and the protection of the trademark under this certificate ended on 08/07/1434H (corresponding to 13/05/2013G). The company renewed the protection of this trademark by virtue of registration certificate no. (1443007041) issued by the Saudi Authority for Intellectual Property, to be valid from the date of 02/26/1443 H (corresponding to 03/10/2021 G) until the date of 02/25/1453 H (corresponding to 06/16/ 2031 G), and the mark was registered under category (30).
- The Company also registered the trademark Aghsan (AGHSAN) at the Ministry of Commerce (Trademarks Department\*) under the number (141300892) and dated 13/02/1414H (corresponding to 02/08/1993G) and the protection of the trademark under this certificate ended on 22/07/1433H (corresponding to 12/06/2012G). The company renewed the protection of this trademark under the registration certificate no. (1443007040) issued by the Saudi Authority for Intellectual Property, to be valid from the date of 02/26/1443 H (corresponding to 10/03/2021 G) until the date of 02/25/1453 H (corresponding to 06/16/ 2031 G), and the trademark was registered under category (29).
- In addition to the above-mentioned trademarks, the Company has submitted on 15/04/1443H (corresponding to 20/11/2021G) an application bearing the number (324269) to register a trademark under category (29) under the name "MACOLATE AL-RAKIA" (MACOLATE).



Logo of trademark "MACOLATE AL-RAKIA" (MACOLATE)

The registration application is under study with the Saudi Authority for Intellectual Property.

The registration of trademarks will enable the Company to put its name and logo on the external facade of its building, offices and products, as it has registered trademarks and given them the necessary legal protection, in accordance with the Trademark Law. However, as on the date of publication of this prospectus, all trademark certificates have been renewed, protection has been renewed for three trademarks owned by the company, and one trademark remains expired and work is underway to renew it.

Table No. (89): Trademarks

Registration No.	Category	Registration Date	Protection Start Date	Protection End Date	Trademark
1443007039	29	12/05/1443 H (corresponding to 16/12/2021G)	26/02/1443 H (corresponding to 03/10/2021G)	25/02/1453 H (corresponding to 16/06/2031G) **	
142907361	30	14/01/1430H (corresponding to 11/01/2009G)	02/07/1429H (corresponding to 05/07/2008G)	01/07/1439H (corresponding to 18/03/2018G) **	
1443007041	30	24/05/1443 H (corresponding to 28/12/2021 G)	26/02/1443 H (corresponding to 03/10/2021G)	25/02/1453H (corresponding to 13/05/2013G) **	
1443007040	29	12/05/1443 H (corresponding to 16/12/2021 G)	26/02/1443H (corresponding to 03/10/2021 G)	25/02/1453H (corresponding to 13/05/2031 G) **	

Source: The Company

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

\*\* Work is underway to renew the certificates according to the applications submitted to the Saudi Authority for Intellectual Property as follows:

Trademark (Saudi Gardens): An application was submitted to renew the trademark with the number (314476) and dated 20/10/2021G under the same category (30). On 09/05/1443 H (corresponding to 12/01/2022 G), the authority reported that this mark is being studied.

- In addition to its trademarks, the Company has other intangible assets, which are accounting software programs with a book value amounting to eight hundred and ninety-four thousand four hundred and two (894,402) Saudi riyals as of 31/12/2020G, and seven hundred sixty-seven thousand one hundred twenty-one (767,121) Saudi riyals as of 30/09/2021G.
- The Company is obligated to register its website (wafrah.sa) at the Communications and Information Technology Commission (the Saudi Center for Network Information). The Company's domain registration certificate issued on 27/02/1443H (corresponding to 04/10/2021G) has been viewed.

## 9-10 Insurance

The Company has a number of insurance policies to ward off some risks and preserve its assets and properties. They are as follows:

- The Company and its branches (factories) have a health insurance policy for its employees and their families concluded with Malath Cooperative Insurance Company, a company licensed to operate in the Kingdom. The documents bear the numbers (9003070), (9003071), (9003072), (9003073) and (9003088). The term of the insurance policy is for one Gregorian year, starting from 01/01/2021G and ending on 31/12/2021G. This policy covers health care through the network of service providers appointed by the Company, provided that the case is covered by insurance.

- The Company also has a comprehensive insurance policy for its vehicles concluded with the Arabian Shield Cooperative Insurance Company, a company licensed to operate in the Kingdom, under document no. (P/CRO1/2021/CV/0000047). The coverage extends from 01/01/2022G to 31/12/2022 G, and covers (38) vehicles. The maximum benefit for an individual is one hundred thousand (100,000) Saudi riyals.
- The Company has an insurance policy against all risks concluded with the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (Medgulf), a company licensed to operate in the Kingdom, under document no. (PAR-5818760) and its duration is one year, starting on 01/01/2022G and ending on 31/12/2022G. The insurance coverage all damage to property for any reason, provided that it is not excluded from the insurance in addition to insurance for business interruption according to the conditions contained in the policy. The total value of the insurance is one hundred eighty-six million eight hundred eighty-nine thousand and six hundred forty-three (186,889,643) Saudi riyals.
- The Company has a breach of trust insurance policy concluded with the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (Medgulf), under document no. (FGI/5804901) and is valid from 01/01/2022G until 31/12/2022G. The number of insured employees has reached (39) employees, and the liability limits extend to seven million three hundred fifty thousand (7,350,000) Saudi riyals as a maximum for each employee. Coverage includes loss due to fraud or dishonesty and any other financial transaction.
- The Company has an insurance policy against all risks of land transport of goods concluded with the Mediterranean and Gulf Insurance and Reinsurance Company (Medgulf), under document no. (LTO/6070890-2021) for a period of one year starting from 01/01/2022G and ending on 31/12/2022G. Coverage includes overland shipments as well as loading and unloading risks Inside the Kingdom of Saudi Arabia.
- The Company has a cash (money) insurance policy concluded by the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (Medgulf), bearing the number (MON-5808860), which is valid from 01/01/2022G until 31/12/2022G. This coverage includes cash losses occurring in:
  - First Case:** Safe places and tight rooms (during and outside the official working hours of the Company), and with a maximum insurance limit of four hundred thousand (400,000) Saudi riyals.
  - Second Case:** Transit places (between workplaces, from the bank to workplaces and other transit places related to the Company's activity), and a maximum of forty thousand (40,000) Saudi riyals per load. The total insured value has reached six hundred thousand (600,000) Saudi riyals.
- The company has a policy to insure machinery malfunctions concluded with the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (Medgulf). The value of the insurance amounted to one hundred and seventy-nine million nine hundred and thirty-five thousand eight hundred and thirty-five (179,935,835) Saudi riyals. Note that the coverage period was determined to be twelve months, and the approved quotation was reviewed on 05/14/1443 H (corresponding to 12/19/2021 G).

## 9-11 Substantial Information that Has changed Since the Authority's Approval of the Latest Prospectus

The Company has never issued a Rights Issue since its establishment and until the date of this Prospectus.

## 9-12 BoD members Declarations Pertaining to the Legal Information Section

In addition to the other declarations referred to in this Prospectus, the members of the BoD declare the following:

- The issuance does not constitute a breach of the relevant Saudi laws and regulations.
- The issuance does not constitute a breach of any contract or agreement entered into by the Company or its subsidiaries.
- All material legal issues concerning the Company and its subsidiaries have been disclosed in this Prospectus
- Except for the information mentioned in Section (9.8) "**Litigation**" of section (9) "**Legal Information**", the Company and its subsidiaries are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its subsidiaries or their financial position
- The BoD Members are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Company or its subsidiaries or their financial position.



## Underwriting Arrangement

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## 10- Underwriting Arrangement

The Company and the underwriter (Al-Jazira Capital) have entered into an underwriting agreement to cover the subscription of fifteen million four hundred and thirty-four thousand seventy (15,434,070) ordinary shares, at a price of SR (10)/share, representing (200%) of the Rights Issue Shares offered for subscription (the “**Underwriting Agreement**”).

### 10-1 Underwriter

#### Underwriter

Al Jazira Capital  
King Fahd Road  
PO Box 20438, Riyadh 11455  
Kingdom of Saudi Arabia  
Tel: +966112256000  
Fax: +966112816522  
Website: [www.aljaziracapital.com.sa](http://www.aljaziracapital.com.sa)  
E-mail: [contactus@aljaziracapital.com.sa](mailto:contactus@aljaziracapital.com.sa)



### 10-2 Summary of the Underwriting Agreement

According to the terms and conditions of the Underwriting Agreement:

1. The Company undertakes to the underwriter that, on the Allocation Date, it will issue and allocate to the Underwriter all the Rights Issue Shares that the Underwriter undertakes to cover in this Offering which were not subscribed to by the Eligible Shareholders at the Offering price.
2. The Underwriter undertakes to the Company that on the Allocation Date, it will purchase all the underwritten shares in this Offering,, which have not been subscribed to by the Eligible Shareholders at the Offering price.
3. The Underwriter shall receive specified fee for underwriting, which will be paid for from the Offering Proceeds. It should be noted that the underwriting costs are part of the Offering Expenses
4. The Underwriter is committed to purchase all remaining shares in the Offering, unless he is subject to provisions relating to the termination of the Underwriting Agreement such as the occurrence of any force majeure as defined in the agreement or failure to meet a number of preconditions in connection with the Offering.
5. The Company will provide a number of guarantees, representations and covenants to the underwriter.



## Waivers

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## 11- Waivers

The Company has not submitted a waiver request to the CMA in relation to this Offering.

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## Information Related to the Shares and the Terms and Conditions of the Offering

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## 12- Information Related to the Shares and the Terms and Conditions of the Offering

The Company has filed a request with the CMA for registration and admission of the New Shares, and with the Saudi Stock Exchange (Tadawul) for listing the New Shares. All requirements have been fulfilled in accordance with the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.

All Eligible Persons and bidding investors shall read the Offering terms and conditions carefully before online subscription or submission of the Subscription Application form through a broker or filling of the Rump Offering form. The submission of the Subscription Application form, or signing and delivery of the Rump offering form shall be deemed an approval and acceptance of the aforementioned offering's terms and conditions.

### 12-1 The Offering

The offering is an increase in the Company's capital by issuing Rights Issue share of one hundred and fifty-four million three hundred and forty thousand seven hundred (154,340,700) Saudi riyals divided into fifteen million four hundred and thirty-four thousand seventy (15,434,070) ordinary shares, with a nominal value of ten (10) Saudi riyals per share, and an offer price of ten (10) Saudi riyals per share.

### 12-2 How to Apply for Subscription of Rights Issue (New Shares)

Eligible shareholders wishing to subscribe to the Rights Issue shall submit the Subscription Applications during the Subscription Period through the investment portfolio in the trading platforms used to insert purchase and sale orders in addition to subscribing through other channels available at the broker and shares Custodian. If there is a Rump offering period, Subscription Application Forms can also be submitted during such period by Institutional Investors for any Rump Shares only.

By presenting the Subscription Application form, the Subscriber declares that they will:

- Agree to subscribe for the Company Shares in the number of such Shares specified in the Subscription Application.
- Declare that he/she has read the Prospectus and understood its content.
- Accept the Company By-laws and the terms of the Prospectus.
- Not Apply to subscribe to the same shares for this offering through broker, and the Company has the right to reject all applications in the event of a repeat subscription request.
- Accept the number of Shares allocated thereto and all other subscription instructions and terms mentioned in the Subscription Application Form and in this Prospectus.
- Make sure not to cancel or amend the Subscription Application Form after submitting it to the Broker/ Intermediary.

Registered shareholders will be able to trade Rights Issue Shares deposited in their portfolios through the Tadawul system. These Rights are considered an acquired right for all shareholders registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the day of the extraordinary general meeting of the capital increase (the date of eligibility). Each right entitles its holder to subscribe for one new share, at the offering price. Rights Issue Shares will be deposited two working days at most after the extraordinary meeting of the capital increase. They will appear in the Registered Shareholders' portfolios under a new symbol for Rights Issue Shares, and Registered Shareholders will then be notified of the Rights deposit in their portfolios.

## 12-3 Subscription Application Form

Eligible Persons wishing to exercise their full right and subscribe for all the New Shares to which they are entitled must fill and submit a completed Subscription Application Form through the investment portfolio in the trading platforms used to insert purchase and sale orders in addition to subscribing through other channels available at the broker and shares Custodian.

The number of Shares to which the Eligible Person is entitled to subscribe will be calculated based upon the number of Rights held by him. As for the subscription monies that the subscriber must pay for the New Shares will be calculated by multiplying the number of Rights owned prior to closing of the Subscription Period by SR (10).

## 12-4 Trading, Subscription and Rump Offering Period

Eligible shareholders wishing to subscribe to the Rights Issue must submit an application for subscription during the subscription period, which begins on Monday 21/11/1443H (corresponding to 20/06/2022G) and ends on Thursday 01/12/1443H (corresponding to 30/06/2022G).

The EGA held on 15/11/1443H (corresponding to 14/06/2022G) approved the recommendation of the BoD to increase the Company's capital through Rights Issue. Under this Prospectus, fifteen million four hundred and thirty-four thousand and seventy (15,434,070) ordinary shares will be offered at a nominal value of SR (10)/share, and at an Offer Price of SR (10)/share, which represent (200%) of the Company's capital before the subscription, and with a total value of one hundred and fifty-four million three hundred and forty thousand and seven hundred (154,340,700) Saudi riyals. New shares will be issued with one share for every one Right. Rights Subscription is entitled to all Shareholders registered in the Company register as of the close on the second trading day following the EGA Meeting dated 15/11/1443H (corresponding to 14/06/2022G), and to those Eligible Persons who purchased the offered Rights during the Trading Period in addition to the Registered Shareholders who purchased additional Rights alongside the Rights they already own.

In the event that the Eligible Persons do not exercise their right to subscribe to the New Shares at the end of the Offering Period, the Rump Shares, in addition to Fractional Shares (if any) will be offered to the Institutional Investors during the Rump Offering Period.

Registered Shareholders may trade in the Rights deposited in their portfolios through the Tadawul system. Such Rights are deemed a right entitled to all Shareholders registered in the Company register as of the close on the second trading day following the EGA Meeting. Each Right grants its holder eligibility to subscribe to one New Share at the Offer Price. Rights will be deposited after the EGA. Shares will appear in the portfolios of Registered Shareholders under a new symbol that designates Rights Issue.

Rights Shares will be offered according to the phases and dates set out below:

1. Eligibility Date: Close of trading on the day of the EGA Meeting dated 15/11/1443H (corresponding to 14/06/2022G).
2. Trading Period and Offering Period: The Trading Period and Offering Period start on Monday 21/11/1443H (corresponding to 20/06/2022G), and the Trading Period will end on Monday 28/11/1443H (corresponding to 27/06/2022G), while the Offering Period will continue until the end of Thursday 01/12/1443H (corresponding to 30/06/2022G)
3. Rump Offering Period: The period will start at 10:00 am on Tuesday 06/12/1443H (corresponding to 05/07/2022G) until the following day at 5:00 pm on Wednesday 07/12/1443H (corresponding to 06/07/2022G). During this period, Rump Shares will be offered to several institutional investors (referred to as "Investment Institutions"). These investment institutions shall make offers to buy the Rump Shares during the Rump Offering Period. The Rump Shares will be allocated to the Investment Institutions in order of priority based on the price per Share offered (provided that it is not less than the Offering Price) with shares being allocated on a proportional bases among those Institutional Investors that tendered offers at the same price. Fractional Shares will be added to the Rump Shares and treated in the same manner. In the event that the price of the unsubscribed shares is higher than the offer price, the difference (if any) shall be distributed as compensation to holders of Rights Issue Shares who did not subscribe for their rights in proportion to the rights they own.
4. Final Allocation of Shares: Shares will be allocated to each investor based on the number of Rights properly and fully exercised thereby. As for Shareholders entitled to fractional Shares, these shall be added together and offered to Institutional Investors during the Rump Offering Period. The total Offering Price of the Rump Shares

and Fractional Shares will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares (i.e., above the offering price) shall be paid to the Eligible Persons, no later than Thursday 06/01/1444H (corresponding to 04/08/2022G).

5. Trading of New Shares on the Exchange: Trading of the New Shares will start on Tadawul upon the completion of all procedures relating to the registration, allocation and listing of the New Shares.

The Company has applied to the CMA for registration, admission and offering of the New Shares, and has also applied to Tadawul for listing the New Shares.

## 12-5 Eligible Persons Not Participating in the New Shares Subscription

Registered Shareholders who do not participate in whole or in part in subscribing to the new shares will be subject to loss and a decrease in their ownership percentage in the Company, in addition to the depreciation of the shares' value they currently own. On the other hand, Registered Shareholders who did not exercise their rights to subscribe will retain the same number of shares they owned before the capital increase. Eligible persons who do not participate in subscribing to the new shares will not receive any advantages or benefits in exchange for the Rights Shares they are entitled to, with the exception of receiving a cash compensation from the proceeds of selling the shares in the Rump Offering Period, each according to what he is entitled to. If investment institutions applied to purchase Rump Shares at the Offering Price only, or they did not subscribe the Rump Offering and, thus, the underwriter purchased the Rump Shares at the Offering Price, the eligible persons who are not participating in the subscription will not receive any compensation in exchange for the Rights Shares in the new shares that they did not exercise. In case the Rump Shares are sold to the investment institutions at a price higher than the Offering Price, the amount of compensation will be determined for the eligible persons who did not fully or partially subscribe to the new shares according to the following equation:

$$\text{Compensation Amount for Each Unsubscribed Share} = \frac{\text{Total Rump Offering Proceeds} - \text{Total Rump Offering Price}}{\text{Number of Unsubscribed Shares}}$$

## 12-6 Allocation

The Company and the Lead Manager will open an escrow account in which the proceeds of the Offering will be deposited. The Rights shall be allocated to Eligible Persons based on the number of Rights properly and fully exercised by it. As for the fractional Shares, these shall be accumulated and offered to Institutional Investors during the Rump Offering. The total Rump Offering Price will be paid to the Company, and the remaining proceeds from the sale of the Rump Shares and fractional shares (i.e., above the offering price, if any) shall be paid to Eligible Persons, whichever is due by the date of Thursday 06/01/1444H (corresponding to 04/08/2022G). Excess unsubscribed Shares shall be purchased by the Underwriter and allocated to him. There will be no compensation for Investors who did not subscribe or did not sell their rights, and to holders of fractional Shares during the Rump Offering Period.

Final notice for the number of Shares allocated to each Eligible Person is expected to take place by depositing the shares into the accounts of Subscribers without any charges or withholdings by the Lead Manager. Eligible Persons shall contact the branch of the Broker where they have submitted the Subscription Application Form to obtain any further information. The announcement regarding the allocation shall be made no later than Sunday 18/12/1443H (corresponding to 17/07/2022G).

The Cash compensation amounts (the remaining proceeds of the offering process beyond the offering price) will be paid to the Eligible Persons who did not subscribe wholly or partially to the Rights (if any) without any commissions or deductions no later than one day, dated Thursday 06/01/1444H (corresponding to 04/08/2022G).

## 12-7 Supplementary Prospectus

In accordance with the requirements of the Rules on the Offer of Securities and Continuing Obligations, a supplementary Prospectus must be submitted to CMA if, at any time after the date of the publication of this Prospectus and before the completion of the offering, the Company becomes aware that:

- There has been a significant change in material matters contained in this Prospectus.
- Additional significant matters have become known which would have been required to be included in this Prospectus.

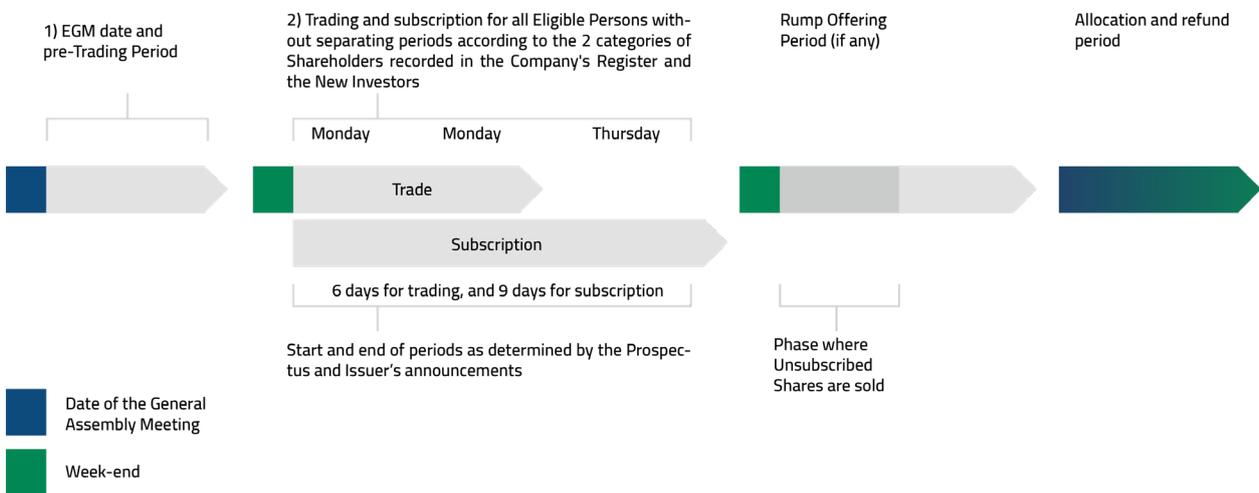
The investor who subscribed for the new shares prior to the publication of the supplementary Prospectus may cancel or amend his subscription for these shares before the end of the offering period.

## 12-8 Suspension or Cancellation of the Offering

The CMA may at any time issue a decision to suspend the offering if it deems that the offering may result in a breach of the capital market law, its implementing regulations, or the market rules. In addition, the offer will be canceled if the EGA does not approve any of the details of the offer.

The following figure shows the mechanism for trading and subscribing to the traded right issue.

Figure No. (2): Mechanism of Trading and Subscribing to the Traded Rights Issue



## 12-9 Questions and Answers on Rights Issue

### What is a Rights Issue?

Rights are tradable securities that give their holder the right to subscribe to the new shares offered, upon approval of the capital increase. All shareholders registered in the Company's shareholders register (at the Depository Center) at the close of the second trading day following the date the Extraordinary General Assembly at which the capital increase has been approved will be entitled to receive the Rights. Each right grants its holder eligibility to subscribe for one new share at the offering price.

### Who is granted the Rights?

All registered shareholders in the Company's shareholders register at the close of trading on the second trading day following the date of the Extraordinary General Assembly at which the capital increase has been approved.

### When are the Rights deposited?

After the Extraordinary General Assembly convenes and its approval of the capital increase through the offering of Right issue shares, the Rights issue are deposited as securities in the shareholders' own portfolios in the Company's shareholders' register at the Depository Center at the end of the second trading day after the extraordinary general meeting. The shares will appear in their portfolios under a new symbol for Rights issue. Trading or subscribing to these rights will not be permitted until the beginning of the trading and subscription periods.

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

The notification is made through announcement on the Tadawul website, as well as through the (Tadawulaty) service provided by the Securities Depository Center Company, and short text messages sent through the brokerage firms.

**How many Rights Issue can be acquired by a registered shareholder?**

The number is subject to the rights issue ratio and the number of the current shares held by the registered shareholder as at the close of the second trading day after the date of the Extraordinary General Assembly at which the capital increase has been.

**What is the Rights Issue ratio?**

It is the ratio that enables registered shareholders to know how many Rights he/she is entitled to in relation to the current shares that he/she already owned at the close of the second trading day after the date of the Extraordinary General Assembly meeting at which the capital increase has been approved. This parameter is calculated by dividing the number of new shares by the number of the current shares of the Company, and accordingly, the eligibility factor is (2) rights approximately for every (1) share owned by the registered shareholder on the eligibility date, thus, if a registered shareholder owns (1,000) shares on the eligibility date, then he will be allocated (2,000) rights in exchange for the shares he owns.

**Will the name and symbol for trading these rights differ from the name and symbol of the Company's shares?**

Yes, the acquired rights will be added to the investors' portfolios under the name of the original share and by adding the word Rights issue, in addition to a new symbol for these rights.

**What is the right value upon the commencement of trading?**

The opening price of the Rights is the difference between the Company's share closing price on the day preceding such rights

Listing, and the Offer Price (indicative Rights value). For example: If the closing price of a share on the preceding day is SAR (40) forty Saudi Riyals and the Offer Price is SAR (10) ten Saudi Riyals, the opening price of the Rights will, at the beginning of trading, be SAR (20) twenty Saudi Riyals (which is the difference between the above mentioned two prices).

**Who is a Registered Shareholder?**

Any shareholder who appears in the Company Shareholder Register at the close of second trading day following the Extraordinary General Assembly at which the capital increase has been approved.

**Can the registered shareholders subscribe for additional shares?**

Yes, the registered shareholders can subscribe for additional shares by purchasing new Rights through the market during the trading period.

**Is it possible for a shareholder to lose his eligibility to subscribe even if he has the right to attend the Extraordinary General Assembly and vote on increasing the capital through a rights issue?**

Yes, the shareholder loses his right to subscribe if he sells his shares on the day of the Extraordinary General Assembly meeting or one business day before it.

**How does the offering take place?**

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

**Can the eligible person subscribe to more shares than the rights owned by him?**

The eligible person cannot subscribe to more shares than the rights owned by him.

### **In the event that the Company's shares are owned through more than one investment portfolio, in which portfolio the Rights will be deposited?**

Rights will be deposited into the same portfolio where the related shares exist. For example, if a shareholder owns (1,000) (one thousand) shares in the Company, (800) of them in portfolio (A) and (200) in portfolio (B), then the total number of rights to be deposited are (2,000) (two thousands) rights considering that each share (2) rights. In this case, (1,600) one thousand six hundred rights will be deposited in portfolio (A) and (400) four hundred rights will be deposited in portfolio (B).

### **Are share certificate holders allowed to subscribe and trade?**

Yes, they are allowed to subscribe. However, they will only be able to trade after depositing their certificates in electronic portfolios through the recipient or the Tadawul's Securities Depository Center Company ("Edaa") and submitting the requisite documents.

### **Are additional Rights purchasers entitled to trade them once again?**

Yes, purchaser of additional rights may sell them and purchase other rights only during the trading period only.

### **Is it possible to sell part of the Rights Issue?**

Yes, the investor can sell part of these rights and subscribe to the remaining part.

### **When can a shareholder subscribe for the rights, he/she purchased during the rights trading period?**

After the close of the rights purchase settlement (which is two business days), provided that the subscription for Rights is completed during the subscription period.

### **Can the holder of Rights sell or assign the Rights after the end of the trading period?**

No, it cannot. After the expiry of the trading period, the Eligible Person may only exercise the right to subscribe to the Right issue shares, or not to exercise. In the event that the Right is not exercised, the investor may be subject to loss or Decrease in the value of his/her investment portfolio.

### **What happens to Rights that are unsold or unsubscribed during the trading and subscription period?**

In the event that the new shares are not fully subscribed during the subscription period, the remaining new shares shall be offered during the Rump Offering organized by the Lead Manager, and the compensation value (if any) is calculated for the rights owner after deducting the subscription price. Note that the investor may not receive any consideration if the sale is made in the Rump offering period at the offering price.

### **Who has the right to attend the Extraordinary General Assembly and vote to increase the Company's capital by offering Rights issue shares?**

A shareholder who is registered in the Company's shareholders' register at the Depository Center, after the end of the trading day of the Extraordinary General Assembly Day, has the right to attend the Extraordinary General Assembly and vote on increasing the Company's capital by offering Rights issue shares.

### **When is the share price adjusted as a result of the Company's capital increase by offering Right issue shares?**

The share price is adjusted by the market before the start of trading on the day following the day of the Extraordinary General Assembly.

### **If an investor purchases securities on the day of the assembly, is he entitled to obtain the Rights resulting from the issuer's capital increase?**

Yes, as the investor will be registered in the Company's shareholders' register two business days after the date of the shares' purchase (i.e., at the end of the second trading day following the day of the Extraordinary General Assembly meeting), bearing in mind that Right issue will be granted to all shareholders registered in the Company's shareholders' register at the end of trading the second trading day following the date of the Extraordinary General Assembly. However, he will not be entitled to attend or vote in the Extraordinary General Assembly of the capital increase.

**If the investor has more than one portfolio with more than one brokerage firm, how will the rights be calculated for him?**

The investor's share will be distributed among the portfolios that the investor owns, according to the percentage of ownership in each portfolio, and in case there are fractions, those fractions will be collected, and if you complete one or more integer numbers, the correct number is added to the portfolio in which the investor owns the largest amount of rights.

**What are the trading and subscription periods?**

Trading and subscription of rights begins at the same time until the end of trading on the sixth day, while the subscription continues until the ninth day, according to what is mentioned in this Prospectus and the Company's announcements.

**Is it possible to subscribe during the weekend?**

No, it is not possible.

**Can public investors other than registered shareholders subscribe to rights issue shares?**

Yes, after completing the purchase of Rights during the trading period.

**Additional Help:**

In the event of any inquiries, please contact the Company at [info@wafrah.com](mailto:info@wafrah.com),

For legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of issuing rights or even provide financial advice or Tax, legal or investment.

For more information on the terms, conditions and instructions of the offering, please see section (12) "Information Related to Shares and the Terms and Conditions of the Offering" and the rest of the information contained in this Prospectus.

## 12-10 Decisions and the Approvals According to Which Shares Will Be Offered

In its Resolution dated 10/10/1442H (corresponding to 22/05/2021G), the Company's Board of Directors recommended an increase in the Company's capital through an offering of Rights Issue with a value of one hundred and fifty-four million three hundred and forty thousand seven hundred (154,340,700) Saudi riyals.

On 15/11/1443H (corresponding to 14/06/2022G), the Company's EGA approved to increase the Company's capital through the issue of Right Shares. The subscription is represented by an offering of fifteen million four hundred and thirty-four thousand and seventy (15,434,070) new ordinary share at an offer price of ten (10) Saudi riyals per share, with a nominal value of ten (10) Saudi riyals, in order to increase the Company's capital from seventy-seven million, one hundred and seventy thousand three hundred and fifty (77,170,350) Saudi riyals to two hundred and thirty-one million five hundred and ten thousand and fifty (231,511,050) Saudi riyals, and to increase the number of shares from seven million seven hundred and seventeen thousand and thirty-five (7,717,035) ordinary shares to twenty-three million one hundred and fifty-one thousand one hundred and five (23,151,105) ordinary shares.

The Saudi Stock Exchange Company (Tadawul) approved the application for listing the new shares on 07/06/1443H (corresponding to 10/01/2022G). The publication of this Prospectus and all the supporting documents requested by the Authority have been approved on the announcing date on the Authority website on 03/09/1443H (corresponding to 04/04/2022G).

## 12-11 Miscellaneous Items

The subscription application and all related terms, provisions and undertakings shall be binding and for the benefit of their parties, their successors, assigners in their favor, the executors of trusts, administrators of estates and heirs. It is stipulated that, except for what is specifically stipulated in this Prospectus, the application or any rights,

interests or obligations arising from it, or delegated to them by any of the parties referred to in this publication, shall not be assigned to it without the written consent of any of the parties referred to in this publication.

These instructions, clauses, and any receipt of subscription application forms or contracts arising therefrom shall be subject to the laws of the Kingdom and shall be construed in accordance with them. This Prospectus may be distributed in both Arabic and English; in the event of a conflict between the Arabic text and the English text, the Arabic text of the Prospectus will be used.

## **12-12 Statement of Any Arrangements to Prevent Disposal of Certain Shares**

There are no arrangements in place to prevent the disposal of any shares.



## Change in Share Price as a Result of the Capital Increase

## 13- Change in Share Price as a Result of the Capital Increase

The closing price of the Company share on the day of the Extraordinary General Assembly is SR (114.00), and it is expected to reach SR (44.65) at the opening day of the following day; this change represents a decrease of (60.8%). In the event that any of the shareholders registered in the Company records in the depository center does not subscribe at the end of the second trading day following the date of the Extraordinary General Assembly, this will lead to a decrease in their ownership percentage.

The method for calculating the share price as a result of the capital increase is as follows:

### **First: Calculating the market value of the Company upon closing on the day of the Extraordinary General Assembly**

The number of shares at the end of the Extraordinary General Assembly Day X The closing price of the Company share on the day of the Extraordinary General Assembly = the market value of the Company at the close on the day of the Extraordinary General Assembly.

### **Second: Calculating the share price at the opening day of the day that follows the day of the Extraordinary General Assembly**

(The market value of the Company upon closing the day of the Extraordinary General Assembly + the value of the shares offered) / (the number of shares at the end of the day of the Extraordinary General Assembly + the number of shares offered for subscription) = the expected share price in the opening of the Ordinary General Assembly on the following day.



## Underwriting Undertakings

## 14- Underwriting Undertakings

### 14-1 About the Subscription Application and Undertakings

It is possible to subscribe using trading platforms or through any other means provided by the broker to the investors. The new shares will be subscribed in one stage according to the following:

1. During this period, all registered shareholders and new investors will be able to subscribe to the new shares.
2. The registered shareholder will be allowed to subscribe directly for the number of his shares during the subscription period, and if he buys new rights, he will be allowed to subscribe for them after the end of the settlement period (two working days).
3. New investors will be able to subscribe to the new shares immediately after the rights purchase is settled (two working days).
4. Subscription will be made available electronically through the investment portfolio in the trading platforms and applications through which the buying and selling orders are entered in addition to the subscription in the channels and other means available to the broker.

Each of the Right Issue gives its holder the right to subscribe to one new share, at the offering price. The subscriber to the new shares declares that he:

- has accepted all the terms and conditions of the subscription set forth in this Prospectus.
- has read this Prospectus and all its contents, carefully studied it and understood its content.
- has accepted the By-laws of the Company.
- will not cancel or amend the subscription application after its implementation.

### 14-2 Allocation Operations

Rights Issue Shares are allotted to the Eligible Persons based on the number of rights they have fully and correctly exercised. As for the beneficiaries of fractional shares, the fractional shares will be collected and offered to the Institutional Investors during the Rump Offering Period, and the total price for offering the Rump Shares will be paid to the Company. The remaining Proceeds from the sale of Rump Shares and fractional Shares (if any) (exceeding the Offering Price) will be distributed to those entitled, each according to what he deserves, no later than one day Thursday 06/01/1444H (corresponding to 04/08/2022G). In the event that shares remain unsubscribed after that, the underwriter will purchase those New Rump Shares, and they will be allocated to him, and there will be no compensation for investors who did not subscribe or did not sell their rights, and the owners of fractional shares during the Rump Offering Period.

Eligible persons should contact the Broker through which the subscription was made to obtain additional information. The allocation results will be announced no later than Sunday 18/12/1443H (corresponding to 17/07/2022G).

### 14-3 Saudi Tadawul Group (Tadawul)

The Saudi Tadawul Group (Tadawul), which was previously the Saudi Stock Exchange Company, announced on 25/08/1442H (corresponding to 07/04/2021G) its transformation into a holding company in the name of the Saudi Tadawul Group, with a new structure that supports the development of the future of the Saudi financial market and ensures its continuity of development, as an additional step towards the Group's readiness for the initial public offering during the current year 2021G. The Saudi Tadawul Group will include four subsidiaries: (Saudi Tadawul) as a Stock Market, the Securities Clearing Center Company (Muqassa), the Securities Depository Center Company (Edaa), and (Wamed) Company specialized in innovation-based technology services and solutions. The Group will benefit from the integration of the services of its subsidiaries and joint businesses, and the independence of the companies will provide a work environment characterized by flexibility and innovation to keep pace with the rapid developments in global markets.

The Tadawul System was established in 2001G as an alternative system to the electronic securities information system, and the electronic stock trading began in the Kingdom in 1990G. The trading process is carried out through an integrated electronic system, starting from the execution of the transaction and ending with its settlement. Trading takes place every working day of the week from Sunday to Thursday in one period from 10 am to 3 pm, during which orders are executed. Outside these times, orders are allowed to be entered, modified and canceled from 9:30 am until 10 am.

Transactions are executed through automated matching of orders, and orders are received and prioritized according to price. In general, market orders are executed first. They are the orders that contain the best prices, followed by the orders with a specific price, and if several orders are entered at the same price, they are executed according to the timing of the entry.

The Tadawul System distributes a comprehensive range of information through various channels, most notably the Tadawul website. Market data is provided instantly to well-known information providers such as "Reuters". The transactions are settled automatically within two working days according to (T+2).

The Company must disclose all decisions and important information to investors through the "Tadawul" System. The Tadawul System is responsible for monitoring the market, with the aim of ensuring fair trading and efficient market operations.

## 14-4 Trading the Company Shares in the Saudi Stock Exchange

An application was submitted with the CMA to register and offer the Right issue shares on the Saudi stock Exchange, and a request was made to the stock exchange (Tadawul) to be listed, and this Prospectus was approved, and all requirements were met.

It is expected to approve the registration and start trading in the Right issue shares in the Saudi stock Exchange after the final allocation of the Right issue shares has been completed. This will be announced in a timely manner on the Tadawul website. The dates mentioned in this Prospectus are preliminary and may be changed with the approval of the Capital Market Authority.

Although the existing shares are registered in the Saudi stock market and the Company is listed on the stock exchange (Tadawul), the new shares cannot be traded except after the final allocation of shares has been approved and deposited in the subscribers' portfolios. Trading in new shares prior to the approval of the allocation process is strictly prohibited.

The underwriters and the bidders of the Rump offering who deal in these prohibited trading activities bear full responsibility for them, and the Company will not bear any legal responsibility in this case.



## Documents Available for Preview

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## 15- Documents Available for Inspection

The documents listed below will be available for review at the Company's head office in Riyadh (Third Industrial City - Street 252 - Building 1), during the official working hours, from 7:30 am until 3:30 pm, from Sunday to Thursday, starting from the first working day after the EGA invitation, provided that this period shall not be less than 14 days prior to the date of the EGA meeting. These documents will remain available for inspection until the end of the offering:

### 15-1 Documents Related to Incorporation and Company Bylaws:

- The Company's Bylaws and amendments thereto.
- The Company's Commercial Registration Certificate.
- The Article of Association.

### 15-2 Approvals Related to the Offering

- A copy of the announcement of the Capital Market Authority's approval of the Rights Issue.
- The approval of the Saudi Stock Exchange (Tadawul) to list the Rights Issue Shares.
- The Board of Directors' recommendation to increase the Company's capital.
- The EGA Resolution approving the capital increase.

### 15-3 Reports, Letters and Documents

- Written approval by the financial advisor, lead manager, underwriter, legal advisor, and auditors, to include their names, logos, and any statements they have provided, in the Prospectus.
- Underwriting agreement and Lead Management agreement.
- The business plan for using the offering proceeds, which was prepared by Maven Investment Partners FZ LLC.

### 15-4 Financial Data

- The Company's audited financial statements for the fiscal years ended December 31, 2018G, December 31, 2019G, December 31, 2020G, and for the nine-month period ended September 30, 2021G, and the auditor's report.



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