

## Rights Issue Prospectus

### Arabian Pipes Company

Arabian Pipes Company (APC) is a Saudi joint stock company under the Ministerial Resolution No. (922) dated 18/11/1411H (corresponding to 01/06/1991G) and under Commercial Register No. (1010085734) dated 14/02/1412H (corresponding to 25/08/1991G).

Offering Thirty million (30,000,000) ordinary shares at an offer price of ten (10) Saudi Riyals per share by way of a Rights Issue, with a total value of three hundred million (300,000,000) Saudi Riyals, representing an increase of the Company's share capital by (300%) to reach four hundred million (400,000,000) Saudi Riyals.

Trading Period: Starts from xx/xx/1443H (corresponding to xx/xx/2022G) and ends on xx/xx/1443H (corresponding to xx/xx/2022G).

Subscription Period: starts from xx/xx/1443H (corresponding to xx/xx/2022G) and ends on xx/xx/1443H (corresponding to xx/xx/2022G).



Arabian Pipes Company (referred to hereunder as the "Company" or "APC") was initially incorporated as a closed joint stock company under the Ministerial Resolution No. (922) dated 18/11/1411H (corresponding to 01/06/1991G) which approved declaration of the Company incorporation. APC was registered in Commercial Registry of Riyadh City under No. (1010085734) on 14/02/1412H (corresponding to 25/08/1991G) and the trademark of "Arabian Pipes Company". The Company was listed at CMA on 26/06/1413H (corresponding to 21/12/1992G) and was listed on Tadawul on 05/07/1419H (corresponding to 25/10/1998G). The head office of the Company is located at the City of Riyadh, New Industrial City, P.O. Box 42734, 11551 Riyadh, Kingdom of Saudi Arabia. Current capital of APC is (SAR 100,000,000) one hundred million Saudi Riyals divided into (10,000,000) ten million ordinary shares at a nominal value of (SAR 10) ten Saudi Riyals per share fully paid (hereinafter referred to individually as "Current Share" and collectively as "Current Shares"). As at the date of this Prospectus, the company has no substantial shareholders (holding 5% or more of the Company's shares).

After reducing the capital from four hundred million (400,000,000) Saudi riyals to one hundred million (100,000,000) Saudi riyals, the company's board of directors recommended increasing the company's capital through rights shares of three hundred million (300,000,000) Saudi riyals, after obtaining all the necessary regulatory approvals and the approval of EGM.

On xx/xx/1443H (corresponding to xx/xx/2022G), the EGM approved to increase the Company's share capital through a Rights Issue. The subscription will be through offering thirty million (30,000,000) new ordinary shares (referred to as "Rights Shares" or "New Shares") at an offer price of ten (10) Saudi Riyals per share (referred to as "Offer Price"), with a nominal value of ten (10) Saudi Riyals, to increase the company's capital from (SAR 100,000,000) one hundred million Saudi riyals to (SAR 400,000,000) four hundred million Saudi riyals, and increase the number of shares from (10,000,000) ten million ordinary shares to (40,000,000) forty million ordinary shares.

The Rights will be issued in the form of tradable securities (collectively "Rights" and individually "Right") to the Company's shareholders as at the close of trading on the date of the EGM to increase the capital ("Eligibility Date") and those who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the date of the EGM approving the capital increase on xx/xx/1443H (corresponding to xx/xx/2022G) (individually "Registered Shareholder" and collectively "Registered Shareholders"). Such Rights will be deposited into the Registered Shareholders' portfolios after the EGM meeting, noting that settlement procedures will be in the amount of (3) Rights for each (1) share of the Company. Each Right grants its holder the right to subscribe to one New Share at the Offer Price.

All Registered Shareholders and other investors ("New Investors"), who may trade the Rights and subscribed to the New Shares, will be able to trade and subscribe to the Rights in the Saudi Stock Exchange ("Tadawul" or "Market"). The trading period and subscription period will commence from xx/xx/1443H (corresponding to xx/xx/2022G), provided that the trading period ends on xx/xx/1443H (corresponding to xx/xx/2022G) ("Trading Period"), while the subscription period will continue until the end of xx/xx/1443H (corresponding to xx/xx/2022G) ("Subscription Period"). It is important to note that the Trading Period and the Subscription Period will start on the same day while the Trading Period continues until the end of the sixth day of the period, and the Subscription Period continues until the end of the ninth day of the same period.

During the Trading Period, the Registered Shareholders will be able to trade the Rights by selling the acquired Rights or part thereof or buying additional Rights through the Market or abstain from taking any action regarding the shares they hold. In addition, New Investors will be able to buy and sell the Rights during trading period through the Market.

The subscription to New Shares during the Subscription Period would be through one phase according to the following:

- 1) During this period, all Registered Shareholders and New Investors will be allowed to subscribe to the New Shares.
- 2) The Registered Shareholder will be entitled to subscribe directly to the number of his / her shares or less than the number of his / her shares during the Subscription Period. If the Registered Shareholder buys new Rights, the Registered Shareholder will be able to subscribe to them by the end of the settlement period (two working days).
- 3) New investors will be entitled to subscribe to the new shares immediately after settling the rights purchase (two working days).
- 4) Subscription will be available electronically through investment portfolios in the trading platforms and applications, through which the sale and purchase of orders are entered, as well as through other channels and means provided by the broker.

If any shares remain unsubscribed after the end of the Subscription Period ("Rump Shares"), they will be offered to a number of institutional investors ("Institutional Investors") (referred to as "Rump Offering"). Such Institutional Investors shall submit their offers for purchasing the Rump Shares and the receipt of those offers shall commence at 10:00 AM on xx/xx/1443H (corresponding to xx/xx/2022G) and continue until 5:00 PM on xx/xx/1443H (corresponding to xx/xx/2022G) ("Rump Offering Period"). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer until all of the Rump Shares have been allocated (provided that the price shall not be less than the Offer Price). The Rump Shares shall be allocated on a

pro-rata basis among Institutional Investors that provided offers at the same price. The fractional shares shall be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offer Price) for the eligible persons, as per their entitlement on a pro-rata basis no later than xx/xx/1443H (corresponding to xx/xx/2022G). Noting that investors who did not subscribe to or sell his/her rights, and those holding fractional shares, may not receive any consideration in case of sale at offer price during the rump share period.

In the event that the Institutional Investors did not subscribe to all of the Rump Shares and fractional shares, then these shares shall be allocated to the Underwriter, who shall subscribe for such shares at the Offer Price (Please refer to Section (Error! Reference source not found.) "Details on Shares and Subscription Terms and Conditions"). The final allocation will be announced no later than xx/xx/1443H (corresponding to xx/xx/2022G) ("Allocation Date") (Refer to Section (Error! Reference source not found.) "Details on Subscription Terms and Conditions").

After the completion of subscription process, the company's capital will become four hundred million (400,000,000) Saudi riyals, divided into forty million (40,000,000) ordinary shares with a nominal value of (10) Saudi riyals per share. The net offering proceeds will be used mainly to support the expansion of the company's activity, to provide working capital, and pay to suppliers and banks, as well as investment amounts. (Please refer to Section (Error! Reference source not found.) "Use of Proceeds and Future Plans").

The Company has one class of shares. No Shareholder shall have any preferential rights. The New Shares will be fully paid in value and will be exactly equal to outstanding shares. Each share entitles its holder to one vote and each shareholder of the Company ("Shareholder") has the right to attend and vote at the Shareholders' General Assembly meetings (ordinary or extraordinary). The Shareholders holding the New Shares will be entitled to any dividends declared by the Company from the start of Subscription, if any.

On 26/06/1413H (corresponding to 21/12/1992G), the company was listed on Tadawul. On 05/07/1419H (corresponding to 25/10/1998G), the EGM approved the increase of APC capital from (SAR 70,000,000) seventy million Saudi Riyals to (SAR 140,000,000) one hundred forty million Saudi Riyals by way of issuance of rights shares for (SAR 70,000,000) seventy million Saudi Riyals at an increase rate of 100% of the Company's capital. On 24/12/1424H (corresponding to 26/01/2004G), APC Third Extraordinary General Assembly approved increase of the Company's capital from (SAR 140,000,000) one hundred forty million Saudi Riyals to (SAR 210,000,000) two hundred ten million Saudi Riyals by way of issuance of rights shares at (140,000,000) one hundred forty million new shares at a nominal value of (SAR 50) Saudi Riyals per share to be paid in full in a total amount of (SAR 70,000,000) seventy million Saudi Riyals. Consequently, the Company's shares increased from (2,800,000) two million and eight hundred thousand shares to (4,200,000) four million and two hundred thousand shares. On 28/08/1425H (corresponding to 12/10/2004G), APC EGM approved increase of the Company's capital from (SAR 210,000,000) two hundred ten million Saudi Riyals to (SAR 315,000,000) three hundred fifteen million Saudi Riyals by way of issuance of rights shares at (2,100,000) two million one hundred thousand shares at a total value of (SAR 105,000,000) one hundred and five million Saudi Riyals. Consequently, the Company's shares increased from (4,200,000) four million two hundred thousand shares to (6,300,000) six million three hundred thousand shares. On 21/07/1433H (corresponding to 11/06/2012G), APC Shareholders General Assembly approved increase of the Company's capital from (SAR 315,000,000) three hundred fifteen million Saudi Riyals to (SAR 400,000,000) four hundred million Saudi Riyals by way of issuance of (8,500,000) eight million and five hundred thousand shares in an amount of (SAR 85,000,000) eighty-five million Saudi Riyals. Consequently, the Company's shares increased from (31,500,000) thirty one million five hundred thousand shares to (40,000,000) forty million nominal shares at a nominal share of (SAR 10) ten Saudi Riyals by way of granting a bonus share against each (3.7058) existing shares owned by the Shareholders recorded in the Shareholders' Register by the end of EGM date.

The company's outstanding shares are currently traded on the Saudi Stock Exchange. The Company has filed an application with the Saudi Capital Market Authority ("CMA") for registering and offering the New Shares. Another application has been submitted by the Company with Tadawul to accept the listing of the New Shares. This Prospectus has been approved as all the required documents have been submitted and all the requirements of the relevant authorities have been fulfilled. The trading of New Shares is expected to commence on Tadawul shortly after the final allocation of New Shares and refund of extra subscriptions (please refer to page (P) "Key Dates and Subscription Procedures" of this Prospectus). Upon registering and listing of the New Shares, Saudi nationals; non-Saudi nationals holding valid residence permits in Saudi Arabia; GCC nationals, Saudi and GCC companies and funds and Qualified Foreign Financial Investors and Approved QFI Clients will be permitted to trade in the Shares pursuant to the CMA's Rules for Qualified Foreign Financial Institutions Investment in Listed Shares will be permitted to trade the New Shares. Furthermore, other categories of foreign investors are entitled to the economic benefits associated with the New Shares by concluding swap agreements with persons authorized by CMA (the "Licensed Person"), noting that the Licensed Person shall in such case be the registered legal owner of shares.

The "Important Notice", in page (A), and Section (2) "Risk Factors" of this Prospectus together with the entirety of the Prospectus should be read carefully prior to making a decision to invest in the New Shares offered hereunder.

Financial Advisor, Lead Manager, and Underwriter





## Important Notice

This prospectus (the "Prospectus") contains full details of APC and rights shares offered for subscription. In subscribing to the Rights Shares, investors shall be treated as applying on the basis of the information contained in this Prospectus, copies of which are available at the head office of the Company, the Lead Manager, or by visiting the company's website ([www.arabian-pipes.com](http://www.arabian-pipes.com)), Financial Advisor's website ([www.yaqeen.sa](http://www.yaqeen.sa)), or CMA's website ([www.cma.org.sa](http://www.cma.org.sa)).

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

The Company has appointed ("Yaqeen Capital") as a financial advisor ("Financial Advisor"), lead manager ("Lead Manager"), and Underwriter ("Underwriter") regarding the offering of Rights Shares to increase the Company's capital under this Prospectus.

This Prospectus includes information given in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by CMA. The Directors, whose names appear on page (D) collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts that omission of which would make any statement herein misleading. CMA or Tadawul will not take any responsibility for the contents of this Prospectus and will 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 studies and enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, substantial portions of the information referenced herein are derived from external sources. While none of the Company, its directors, Financial Advisor, or the Company's advisors, whose names appear on Pages (F) and (G) of this Prospectus ("Advisors"), have any reason to believe that any of the market and industry information is materially inaccurate, However, this information has not been independently verified. Accordingly, no representations or assurances are made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus, as of the date of its publication, is subject to change. In particular, the financial condition of the Company and the value of Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control (Please refer to Section (2) - ("Risk Factors" of this Prospectus). Neither this Prospectus nor any oral or written communication in relation to the Rights 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 should not be regarded as a recommendation by the Company or any of its directors or its Advisers, to participate in the subscription process to the Right issue shares. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial condition, or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus shall obtain independent professional advice from a financial adviser licensed by CMA in relation to subscribing for the New Shares in order to assess the appropriateness of investment opportunity and information herein, with regard to the recipient's respective objectives, financial positions, and needs.

All the Registered Shareholders and other public investors ("New investors") who may trade in the Rights and subscribe for the New Shares, will be able to trade and subscribe to Right issue shares on Tadawul Group ("Tadawul", "Market" or "Saudi Tadawul"). The trading period and subscription period which both will commence on **xx/xx/1443H** (corresponding to **xx/xx/2022G**), where the trading period will end on **xx/xx/1443H** (corresponding to **xx/xx/2022G**) ("Trading Period"), and the subscription period will continue until the end of **xx/xx/1443H** (corresponding to **xx/xx/2022G**) ("Subscription Period"). It is important to note that the Trading Period and the Subscription Period will start on the same day while the Trading Period continues until the end of the sixth day of the period, and the Subscription Period continues until the end of the ninth day of the same period.



During the Trading Period, the Registered Shareholders will be able to trade the Rights by selling the acquired Rights or part thereof or buying additional Rights through the Market. In addition, New Investors will be able to buy and sell the Rights during trading period through the Market.

The subscription to New Shares during the Subscription Period would be through one phase according to the following:

- 1) During this period, all Registered Shareholders and New Investors will be allowed to subscribe to the New Shares.
- 2) The Registered Shareholder will be entitled to subscribe directly to the number of his / her shares during the Subscription Period. If the Registered Shareholder buys new Rights, the Registered Shareholder will be able to subscribe to them by the end of the settlement period (two working days).
- 3) New investors will be entitled to subscribe to the new shares immediately after settling the rights purchase (two working days).
- 4) Subscription will be available electronically through investment portfolios in the trading platforms and applications, through which the sale and purchase of orders are entered, as well as through other channels and means provided by the broker.

If any shares remain unsubscribed after the end of the Subscription Period ("Rump Shares"), they will be offered to a number of institutional investors ("Institutional Investors") (referred to as "Rump Offering").

Such Institutional Investors shall submit their offers for purchasing the Rump Shares and the receipt of those offers shall commence at 10:00 AM on xx/xx/1443H (corresponding to xx/xx/2022G) and continue until 5:00 PM on xx/xx/1443H (corresponding to xx/xx/2022G) ("Rump Offering Period").

The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer until all of the Rump Shares have been allocated (provided that the price shall not be less than the Offer Price). The Rump Shares shall be allocated on a pro-rata basis among Institutional Investors that provided offers at the same price.

The fractional shares shall be added to the Rump Shares and treated in the same manner. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offer Price) for the eligible persons, as per their entitlement on a pro-rata basis no later than xx/xx/1443H (corresponding to xx/xx/2022G).

Noting that investors who did not subscribe to or sell his/her rights, and those holding fractional shares, may not receive any consideration in case of sale at offer price during the rump share period.

In the event that the Institutional Investors did not subscribe to all of the Rump Shares and factional shares, then these shares shall be allocated to the Underwriter, who shall subscribe for such shares at the Offer Price (Please refer to Section (Error! Reference source not found.) "Details on Shares and Subscription Terms and Conditions").

The final allocation will be announced no later than xx/xx/1443H (corresponding to xx/xx/2022G) ("Allocation Date") (Refer to Section (Error! Reference source not found.) "Details on Subscription Terms and Conditions" of this Prospectus).

The offering of Rights under this Prospectus is contingent on the shareholder's approval to increase the share capital in accordance with the board's recommendation and the Company's obtaining regulatory approvals. An invitation was sent to hold an Extraordinary General Assembly Meeting (EGM) to increase the capital through a Rights Issue on 20/09/1443H (corresponding to 21/04/2022G). The Shareholders should note that if the shareholders' approval is not obtained to increase the capital through a Rights Issue, the Rights Issue will automatically stop. In such case, this Prospectus shall be considered void and shareholders will be notified accordingly.

## Financial Information

The company's audited financial statements for the financial years ended December 31, 2018G, audited financial statements ended on December 31, 2019G, audited financial statements ended December 31, 2020G, and initial summary financial statements for the six-month period ended on June 30, 2021G have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted in the kingdom of Saudi Arabia, and other standards and issuances approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The company's financial statements for the financial years ending on December 31, 2018G and 2020G, were assured and audited, and the Reviewed financial statements for the period ending on June 30, 2021G were prepared by Ibrahim Ahmed Al-Bassam & Partners Chartered Accountants - Al Bassam & Co. The company's financial statements for the financial year ending on December 31, 2019G, were assured and audited by Associated Accountants. The company issues its financial statements in Saudi riyals.

Some financial and statistical information contained in this Prospectus is rounded to the nearest decimal point. Therefore, in case of summing up the amounts presented in tables, it may not be exactly equivalent to the corresponding percentages as stated in the Prospectus.

## Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain assumptions that have been identified and declared in relevant topics. The Company's future conditions may differ from the assumptions used, and no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements contained in this Prospectus represent statements on prospects. Such statements can be identified by their use of forward-looking words such as "will", "may", "plans", "intends", "estimates", "believes", "expects", "anticipates", "should", "would be", or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events and are not a guarantee or confirmation of the Company's future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The most important risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (Refer to Section (2) "Risk Factors"). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the Prospectus has been approved by the CMA and before listing its shares on Tadawul, the Company becomes aware that: (1) There has been a significant change in material matters contained in this Prospectus or, (2) additional important matters that should have been included in this Prospectus. Except for both aforementioned circumstances, the Company does not intend to update or otherwise revise any information contained in this Prospectus, whether as a result of new information, future events, or other information related to the company, sector, or risk factors.



## Company's Directory

Board Members									
The Company's Board assigned on 10/10/1442H (corresponding to 22/05/2021G)*									
Name	Position	Status of membership and Independence	Nationality	Age	Shares				Membership date
					Direct		Indirect		
					No.	%	No.	%	
Youssef Saleh Mansour Abalkhail**	Chairman Board of Directors	Non-executive non-independent	Saudi	64	4,000	0.01%	-	-	22/05/2021G
Khalid Abdullah Rashid Abunayyan**	Vice Chairman Board of Directors	Non-executive non-independent	Saudi	64	-	-	-	-	22/05/2021G
Azzam Saud Suleiman Al-Mudaihim	Board member	Non-executive non-independent	Saudi	51	1,269	0.003%	-	-	22/05/2021G
Saad Falah Murie Al-Qahtani	Member Board of Directors	Non-executive independent	Saudi	53	500	0.001%	-	-	22/05/2021G
Ahmed Ali Abdul Karim Al-Luhaidan	Member Board of Directors	Executive /non-independent	Saudi	58	-	-	-	-	22/05/2021G
Musa Abdullah Bard Al-Ruwaili	Member Board of Directors	Non-executive independent	Saudi	48	500	0.001%	-	-	22/05/2021G
Abdullah Mohammed Hilal Al-Harbi***	Member Board of Directors	Independent Non-executive	Saudi	32	-	-	-	-	22/05/2021G
Faisal Mohammed Hilal Al-Harbi	Member Board of Directors	Non-executive non-independent	Saudi	39	-	-	-	-	22/05/2021G

Source: The Company

\* The EGM, in its meeting held on 15/09/1442H (corresponding to 27/04/2021G), approved the election of the above-mentioned board members for the current session, which began on 10/10/1442H (corresponding to 22/05/2021G) and for a period of three years ending on 13/11/1445H (corresponding to 21/05/2024G).

\*\* The company's board of directors decided, in its meeting held on 13/10/1442H (corresponding to 25/05/2021G), to appoint Mr. Youssef Saleh Mansour Abalkhail as Chairman of the Board of Directors, and to appoint Mr. Khalid Abdullah Rashid Abunayyan as Vice Chairman.

\*\*\* Board Member Mr. Abdullah Mohammed Hilal Al-Harbi is classified as an independent on Tadawul website. For more information, please refer to Section (10.5.1) of Section (10) "Legal Information" of the prospectus.

## Company's Address and Representatives

### Arabian Pipes Company

Riyadh - The New Industrial city

P.O. Box 42734 - Riyadh 11551

Kingdom of Saudi Arabia

Tel: +966 11 2650123

Fax: +966 11 2650321

Email: info@arabian-pipes.com

Website: www.arabian-pipes.com



## COMPANY'S REPRESENTATIVES

STATEMENT	FIRST AUTHORIZED COMPANY REPRESENTATIVE	SECOND AUTHORIZED COMPANY REPRESENTATIVE
NAME	Saad Falah Murie Al-Qahtani	Ahmed Ali Abdul Karim Al-Luhaidan
CAPACITY	Board member	Chief Executive Officer (CEO)
ADDRESS	Riyadh - The New Industrial City P.O. Box 42734 - Riyadh 11551 Kingdom of Saudi Arabia	Riyadh - The New Industrial City P.O. Box 42734 - Riyadh 11551 Kingdom of Saudi Arabia
TEL	+966 11 2650123      Ext: 226	+966 11 2650123      Ext: 225
FAX	+966 11 2650321	+966 11 2650321
MOBILE	0556116440	0505470476
E-MAIL	saadalfalah@gmail.com	a.lohaidan@arabian-pipes.com

Source: The Company

## Stock market

### Saudi Tadawul Group (Saudi Tadawul)

King Fahad Road, Al Ulaya 6897

Unit no.: 15

Riyadh 12211-3388

Kingdom of Saudi Arabia

Tel: +966 920001919

Fax: +966 11 2189133

Email: [csc@saudiexchange.sa](mailto:csc@saudiexchange.sa)

Website: [www.saudiexchange.sa](http://www.saudiexchange.sa)



## Advisord and Auditors

### Financial Advisor, Lead Manager, and Underwriter

#### Yaqeen Capital

Riyadh- Al Woroud District - Al Ulaya Street

P.O Box 884 Riyadh 11421

Kingdom of Saudi Arabia

Tel: +966 8004298888

Fax: +966 11 2054827

E-mail: [Info@falcom.com.sa](mailto:Info@falcom.com.sa)

Website: [www.yaqeen.sa](http://www.yaqeen.sa)





## Legal Advisor

### Alsaleh, Alsahli & Partners Law Firm.

King Abdullah Road, Al Wurud District  
P.O Box 90549 Riyadh 11623  
Kingdom of Saudi Arabia  
Tel: +966 11 2054555  
Fax: +966 11 2054222  
Email: corporate@ssfirms.com.sa  
Website: www.ssfirms.com.sa

الصالح والسهلي  
للمحاماة والاستشارات القانونية  
Alsaleh & Alsahli Law Firm



## Auditor

### Of financial statements for Financial year ending on December 31, 2018G

### Ibrahim Ahmed Al-Bassam & Partners Chartered Accountants - Al Bassam & Co.

Riyadh Al-Sulaymaniyah District - Prince Abdulaziz bin Musa'ed Street  
P.O. Box 69658, Riyadh 11557  
Kingdom of Saudi Arabia  
Tel: +966 11 2065333  
Fax: +966 11 2065444  
Email: info.sa@pkf.com  
Website: www.pkfalbassam.com



شركة إبراهيم أحمد البسام وشركاؤه  
محاسبون قانونيون - البسام وشركاؤه  
(عضو بي كي اف العالمية)

## Auditor

### Of financial statements for Financial year ending on December 31, 2019G

### Associated Accountants

King Abdullah Road, Al Wurud District  
P.O Box 60930 Riyadh 12271  
Kingdom of Saudi Arabia  
Tel: +966 460 11 2551  
Fax: +966 460 11 2470  
Email: info@aacpa.com.sa  
Website: www.aacpa.com.sa



شركة المحاسبون المتضامنون  
حمود الربيعان وشركاه - محاسبون قانونيون واستشاريون  
ASSOCIATED ACCOUNTANTS  
Houmod Al Robian and Co. - Certified Accountants and Consultants

**Auditor**

**Of financial statements for Financial year ending on December 31, 2020G  
and the Six-month period ending on June 30, 2021G**

**Ibrahim Ahmed Al-Bassam & Partners Chartered Accountants - Al Bassam & Co.**

Riyadh Al-Sulaymaniyah District - Prince Abdulaziz bin Musa'ed Street

P.O. Box 69658, Riyadh 11557

Kingdom of Saudi Arabia

Tel: +966 11 2065333

Fax: +966 11 2065444

Email: info.sa@pkf.com

Website: www.pkfalbassam.com



شركة إبراهيم أحمد البسام وشركاؤه  
محاسبون قانونيون - البسام وشركاؤه  
(عضو بي كي اف العالمية)

**Note:**

The above Advisors have provided their written consent to the publication of their names, addresses and logos in the Prospectus, and none of them has withdrawn such consent as at the date of this Prospectus. None the abovementioned Advisors, auditors, their employees, or any of their relatives, have any shareholding or interest of any kind in the Company as of the date of this Prospectus.

## Offer Summary

Investors wishing to subscribe to the offered shares should carefully read this entire Prospectus before making their decision whether to subscribe to the rights or not, as the summary of the offer is insufficient for making an investment decision. Below is the summary of the Offering:

<p><b>Issuer's Name, Description, and Information on its Incorporation</b></p>	<p>Arabian Pipes Company ("APC") was initially incorporated as a closed joint stock company under the Ministerial Resolution No. (922) dated 18/11/1411H (corresponding to 01/06/1991G) which approved declaration of the Company incorporation. APC was registered in Commercial Registry of Riyadh City under No. (1010085734) on 14/02/1412H (corresponding to 25/08/1991G) and the tradename of "Arabian Pipes Company". On 26/06/1413H (corresponding to 21/12/1992G), APC was listed on Saudi Tadawul and it started the trading of its shares having obtained the approvals of the Ministry of Commerce and Saudi Arabian Monetary Agency. On 05/07/1419H (corresponding to 25/10/1998G), the EGM approved the increase of APC capital from (SAR 70,000,000) seventy million Saudi Riyals to (SAR 140,000,000) one hundred forty million Saudi Riyals by way of issuance of rights shares for (SAR 70,000,000) seventy million Saudi Riyals at an increase rate of (100%) of the Company's capital. On 24/12/1424H (corresponding to 26/01/2004G), APC Third Extraordinary General Assembly approved increase of the Company's capital from (SAR 140,000,000) one hundred forty million Saudi Riyals to (SAR 210,000,000) two hundred ten million Saudi Riyals by way of issuance of rights shares at (140,000,000) one hundred forty million new shares at a nominal value of (SAR 50) Saudi Riyals per share to be paid in full in a total amount of (SAR 70,000,000) seventy million Saudi Riyals. Consequently, the Company's shares increased from (2,800,000) two million and eight hundred thousand shares to (4,200,000) four million and two hundred thousand shares. On 28/08/1425H (corresponding to 12/10/2004G), APC EGM approved increase of the Company's capital from (SAR 210,000,000) two hundred ten million Saudi Riyals to (SAR 315,000,000) three hundred fifteen million Saudi Riyals by way of issuance of rights shares at (2,100,000) two million one hundred thousand shares at a total value of (SAR 105,000,000) one hundred and five million Saudi Riyals. Consequently, the Company's shares increased from (4,200,000) four million two hundred thousand shares to (6,300,000) six million three hundred thousand shares. On 21/07/1433H (corresponding to 11/06/2012G), APC Shareholders' EGM approved increase of the Company's capital from (SAR 315,000,000) three hundred fifteen million Saudi Riyals to (SAR 400,000,000) four hundred million Saudi Riyals, with an increase of (27%), through issuance of (8,500,000) eight million and five hundred thousand shares in an amount of (SAR 85,000,000) eighty-five million Saudi Riyals. Consequently, the Company's shares increased from (31,500,000) thirty-one million five hundred thousand shares to (40,000,000) forty million nominal shares at a nominal share of (SAR 10) ten Saudi Riyals by way of granting a bonus share against each (3.7058) existing shares owned by the Shareholders registered in the Shareholders' Register by the end of EGM date. The Company's head office is located at Riyadh, The New Industrial City, P.O Box 42734, Riyadh 11551, Kingdom of Saudi Arabia.</p>
<p><b>Issuer's activities</b></p>	<p>The Company practices its activities under the Commercial Register No. (1010085734) dated 14/02/1412H (corresponding to 25/08/1991G).</p> <p>Pursuant to the Company's articles of associations, the main activities are exercising and implementing the following:</p> <ol style="list-style-type: none"> <li>1) Production and marketing of ERW and SAW steel pipes for pipelines and for constructional and commercial purposes;</li> <li>2) Establishment of metal industries;</li> <li>3) Bending, forming, threading and coupling of pipes;</li> </ol>



	<div>4) Internal and external coating of pipes;</div> <div>5) Performing commercial activities such as sale and purchase of pipes (including their accessories and consumables);</div> <div>6) Carrying out pipeline extension works;</div> <div>7) Purchase of land to set up and invest buildings by way of sale or rent them in favor of APC; and</div> <div>8) Maintenance, cleaning, operation and catering contracting</div> <div>The company exercises its activities in accordance with applicable laws and after obtaining the necessary licenses from the competent authorities, if any.</div> <div>The company exercises its activities through its head office and branches, established within the Kingdom according to the applicable regulations. (For more information, please refer to Subsection (3.3) "Company's main activities" of Section (3) "Overview of the Company and Nature of its Business" of this Prospectus).</div>																		
Substantial Shareholders in the Issuer, their number of shares and percentages prior to the offering	As at the date of this Prospectus, the company has no substantial shareholders.																		
Nature of the Offering	Increasing the Company's capital by issuing Rights Shares.																		
Purpose of the offering	The company aims, through increasing its capital by offering rights shares, to support the expansion of the company's activity by injecting new funds to provide working capital, pay to suppliers, banks, as well as investment amounts. (Please refer to Section (Error! Reference source not found.) - "Use of Proceeds and Future Plans").																		
Total Estimated Proceeds, Breakdown Analysis and Description of its Potential Use.	<div>The total Offering proceeds of the Rights Issue are expected to reach three hundred million (SAR 300,000,000) Saudi Riyals. The net offering proceeds will be used mainly to support the expansion of the company's activity, to provide working capital, and pay to suppliers and banks, as well as investment amounts.</div> <div>The table below sets out the suggested usage of proceeds:</div> <table><tr><th>Use</th><th>Value (SAR in 000's)</th><th>%</th></tr><tr><td>Working capital</td><td>85,000</td><td>28.33%</td></tr><tr><td>Investment amounts</td><td>60,000</td><td>20.00%</td></tr><tr><td>Payment to suppliers and banks</td><td>150,000</td><td>50.00%</td></tr><tr><td>Offering Costs</td><td>5,000</td><td>1.67%</td></tr><tr><td>Total</td><td>300,000</td><td>100.00%</td></tr></table> <div>Source: The Company</div> <div>(For more information, please refer to Section (Error! Reference source not found.) - "Use of Proceeds and Future Plans").</div>	Use	Value (SAR in 000's)	%	Working capital	85,000	28.33%	Investment amounts	60,000	20.00%	Payment to suppliers and banks	150,000	50.00%	Offering Costs	5,000	1.67%	Total	300,000	100.00%
Use	Value (SAR in 000's)	%																	
Working capital	85,000	28.33%																	
Investment amounts	60,000	20.00%																	
Payment to suppliers and banks	150,000	50.00%																	
Offering Costs	5,000	1.67%																	
Total	300,000	100.00%																	
Offering Costs	Offering costs are expected to reach five million (5,000,000) Saudi Riyals, including fees of the Financial Advisor, Lead Manager, Underwriter, Legal Advisor, Professional Financial Care Consultant, CMA fees, marketing, printing and distribution expenses, as well as other related expenses. (Please refer to Section (Error! Reference source not found.) - "Use of Proceeds and Future Plans").																		

Net Proceeds	The net proceeds are expected to reach two hundred and ninety-five million (295,000,000) Saudi riyals. (Please refer to Section (Error! Reference source not found.) - "Use of Proceeds and Future Plans").
Company's Capital Prior to the Offering	One hundred million (100,000,000) Saudi riyals.
Company's Capital Post the offering	Four hundred million (400,000,000) Saudi riyals.
Total Number of Issuer's Shares Prior to the Offering	Ten million (10,000,000) ordinary shares paid in full.
Total number of Issuer's Shares Post to the Offering	Forty million (40,000,000) ordinary shares paid in full.
Nominal Value Per Share	Ten (10) Saudi riyals per share.
Total offered shares	Thirty million (30,000,000) ordinary shares paid in full.
Percentage of offered shares to Issuer's capital	300% of Issuer's capital prior to the offering.
Offering price	Ten (10) Saudi riyals per share.
Total Offering Value	Three hundred million (300,000,000) Saudi riyals.
Number of Underwritten Shares	Thirty million (30,000,000) ordinary shares.
Total Value of Underwritten Shares	Three hundred million (300,000,000) Saudi riyals.
Categories of Targeted Investors	Registered Shareholders and New Investors
Registered Shareholders	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly on capital increase and are registered in the Company's Shareholders Register held with the Depository Center at the end of the second trading day following the Extraordinary General Assembly on capital increase dated xx/xx/1443H (corresponding to xx/xx/2022G).
New Investors	General Individual and institutional investors - with the exception of the Registered Shareholders - who have purchased the Rights Issue during the Trading Period.
the Rights	Rights are tradable securities that entitle its holders the right to subscribe to New Shares upon approval of the capital increase. It is an earned right for all Registered Shareholders. The Rights may be traded during the Trading period. Each Right entitles its holder to subscribe to one share of the New Shares at the Offer Price. Rights will be deposited in registered shareholders' portfolio after the Extraordinary General Assembly for the capital increase has convened. These rights will appear in the Registered Shareholders' portfolios under a new priority right-related symbol.
Number of Rights Issued	Thirty million (30,000,000) rights.
Eligibility factor	Each registered shareholder shall be entitled to (3) rights per each (1) share owned by the Registered Shareholders. This factor is the result of dividing the number of New Shares by the number of the current shares of the Company.
Eligibility Date	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly for the capital increase and are registered in the Company's Shareholders Register at the end of the second trading day

	following the Extraordinary General Assembly on capital increase dated xx/xx/1443H (corresponding to xx/xx/2022G).
Trading Period	The Trading Period will start on xx/xx/1443H (corresponding to xx/xx/2022G), and it will continue until the end of day on xx/xx/1443H (corresponding to xx/xx/2022G). During this period, all Rights holders, whether registered investors or new investors, may trade or subscribe to the Rights.
Subscription Period	The Trading Period will start on xx/xx/1443H (corresponding to xx/xx/2022G), and it will continue until the end of day on xx/xx/1443H (corresponding to xx/xx/2022G). During this period, all rights holders, whether they are registered investors or new investors, may exercise their right to subscribe to the New Shares.
How to apply	Subscription applications are submitted electronically via financial brokers' websites and platforms that provide such services for subscribers or by any other means provided by the brokers
Exercising Subscription to the rights	<p>Eligible Persons may subscribe for the New Rights Shares through electronic subscription via financial brokers' websites and platforms that provide such services for subscribers or by any other means provided by the brokers. Eligible Persons may exercise their rights as follows:</p> <ol style="list-style-type: none"> <li>1) During the Subscription Period, registered shareholders may exercise the rights granted to them and any additional rights purchased thereby during the Trading Period by subscribing to the new shares. They will also be entitled to take no action in respect of the Rights they hold.</li> <li>2) During the Subscription Period, new shareholders may exercise the Rights purchased thereby during the Trading Period through subscription to new shares. They will also be entitled to take no action in respect of the Rights they hold.</li> </ol> <p>In the event that new shares are not subscribed by registered shareholders or new investors during the subscription period, the Rump Shares resulting from the unexercised Rights will be offered in the Rump Offering Period.</p>
Indicative Value of a Right	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. Tadawul will continuously calculate and publish the indicative value of a Right during the Trading Period on its website with a 5-minute delay. The market information providers will also publish this information, which will allow investors to be informed of the indicative value of a Right when entering orders.
Trading Price of the Right	The trading price of a Right as determined by the supply and demand mechanism in the market. Therefore, it may differ from the indicative value of a right.
Rump Offering	If any shares remain unsubscribed after the end of the Subscription Period ("Rump Shares"), they will be offered to a number of institutional investors ("investment institutions") Such Institutional Investors shall submit their offers for purchasing the Rump Shares and the receipt of those offers shall commence at 10:00 AM on xx/xx/1443H (corresponding to xx/xx/2022G) and continue until 5:00 PM on xx/xx/1443H (corresponding to xx/xx/2022G) ("Rump Offering Period"). The Rump Shares shall be allocated to Institutional Investors in order of the offered price starting with the highest offer until all of the Rump Shares have been allocated (provided that the price shall not be less than the Offer Price). The Rump Shares shall be allocated on a pro-rata basis among Institutional Investors that provided offers at the same price. The fractional shares shall be added to the Rump Shares and treated in the same manner.
Method of Allocation and Refund	Shares will be allocated to each investor as per the number of rights exercised fully and correctly. The fractional shares shall be added to the Rump Shares and then be offered to Institutional Investors during the Rump



	<p>Offering Period. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company and any proceeds in excess (if any) without calculating any fees or deductions (exceeding the Offer Price) shall be distributed to eligible persons, who did not subscribe totally or partially in new shares, and holders of fractional shares, noting that investors who did not subscribe to or sell his/her rights, and those holding fractional shares, may not receive any consideration in case of sale at offer price during the rump share period. (Please refer to Section (<b>Error! Reference source not found.</b>) - "Details on Shares and Subscription Terms and Conditions" of this prospectus).</p> <p>Oversubscribed amounts, if any, will be refunded to the subscribers without any charge or deductions by the Lead Manager.</p>
Allocation Date	Allocation of shares will be announced no later than xx/xx/1443H (corresponding to xx/xx/2022G).
Date of refunding Oversubscribed amounts	Oversubscribed amounts, if any, will be refunded to the subscribers without any charge or deductions by the Lead Manager no later than xx/xx/1443H (corresponding to xx/xx/2022G).
Payment of Compensation Amounts (if any)	Cash compensation amounts will be paid to Eligible Persons who did not subscribe, wholly or partially, for the New Shares, as well as to the holders of fractional shares no later than xx/xx/1443H (corresponding to xx/xx/2022G), noting that the compensation amounts represent the remaining proceeds from the sale of Rump Shares and fractional shares, in excess of Offer Price.
Adjusted price	The Company's share price in the Saudi Stock Exchange (Tadawul) has been adjusted to (**) Saudi Riyals per share, prior to the trading day following the day on which the Extraordinary General Meeting on capital increase is held. This represents a decrease in the Share Price by (**) Saudi Riyals per share.
Trading of New Shares	Trading of New Shares is expected to commence on "Tadawul" after completion of all relevant regulatory procedures related to allocation and listing of shares.
Listing and trading of the Rights	Rights will be listed on Tadawul and shall be traded during the Trading Period. A separate symbol will be given to the Company's rights Issue, independent from the symbol of the Company's Shares on the Tadawul screen. During the Trading Period, the Registered Shareholders shall have several options including selling the Rights, or a part thereof, on Tadawul, purchasing additional Rights through Tadawul or refraining from taking any action in respect of the Rights whether by selling or purchasing additional Rights. During the Trading Period, New Investors will be entitled to purchase Rights through Tadawul, sell them or a part thereof or take no action in respect of the Rights purchased during the Trading Period. The "Tadawul" system will cancel the Company's rights Issue symbol on the Tadawul screen following the end of the trading period of the rights Issue. Accordingly, the trading of rights will end by the end of the Trading Period.
Entitlement to Dividends	The Shareholders holding the New Shares will be entitled to any dividends declared by the Company from the start of Subscription.
Voting Rights	The Company has one class of shares. No Shareholder shall have any preferential rights. The New Shares will be fully paid in value and will be exactly equal to outstanding shares. Each share entitles its holder to one vote and each shareholder of the Company ("Shareholder") has the right to attend and vote at the Shareholders' General Assembly meetings ("General Assembly") (ordinary or extraordinary). The shareholder may authorize another shareholder, other than board members, to attend ordinary general assembly meetings on his/her behalf.

Restrictions on Trading Shares	There are no restrictions imposed on the trading of the Company's shares except for the regulatory restrictions imposed on the shares listed in general.
Restrictions on Trading Rights	There are no restrictions on the trading of rights.
Previously Listed Shares	On 26/06/1413H (corresponding to 21/12/1992G), the company was listed on Tadawul. On 05/07/1419H (corresponding to 25/10/1998G), the EGM approved the increase of APC capital from (SAR 70,000,000) seventy million Saudi Riyals to (SAR 140,000,000) one hundred forty million Saudi Riyals by way of issuance of rights shares for (SAR 70,000,000) seventy million Saudi Riyals at an increase rate of 100% of the Company's capital. On 24/12/1424H (corresponding to 26/01/2004G), APC Third Extraordinary General Assembly approved increase of the Company's capital from (SAR 140,000,000) one hundred forty million Saudi Riyals to (SAR 210,000,000) two hundred ten million Saudi Riyals by way of issuance of rights shares at (140,000,000) one hundred forty million new shares at a nominal value of (SAR 50) Saudi Riyals per share to be paid in full in a total amount of (SAR 70,000,000) seventy million Saudi Riyals. Consequently, the Company's shares increased from (2,800,000) two million and eight hundred thousand shares to (4,200,000) four million and two hundred thousand shares. On 28/08/1425H (corresponding to 12/10/2004G), APC EGM approved increase of the Company's capital from (SAR 210,000,000) two hundred ten million Saudi Riyals to (SAR 315,000,000) three hundred fifteen million Saudi Riyals by way of issuance of rights shares at (2,100,000) two million one hundred thousand shares at a total value of (SAR 105,000,000) one hundred and five million Saudi Riyals. Consequently, the Company's shares increased from (4,200,000) four million two hundred thousand shares to (6,300,000) six million three hundred thousand shares. On 21/07/1433H (corresponding to 11/06/2012G), APC Shareholders General Assembly approved increase of the Company's capital from (SAR 315,000,000) three hundred fifteen million Saudi Riyals to (SAR 400,000,000) four hundred million Saudi Riyals by way of issuance of (8,500,000) eight million and five hundred thousand shares in an amount of (SAR 85,000,000) eighty-five million Saudi Riyals. Consequently, the Company's shares increased from (31,500,000) thirty-one million five hundred thousand shares to (40,000,000) forty million nominal shares at a nominal share of (SAR 10) ten Saudi Riyals by way of granting a bonus share against each (3.7058) existing shares owned by the Shareholders recorded in the Shareholders' Register by the end of EGM date.
Terms of Subscription for the Rights Shares	Eligible persons wishing to subscribe to the New Shares must fulfill the relevant subscription conditions. To view the terms, conditions, and instructions for the subscription (please refer to Section ( <b>Error! Reference source not found.</b> ) "Details on Shares and Offering Terms and Conditions" of this Prospectus).
The Public	According to the CMA rules and regulations, the Public means any person other than the following: <ol style="list-style-type: none"> <li>1) Affiliates of the Issuer.</li> <li>2) Substantial shareholders in the Issuer.</li> <li>3) Directors and senior executives of the Issuer.</li> <li>4) Directors and senior executives of the affiliates of the Issuer.</li> <li>5) Directors and senior executives of the substantial shareholders of the Issuer.</li> <li>6) Any relatives of the persons referred to in (1, 2, 3, 4, or 5) above.</li> <li>7) Any company controlled by any person referred to in (1, 2, 3, 4, 5, or 6) above.</li> <li>8) Persons working together and, collectively, holding (5%) or more of the share class to be listed.</li> </ol>
New Shares	Thirty million (30,000,000) ordinary shares, which will be issued to increase the company's capital.

<b>Risk factors</b>	There are certain risks related to investing in this Offering, which can be generally categorized into: (1) risks related to the Company business, (2) risks related to the market and sector, and (3) risks related to the Shares. Such shares risks are discussed in Section (2) "Risk Factors" of this Prospectus, which should be carefully studied prior to making a decision to invest in the Rights Shares.
<b>Total proceeds obtained in the last rights issue, related analysis and description</b>	On 28/08/1425H (corresponding to 12/10/2004G), the EGM on capital increase agreed to increase the company's capital from two hundred and ten million (210,000,000) Saudi riyals to three hundred and fifteen million (315,000,000) Saudi riyals through a rights issue, and the total proceeds from rights issue amounted to one hundred and five million (105,000,000) Saudi riyals, and the proceeds have been used in the following: <ol style="list-style-type: none"> <li>1. Completing the establishment of (SAW) Pipes with a production capacity of 3000 thousand tons.</li> <li>2. Threading &amp; Coupling Line.</li> </ol>
<b>Major adjustments made to the information disclosed in this Prospectus.</b>	The company has never issued a prospectus since its establishment, but rather increased its capital by issuing shares distributed to the company's shareholders or by granting free shares to shareholders registered in the company's records on the date of grant. (Please refer to Subsection (10.18) "Material information that has changed since the CMA's approval of the last share issue Prospectus" of Section (10) "Legal Information" of this Prospectus).

**Note:** The Section "Important Notice" in Page (A) as well as Section (2) "Risk Factors" of this Prospectus should be read carefully prior to making a decision to invest in the Rights Shares under this Prospectus.

## Key Dates and Subscription Procedures

Event	Date
The convening of the extraordinary general assembly that includes the approval of the capital increase and the determination of the eligibility date and the eligible shareholders, noting that the eligible shareholders are the shareholders registered in the company's register, and they will not be registered until two days after the date of the meeting.	xx/xx/1443H (corresponding to xx/xx/2022G)
Trading Period	The Trading Period will start on xx/xx/1443H (corresponding to xx/xx/2022G), and it will continue until the end of day on xx/xx/1443H (corresponding to xx/xx/2022G). During this period, all Rights holders, whether registered investors or new investors, may trade or subscribe to the Rights.
Subscription Period	The Trading Period will start on xx/xx/1443H (corresponding to xx/xx/2022G), and it will continue until the end of day on xx/xx/1443H (corresponding to xx/xx/2022G). During this period, all rights holders, whether they are registered investors or new investors, may exercise their right to subscribe to the New Shares.
End of Subscription Period	Subscription period and applications will be received until the end of xx/xx/1443H (corresponding to xx/xx/2022G).
Rump Offering Period	The Rump Offering Period starts from 10:00 AM on xx/xx/1443H (corresponding to xx/xx/2022G) until the following day at 5:00 PM on xx/xx/1443H (corresponding to xx/xx/2022G).
Notification of Final Allocation	on xx/xx/1443H (corresponding to xx/xx/2022G)
Payment of compensation amounts (if any) for Eligible Persons who did not participate in the Offering, totally or partially, and those entitled to Shares fractions.	on xx/xx/1443H (corresponding to xx/xx/2022G)
Expected date of commencement of trading in new shares	Trading in new shares shall be announced on Tadawul upon the completion of all related regulatory procedures.

**Note:** All of the above-mentioned dates are approximate. Actual dates will be communicated on the website of Tadawul ([www.saudiexchange.sa](http://www.saudiexchange.sa)).

## Key Announcement Dates

Announcement	Announcement by	Announcement Date
Announcement regarding the EGM on capital increase	The Company	on 20/09/1443H (corresponding to 21/04/2022G)
Announcement regarding the results of the EGM on capital Increase	The Company	on xx/xx/1443H (corresponding to xx/xx/2022G)
Announcement regarding the change in the Company's Share Price, deposit of Rights, and indicative value of the Rights	Tadawul	on xx/xx/1443H (corresponding to xx/xx/2022G)
Announcement on Subscription Period and Trading Period in new shares	The Company	on xx/xx/1443H (corresponding to xx/xx/2022G)
Announcement on the start of the Subscription Period and Trading Period	Tadawul	on xx/xx/1443H (corresponding to xx/xx/2022G)
Reminder announcement regarding the commencement of Trading Period and Subscription Period	The Company	on xx/xx/1443H (corresponding to xx/xx/2022G)
Reminder announcement regarding the last day for trading Rights and noting the importance of selling and last day for subscription	The Company	on xx/xx/1443H (corresponding to xx/xx/2022G)
Announcement: <ul style="list-style-type: none"> <li>Subscription Results</li> <li>Details of the sale of Unsubscribed Shares (if any) and commencement of the Rump Offering</li> </ul>	The Company	on xx/xx/1443H (corresponding to xx/xx/2022G)
Announcement regarding the results of the Rump Offering and allocation of rights	The Company	on xx/xx/1443H (corresponding to xx/xx/2022G)
Announcement regarding the deposit of New Shares in investors' portfolios	Edaa	on xx/xx/1443H (corresponding to xx/xx/2022G)
Announcement regarding the distribution of compensation amounts (if any)	The Company	on xx/xx/1443H (corresponding to xx/xx/2022G)

**Note:** All of the above-mentioned dates are approximate. Actual dates will be communicated on the website of Tadawul ([www.saudiexchange.sa](http://www.saudiexchange.sa)).

In addition, the date of depositing the New Shares in the investors' portfolios will be determined in coordination with the Securities Depository Center Company (Edaa).

It should also be noted that in the event that an announcement related to the offering is published in a local newspaper after the Prospectus has been published, the announcement will include:

- 1) The issuer's name and its commercial registration number.
- 2) The securities, their value, type, and class covered by the securities registration and offering application.
- 3) addresses and places where the public can obtain the Prospectus.
- 4) The date of publication of the Prospectus.
- 5) A statement that the announcement is for information purposes only and does not constitute an invitation or an offer to own the securities by purchasing or subscribing thereto.
- 6) Name of the Lead Manager, Underwriter (if any), Financial Advisors and Legal Advisor.
- 7) A disclaimer as follows: "Neither CMA nor Tadawul assumes no responsibility on the contents of this announcement, nor do they give any representations regarding its accuracy or completeness, and they expressly disclaim any responsibility for any loss suffered as a result of what is contained in this announcement or from reliance on any part thereof".



## How to apply

Subscribing for the New Shares is limited to Eligible Persons, whether Registered Shareholders or New Investors. In the event that Eligible Persons do not subscribe for the Rights, the Unsubscribed Shares shall be offered to Institutional Investors during the Rump Offering Period. Eligible Persons wishing to subscribe for the New Shares should submit the subscription application forms via the means and services provided by the broker to investors, on condition that Eligible Persons should have a bank account with the brokers offering such services.

Subscription Applications are submitted through portfolios in trading platforms and applications, through which sale and purchase orders are entered. In addition, it is possible to subscribe through any other means provided by the broker and the custodian of shares. The Company reserves the right to reject, in full or in part, any application for New Shares that does not comply with any of the subscription terms or conditions. Upon submission, the Subscription Application Form may not be amended or withdrawn. Instead, it shall represent a legally binding contract between the Company and the eligible shareholder.



## Q&A related to Rights

### What is Rights Issue?

A Rights Issue is an offering of tradable securities that give their holders the right to subscribe for New Shares upon approval of capital increase. They are acquired rights for all Shareholders who own shares at the date of the EGM for capital increase, and who are registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. Each Right grants its holder the right to subscribe for one New Share at the Offer Price.

### Who is granted the Rights?

The Rights shall be granted to Shareholders registered in the Company's Register as of the close of the second trading day of the EGM to increase the capital.

### When are rights deposited?

Following the EGM and its approval to increase the capital through a Rights Issue, the Rights shall be deposited as securities in the portfolios of shareholders registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. The New Rights appear in their portfolios under a new code for the Rights. These Rights cannot be traded or subscribed by the Registered Shareholders until the beginning of the Trading Period and Subscription Period.

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

The registered shareholders are notified through an announcement on the Tadawul website and through (Tadawulaty) Service provided by the Depository Center and SMS's sent through intermediaries/brokers.

### How many Rights can be acquired by a Registered Shareholder?

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

### What is the Rights Issue eligibility factor?

It is the means by which the Registered Shareholder can determine the Rights it is entitled to in relation to its shareholding under the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. It is calculated by dividing the number of New Shares by the number of the Company's existing Shares. It is, therefore, (3) shares for each (1) share held by registered shareholders on eligibility date; for example, if a registered shareholder owns (1,000) shares on eligibility date, then (3000) shares will be allocated to him/her in consideration of his/her shareholding.

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

Yes, as the acquired right will be added to the investors' portfolios under the name of the original share, and by adding the word rights, in addition to a new symbol for these rights.

### What is the value of the right at the beginning of its trading?

The opening price of the Right is the difference between the closing price of the share on the day preceding the Rights listing and the Offer Price (the indicative value of the Right). For example, if the closing price of a share on the preceding day is (60) Saudi Riyals and the Offer Price is ten (10) Saudi Riyals, the opening price of the Rights will be fifteen (22.5) Saudi Riyals.



### Who is the Registered Shareholder?

A shareholder who appears in the Company's shareholder register at the end of the second trading day after the extraordinary general assembly.

### Can listed shareholders subscribe to additional shares?

Yes. Registered Shareholders can subscribe for additional shares by purchasing new Rights through Tadawul during the Trading Period.

### Is it possible for a registered shareholder to lose his/her eligibility to subscribe even if he/she has the right to attend the extraordinary general assembly and vote on raising the capital through a rights issue?

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

### How does the Subscription take place?

Subscription Applications are submitted through investment portfolios in trading platforms, through which sale and purchase orders are entered. In addition, it is possible to subscribe through any other means provided by the broker and the custodian of shares.

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

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

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

The rights will be deposited in the same portfolio in which the shares of the company connected to the rights are deposited. For example, if a shareholder holds one thousand (1000) shares in the company as follows: (800) shares in portfolio (a) and (200) shares in portfolio (b)), then the total rights (500) will be deposited, as each share will be entitled to (0.5) rights. Therefore, (400) rights will be deposited in portfolio (a) and (100) rights will be deposited in portfolio (b).

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

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

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

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

### Is it possible to sell a part of these Rights?

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

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

After settlement of the purchase of Rights (two business days), on condition that subscription to the rights will be during subscription period.

### Can the Eligible Person sell or assign the Right after the expiry of Trading Period?

No. After the expiry of Trading Period, the Eligible Person may only exercise the right to subscribe for the Rights Shares or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his/her investment portfolio, or profit in case of selling the shares during the Rump Offering Period at a higher price than the offer price.

### What happens to the Rights that are unsold or unsubscribed for during the Trading and Subscription Periods?

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

### **Who has the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue?**

A shareholder registered in the Company's Shareholders Register at the Depository Center after the end of the trading session, on the date of the EGM, shall have the right to attend the EGM and vote on increasing the Issuer's share capital through a Rights Issue.

### **When is the share price adjusted as a result of increasing the Issuer's share capital through a Rights Issue?**

The share price is adjusted by Tadawul before the start of trading on the day, following the EGM.

### **If an investor buys securities on the date of the EGM, will he/she be eligible for the Rights resulting from the increase of the Issuer's share capital?**

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

### **If an investor has more than one portfolio with more than one broker, how will their Rights be calculated?**

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

### **What are the Trading and Offering Periods?**

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

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

No.

### **Can investors, who are not Registered Shareholders, subscribe for the Rights Shares?**

Yes. Investors can subscribe for the Rights Shares upon full purchase of Rights during the Trading Period.

---

### **Additional assistance:**

In case of any inquiries, please contact the Company at the e-mail (Info@arabian-pipes.com). For legal reasons, the company will only be able to provide the information contained herein and will not be able to advise on the merits of issuing rights or even provide financial, tax, legal, or investment advice.

For more information on the terms, conditions and instructions for the subscription, please refer to Section (Error! Reference source not found.) "Details on Shares and Offering Terms and Conditions" and other information contained herein.

---



## Summary of basic information

### Notice to investors

This summary provides a brief overview of the basic information contained in this prospectus. Since it is a summary, it does not include all information that may be of interest to shareholders and other general institutional and individual investors. Recipients of this prospectus should read it in full before making any investment decision regarding new rights or shares.

### Company Overview

Arabian Pipes Company ("APC") was initially incorporated as a closed joint stock company under the Ministerial Resolution No. (922) dated 18/11/1411H (corresponding to 01/06/1991G) which approved declaration of the Company incorporation. APC was registered in Commercial Registry of Riyadh City under No. (1010085734) on 14/02/1412H (corresponding to 25/08/1991G) and the tradename of "Arabian Pipes Company". On 26/06/1413H (corresponding to 21/12/1992G), the company was listed on Tadawul.

The head office of the Company is located at the City of Riyadh, New Industrial City, P.O. Box 42734, 11551 Riyadh, Kingdom of Saudi Arabia.

Current capital of APC is (SAR 100,000,000) one hundred million Saudi Riyals divided into (10,000,000) ten million ordinary shares at a nominal value of (SAR 10) ten Saudi Riyals per share fully paid (hereinafter referred to individually as "Current Share" and collectively as "Current Shares").

As at the date of this Prospectus, the company has no substantial shareholders.

### The Company's history and most important developments in its capital structure

- Arabian Pipes Company ("APC") was initially incorporated as a closed joint stock company under the Ministerial Resolution No. (922) dated 18/11/1411H (corresponding to 01/06/1991G) which approved declaration of the Company incorporation. APC was registered in Commercial Registry of Riyadh City under No. (1010085734) on 14/02/1412H (corresponding to 25/08/1991G) and the tradename of "Arabian Pipes Company". on 26/06/1413H (corresponding to 21/12/1992G).
- On 26/6/1413H (corresponding to 21/12/1992G), APC was listed on Saudi Tadawul "Tadawul" and it started the trading of its shares having obtained the approvals of the Ministry of Commerce and Saudi Arabian Monetary Agency (the competent authority for the time being - Saudi Central Bank currently) before the development of the Electronic Trading System of Shares (in 2001G) as an alternative system of ESIS which was operating under the supervision of Shares Supervision Department of Saudi Arabian Monetary Agency (Saudi Central Bank).
- On 05/07/1419H (corresponding to 25/10/1998G), the Extraordinary General Assembly approved the increase of APC capital from (SAR 70,000,0000) seventy million Saudi Riyals to (SAR 140,000,000) one hundred forty million Saudi Riyals by way of issuance of rights shares for (SAR 70,000,0000) seventy million Saudi Riyals at an increase rate of 100% of the Company's capital.
- On 24/12/1424H (corresponding to 26/01/2004G), APC Third Extraordinary General Assembly approved increase of the Company's capital from (SAR 140,000,000) one hundred forty million Saudi Riyals to (SAR 210,000,000) two hundred ten million Saudi Riyals by way of issuance of rights shares at (140,000,000) one hundred forty million new shares at a nominal value of (SAR 50) Saudi Riyals per share to be paid in full in a total amount of (SAR 70,000,0000) seventy million Saudi Riyals. Consequently, the Company's shares increased from (2,800,000) two million and eight hundred thousand shares to (4,200,000) four million and two hundred thousand shares.
- On 28/08/1425H (corresponding to 12/10/2004G), APC EGM approved increase of the Company's capital from (SAR 210,000,000) two hundred ten million Saudi Riyals to (SAR 315,000,000) three hundred fifteen million Saudi Riyals by way of issuance of rights shares at (2,100,000) two million one hundred thousand shares at a total value of (SAR 105,000,000) one hundred and five million Saudi Riyals. Consequently, the Company's shares increased from (4,200,000) four million two hundred thousand shares to (6,300,000) six million three hundred thousand shares.

- On 21/07/1433H (corresponding to 11/06/2012G), APC Shareholders General Assembly approved increase of the Company's capital from (SAR 315,000,000) three hundred fifteen million Saudi Riyals to (SAR 400,000,000) four hundred million Saudi Riyals, with an increase of (27%), through issuance of (8,500,000) eight million and five hundred thousand shares in an amount of (SAR 85,000,000) eighty-five million Saudi Riyals. Consequently, the Company's shares increased from (31,500,000) thirty-one million five hundred thousand shares to (40,000,000) forty million nominal shares at a nominal share of (SAR 10) ten Saudi Riyals by way of granting a bonus share against each (3.7058) existing shares owned by the Shareholders recorded in the Shareholders' Register by the end of EGM date.
- On 19/07/1443H (corresponding to 20/02/2022G), EGM approved reducing the Company's capital by (75%) from four hundred million (SAR 400,000,000) Saudi Riyals to one hundred million (SAR 100,000,000) Saudi Riyals and hence reduce the number of shares from forty million (40,000,000) shares to ten million (10,000,000) shares by way of writing off thirty million (30,000,000) shares. i.e., to reduce (3) shares per (4) shares with the purpose to restructure the Company's capital and amortize accumulated losses.
- On xx/xx/1443H (corresponding to xx/xx/2022G), EGM approved increasing the Company's capital at (300)% through issuing thirty million (30,000,000) shares with a value of (300,000,000) three hundred million Saudi Riyals and hence the Company's capital after the said increase became (SAR 400,000,000) four hundred million Saudi Riyals and number of after the said increase became (40,000,000) forty million shares with the purpose to support the working capital, enhance the Company's solvency, reduce borrowing rate, develop and update the Company's factories in Riyadh and Jubail and expand the number of auxiliary products of pipes services as a part of the Company's business.

### Summary of Company's activities

The Company practices its activities under the Commercial Register No. (1010085734) dated 14/02/1412H (corresponding to 25/08/1991G).

Pursuant to the Company's articles of associations, the main activities are exercising and implementing the following:

- 1) Production and marketing of ERW and SAW steel pipes for pipelines and for constructional and commercial purposes;
- 2) Establishment of metal industries;
- 3) Bending, forming, threading and coupling of pipes;
- 4) Internal and external coating of pipes;
- 5) Performing commercial activities such as sale and purchase of pipes (including their accessories and consumables);
- 6) Carrying out pipeline extension works;
- 7) Purchase of land to set up and invest buildings by way of sale or rent them in favor of APC; and
- 8) Maintenance, cleaning, operation and catering contracting

The company exercises its activities in accordance with applicable laws and after obtaining the necessary licenses from the competent authorities, if any.

APC has variety of factories and further pipelines which enable the Company to practice the following activities:

- Riyadh Factory:

This facility produces ERW steel pipes at sizes ranging from 6 to 20 inches at an average production capacity of 160,000 tons annually. The facility is located at Riyadh Industrial City and wholly (100%) owned by APC.

- Jubail Factory:

This facility produces SAW steel pipes at sizes ranging from 16 to 48 inches at an average production capacity of 300,000 tons annually. The facility is located at Jubail Industrial City and wholly (100%) owned by APC.



- External Coating Factory:

This facility is used for external coating of pipes (FBE, 3LPE, 3LPP) at sizes ranging from 6 to 24 inches and average production capacity of 2,4 million square meters annually. The facility is located at Riyadh Industrial City and is wholly (100%) owned by APC.

- Slitting Line:

This line is used for slitting of steel coils necessary for high potential production in terms of maximum width of coil up to (1600mm) and maximum thickness up to (12.7mm). This line is located at APC mill, Riyadh Industrial City and wholly (100%) owned by APC.

- Threading & Coupling Line:

This line is used for threading and coupling of pipes to be applied in the domain of digging and lining of wells (OTCG-CASINGS) according to the international standards required by local and international oil companies. This line is located at APC mill, Riyadh Industrial City and wholly (100%) owned by APC.

### Company vision

To be the MENA pioneers in providing quality piping solutions and to partner with our valued clients to meet their needs.

### Company Mission

APC applies the highest quality standards and strives to localize latest piping solutions technologies through our most valuable asset: Human Resources.

### Company Strategy

To be the MENA pioneers in providing quality piping solutions and to partner with our valued clients to meet their needs by way of applying the highest quality standards and seek the localization of the state-of-the-art techniques of piping solutions.

In terms of strategies and future forecasts, APC strives to:

- Develop Jubail Factory to cater to market needs.
- Develop forming and welding machinery of Jubail Factory to upgrade machinery.
- Develop Riyadh Factory to cater to market future needs.
- Develop External Coating Factory in Riyadh to cater to market needs.
- Continue to enhance and increase export sales and expand activities geographically by way of taking part in MENA, Iraq, Lebanon and Yemen projects together with GCC.
- Continue to train and qualify student and expand female employment.
- Develop APC comprehensive ERP.
- Update action plans and policies across APC departments.
- Enhance and develop internal control procedures.

### Company's strengths and competitive advantages

- APC is approved by many major O&G companies including Saudi Aramco - Petroleum Development Oman - Saline Water Conversion Corporation - Abu Dhabi Oil Refining Company (Takreer) - GAZCO.
- Pipe purchase agreements related to APC products (Riyadh and Jubail Factories) were signed with Aramco for a period of 5-7 years which ensure APC share in Aramco future projects.
- There are two factories in Riyadh and Jubail, which help supply various sizes of pipes ranging from 6 to 48 inches.



- APC has welded pipes Threading & Coupling Line fit for lining of wells works. There are only two factories in KSA which are able to make and supply such type or size of pipes.
- APC has an External Coating Factory in Riyadh to cater to market needs.
- Geographic Distribution: APC proven its ability to dominate this area by way of providing mega projects inside and outside KSA and exports its products to more than 19 countries.

## Summary of Financial Information

The summary of the financial information presented below is based on the Company's audited financial statements for the financial years ending on December 31, 2018G, 2019G and 2020G and the accompanying notes. In addition to the condensed interim financial statements for the six-month period ending on June 30, 2021G, and the notes attached thereto.

Statement of Financial Position (SAR in 000's)	Fiscal year ending on December 31, 2018G (Audited)	Fiscal year ending on December 31, 2019G (adjusted)	Fiscal year ending on December 31, 2020G (Audited)	The financial period ending on June 30, 2021G (Reviewed)
Total current assets	754,239	614,594	565,301	437,191
Total non-current assets	373,394	396,253	376,794	369,640
Total assets	1,127,633	1,010,847	942,095	806,831
Total current liabilities	617,065	568,109	699,414	574,451
Total non-current liabilities	11,649	39,732	36,340	38,145
Total liabilities	628,714	607,841	735,754	612,596
Total shareholders' equity	498,919	403,006	206,341	194,235
Total Liabilities and Equity	1,127,633	1,010,847	942,095	806,831

Source: audited financial statements for financial years 2018G, 2019G and 2020G and Reviewed financial statements for the six-month period ending on June 30, 2021G.

Statement of income (SAR in 000's)	Fiscal year ending on December 31, 2018G (Audited)	Fiscal year ending on December 31, 2019G (adjusted)	Fiscal year ending on December 31, 2020G (Audited)	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)
Total revenue	698,311	741,085	369,289	111,816	253,420
Cost of revenue	(748,567)	(644,612)	(441,343)	(108,839)	(223,463)
Gross profit / (loss)	(50,256)	96,473	(72,054)	2,977	29,957
Profit / (loss) from operations	(91,707)	65,536	(170,282)	(21,052)	(3,246)
Net income/(loss) before zakat and income tax	(118,317)	34,742	(194,438)	(32,368)	(12,006)
Gross profit / (loss)	(122,699)	30,248	(195,340)	(35,688)	(12,106)

Source: audited financial statements for fiscal years 2018G, 2019G and 2020G and Reviewed financial statements for the six-month period ending on June 30, 2021G.

Statement of Cash Flows (SAR in 000's)	Fiscal year ending on December 31, 2018G (Audited)	Fiscal year ending on December 31, 2019G (adjusted)	Fiscal year ending on December 31, 2020G (Audited)	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)
Net cash generated from operating activities	59,200	81,853	(77,577)	(97,350)	231,444
Net cash resulting from / (used in) investment activities	(7,190)	(27,252)	(8,300)	(6,320)	(7,492)
Net cash resulting from / (used in) financing activities	(46,634)	(48,132)	85,955	(120,101)	(167,863)
Net changes in cash and cash equivalents for the period	5,376	6,469	78	16,431	56,089
cash and cash equivalents at the beginning of the period	8,123	13,499	19,968	19,968	20,046
cash and cash equivalents at the end of the period	13,499	19,968	20,046	36,399	76,135

Source: audited financial statements for fiscal years 2018G, 2019G and 2020G and Reviewed financial statements for the six-month period ending on June 30, 2021G.

Key performance indicators	Indicator Unit	Fiscal year ending on December 31, 2018G	Fiscal year ending on December 31, 2019G	Fiscal year ending on December 31, 2020G	Six-month period ending on June 30, 2020G	Six-month period ending on June 30, 2021G
Gross profit/(loss)	%	(7.2%)	13.0%	(19.5%)	2.7%	11.8%
Sales and marketing expenses	%	2.1%	1.6%	2.5%	3.5%	2.0%
General and administrative expenses	%	2.5%	2.9%	8.0%	12.7%	6.7%
Net profit/(loss) for the year/period	%	(17.6%)	4.1%	(52.9%)	(31.9%)	(4.8%)
Return on assets	%	(10.88%)	2.99%	(20.73%)	(2.94%)	(1.50%)
Return on equity	%	(24.59%)	7.51%	(94.67%)	(7.25%)	(6.23%)
Total current assets / total current liabilities	Once	1.22 times	1.08 times	0.81 times	1.22 times	0.76 times

Source: company information



## Market Overview

The Kingdom's quarterly revenues in the third quarter of 2021G amounted to about 243 billion riyals, compared to expenses of 237 billion Saudi riyals, which constituted a surplus of 6.7 billion Saudi riyals and is considered the first quarterly surplus since the first quarter of 2019. The improvement in international oil prices led to a rise Oil revenue increased by 60% on an annual basis, which pushed this segment's contribution to reach 61% of the state's total revenues for the third quarter of 2021G.

According to the estimates made by the General Authority for Statistics, the real Kingdom's GDP has grown by 6.8% in the third quarter of 2021G compared to the third quarter of 2020G; This positive growth is due to the increase in oil activities by 9% as a result of the increase in global demand for crude oil and the Kingdom's resumption of raising its production in 2021G, followed by non-oil activities by 6.2%, and government activities achieved a rise of 2.7%. The seasonally adjusted real GDP achieved an increase of 5.8% in the third quarter of 2021G compared to the second quarter of the same year (2021). This increase in GDP is due to the significant growth witnessed by oil activities by 12.9%, in addition to the increase in non-oil activities by an amount 1.6%, and government activities achieved a growth of 1.4%.

The manufacturing industry is one of the most important industries in the Kingdom, as according to the industrial production survey report issued by the General Authority for Statistics for the first quarter of 2021G, the rate of change in the general index of industrial production represents a decrease of (12.1%) compared to the same quarter of the previous year, It also represented the rate of change in the industrial production index by activity for the manufacturing industries for the first quarter of 2021G, a decrease of (10.8%) compared to the same quarter of the previous year.

The industrial production index increased by 6.5% in September 2021G compared to the same month in the previous year (September 2020G), as a result of the increase in production in mining and quarrying activity by 7.6% (the standard weight in this index is 74.5%), as the Kingdom increased oil production from 8.9 million barrels per day in September 2020G to 9.6 million barrels per day in September 2021G. The production of manufacturing activity in September of 2021G increased by 4.5% compared to the same month of the previous year.

(Source: Saudi Ministry of Finance, General Authority for Statistics).

## Summary of risk factors

There are a number of Risks Related to Rights issue, which are detailed in section (2) "Risk Factors" of this prospectus, as follows:

### A) Risks of Company's Activity and Operations

- Risks of Inability to Implement the Strategy
- Risks of liquidity
- Risks of Credit
- Risks of credit facilities
- Risks of Financing Agreements
- Risks of Contingent Liabilities
- Risks of Accumulated Losses
- Risks of failure to obtain and renew required licenses, permits and certificates
- Risks of Company's Articles of Association
- Risks of reliance on key personnel and Executive management
- Risks of employee mistakes or misconduct
- Risks of Availability of Funding in Future
- Risks of the Increase in Company's Liabilities
- Risks of accounts receivable
- Risks of Operating Systems and Information Technology and Reporting Environment
- Risks of Changes in Important Accounting Standards and New Standards
- Risks of non-compliance with Saudization requirements
- Risks of Occurrence of Natural Disasters
- Risks of Non-compliance with the Quality Standards and Specifications required by Customers
- Risks of Lawsuits and Claims
- Risks of Potential Zakat Dues and Additional Claims
- Risks of Lease Contracts
- Risks of Increase in Company's Indebtedness
- Risks of Securities and Accounts Payable
- Risks of Trademark and Equity Protection
- Risks of Insurance Coverage
- Risks of Related Parties
- Risks of Contracts with Third Parties
- Risks of reliance on non-Saudi employees
- Risks of Business Interruption
- Risks of Outbreak of Coronavirus (Covid-19)
- Risks of Working Capital Management



- Risks of Customer Concentration
- Risks of Equipment and Method of Use
- Risks of Manufacturing Defects
- Risks of Inventory Management
- Risks of Company's reliance on Key Suppliers
- Risks of non-compliance with formation of decommissioning provision
- Risks of the availability of iron supplies and the high prices of raw materials
- Risks of Factory's operational capacity
- Risks of the external auditor's reservations

#### **B) Risks of Market and Industry**

- Risks of the Kingdom's Economic Performance
- Risks of Political and Economic Instability in the Middle East
- Risks of Companies Law and Corporate Governance Regulations
- Risks of Non-compliance with Existing Laws and regulations and/or Issuance of New Laws and Regulations
- Risks of the competitive environment
- Risks of VAT
- Risks of Government Fees Applicable to non-Saudi Employees
- Risks of fluctuations in currency exchange rates
- Risks of fluctuations in supply and demand

#### **C) Risks of the offered securities**

- Risks of Potential Fluctuation in the Price of the Rights
- Risks of Potential Fluctuations in the Share Price
- Risks of non-Profitability or Selling of the Rights
- Risks of Future Data
- Risks of the Possibility of Issuing New Shares
- Risks of Lack of Demand for the Company's Rights and Shares
- Risks of Potential Dilution of Ownership
- Risks of failure to exercise the Rights in a timely manner
- Risks of Dividends
- Risks of speculation in Rights
- Risks of suspending trading or cancellation of listing Company's shares





## Table of Contents

1.	<b>Definitions and Terms</b> .....	Error! Bookmark not defined.
2.	<b>Risk factors</b> .....	7
2.1	Risks of Company's Activity and Operations .....	7
2.2	Risks of Market and Industry .....	21
2.3	Risks of the offered securities .....	24
3.	<b>Overview of the Company and Nature of its Business</b> .....	26
3.1	Company Overview .....	26
3.2	The Company's history and most important developments in its capital structure .....	27
3.3	Company's Main Activities .....	28
3.4	Company Vision .....	29
3.5	Company Mission .....	29
3.6	Company Strategy .....	29
3.7	Company's strengths and competitive advantages .....	29
3.8	Company's Commercial Registrations and Its Branches .....	30
3.9	Business Interruption .....	30
3.10	Employees and Saudization .....	31
4.	<b>Organizational Structure of the Company</b> .....	Error! Bookmark not defined.
4.1	Organizational Structure .....	33
4.2	Board of Directors .....	34
4.3	Company Committees .....	35
4.4	Executive Management .....	39
4.5	Compensation and Remuneration of Board Members and Senior Executives .....	39
5.	<b>Employees</b> .....	40
5.1	Current employee stock ownership programs before registration and offering rights .....	40
5.2	Arrangements granting employees a share in the Capital .....	40
6.	<b>Financial Information and Management's Discussion and Analysis</b> .....	41
6.1	Introduction .....	41
6.2	Declarations of the Board of Directors Members of the Arabian Pipes Company .....	42
6.3	Significant Accounting Policies .....	43
6.4	Qualified Opinion of the Legal Auditor on the Financial Statements .....	54
6.5	Operations Outcomes –Profit and Loss Statement .....	55
6.6	Statement of Financial Position .....	74
6.7	Statement of Cash Flows .....	93
7.	<b>Using of the Proceeds of Offering and Future Projects</b> .....	Error! Bookmark not defined.
7.1	Net Proceeds .....	97
7.2	Using the Proceeds of Offering .....	97
8.	<b>Expert Testimonials</b> .....	Error! Bookmark not defined.
9.	<b>Declarations</b> .....	101
10.	<b>Legal Information</b> .....	102
10.1	The Company .....	102
10.2	History of the Company and the Stages of Capital Development .....	102
10.3	Purposes of the Company .....	104
10.4	Duration of the Company .....	104
10.5	Board of Directors .....	106



10.6	Company Committees .....	109
10.7	Executive Management.....	112
10.8	Licenses and Permits Obtained by the Company .....	113
10.9	Company Branches .....	114
10.10	Subsidiaries.....	116
10.11	Continuing obligations imposed by government authorities as the "license holder" .....	116
10.12	Significant Agreements.....	130
10.13	Properties of the Company .....	138
10.14	Assets and Properties .....	138
10.15	Lawsuits and Claims against the Company .....	139
10.16	Trademarks.....	139
10.17	Insurance.....	139
10.18	Material information changed since CMA's approval of last share issue Prospectus .....	140
10.19	Declarations of Board members regarding legal information .....	140
11.	<b>Underwriting</b> .....	142
11.1	<b>Underwriter</b> .....	142
11.2	Summary of the Underwriting Agreement .....	142
12.	<b>Waivers</b> .....	143
13.	<b>Details on Shares and Offering Terms and Condition</b> .....	Error! Bookmark not defined.
13.1	Offering .....	144
13.2	How to Apply for Subscription to the Rights (New Shares) .....	144
13.3	Subscription Application .....	144
13.4	Trading Period, Subscription Period and Rump Offering Period .....	145
13.5	Allocations and Refunds .....	146
13.6	Supplementary Prospectus .....	146
13.7	Suspension or cancellation of the Offering .....	146
13.8	Q&A related to Rights .....	148
13.9	Decisions and approvals according to which shares will be offered .....	150
13.10	Miscellaneous Terms .....	151
13.11	Statement of any arrangements in place to prevent disposal of certain shares .....	151
13.12	Rump Offering .....	151
14.	<b>Change in share price due to capital increase</b> .....	152
15.	<b>Covenants relating to the Subscription</b> .....	Error! Bookmark not defined.
15.1	Overview of the Subscription Application and the Covenants.....	153
15.2	Allocation Processes.....	153
15.3	Saudi Tadawul Group (Saudi Tadawul) .....	153
15.4	Trading of the Company shares on the Saudi Stock Exchange .....	154
16.	<b>Documents Available for Inspection</b> .....	155



## Tables

Table No. (1): Company's Branches and Records.....	30
Table No. (2): Number of company's employees according to different government authorities.....	31
Table No. (3): Number of company's employees according to different government authorities.....	31
Table No. (4): Number of Company's Employees.....	31
Table No. (5): Employees of Each Department.....	32
Table No. (6): Board members .....	34
Table No. (7): Audit Committee Members .....	35
Table No. (8): Nomination and Remuneration Committee Members.....	36
Table No. (9): Governance Committee Members.....	37
Table No. (10): Executive Committee Members .....	37
Table No. (11): Executive Management.....	39
Table No. (12): Compensation and Remuneration of Board Members and Senior Executives.....	39
Table No. (13): Straight Line Method of Depreciation over the useful life of asset.....	45
Table No. (14): Statement of profit or loss for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	55
Table No. (15): Key Performance Indicators for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	56
Table No. (16): Revenues per Product for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	61
Table No. (17): Pipes sales for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	62
Table No. (18): Revenue cost for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	67
Table No. (19): Sales and marketing expenses for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	69
Table No. (20): Administrative and general expenses for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	70
Table No. (21): Other income for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	72
Table No. (22): Financing costs for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	72
Table No. (23): Net (loss)/ income for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.....	73
Table No. (24): Statement of financial position as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.....	74
Table No. (25): KPIs of financial position as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.....	75

Table No. (26): Non-Current Assets as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	77
Table No. (27): Net book value of Property, Plant and Equipment as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	77
Table No. (28): additions to Property, Plant and Equipment as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	77
Table No. (29): Depreciation of Property, Plant and Equipment as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	78
Table No. (30): Current Assets as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	81
Table No. (31): Inventory as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	81
Table No. (32): Trade receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	83
Table No. (33): Ages of Trade receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	83
Table No. (34): Movement in provision for trade receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	83
Table No. (35): Advance payments and other receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	84
Table No. (36): Equity as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	85
Table No. (37): Non-Current Liabilities as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	86
Table No. (38): Long-term Loans as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	86
Table No. (39): Rent liabilities as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	87
Table No. (40): Employee End of Service Benefits as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	87
Table No. (41): Current Liabilities as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	88
Table No. (42): Short-term Loans as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	88
Table No. (43): Loans obtained by the Company ....	89
Table No. (44): Facilities between Riyadh Bank and the Company. ....	89
Table No. (45): Facilities between Al Rajhi Bank and the Company ....	90
Table No. (46): Facilities between SABB Bank and the Company. ....	90
Table No. (47): Dues to related parties as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	91
Table No. (48): Senior Management Employee Compensations as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	91
Table No. (49): Bills Payable and Trade receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	91
Table No. (50): Receivables and other payables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	92
Table No. (51): Zakat Provision as on December 31, 2018G, 2019G, 2020G and June 30, 2021G. ....	92
Table No. (52): Statement of Cash Flows for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2021G. ....	93
Table No. (53): The effect of adjustments for previous years on accumulated losses is as follows. ....	96
Table No. (54): Adjustments to right-of-use assets and lease liabilities ....	96
Table No. (55): Investment Amounts. ....	97
Table No. (56): Expected Use of Proceeds. ....	99
Table No. (57): Board Positions ....	106
Table No. (58): Mandatory Positions at the Company ....	108
Table No. (59): Audit Committee Members. ....	109

Table No. (60): Number of Audit Committee meetings during the last three years .....	110
Table No. (61): Nomination and Remuneration Committee Members .....	110
Table No. (62): Number of Nomination and Remuneration Committee meetings during the last three years .....	111
Table No. (63): Executive Committee Members .....	111
Table No. (64): Number of Executive Committee meetings during the last three years .....	112
Table No. (65): Governance Committee Members .....	112
Table No. (66): Executive Management.....	112
Table No. (67): Approvals, Licenses, Certificates and Permits obtained by the Company .....	113
Table No. (68): List of branches (regional divisions) and related commercial records.....	114
Table No. (69): Approvals, Licenses, Certificates and Permits obtained by the branch.....	115
Table No. (70): Number of company's employees according to different government authorities.....	119
Table No. (71): Number of branche's employees according to different government authorities.....	119
Table No. (72): Number of Company's Saudi and non-Saudi employees registered at GOSI .....	119
Table No. (73): Number of Jubail branch's Saudi and non-Saudi employees registered at GOSI.....	120
Table No. (74): Summary of the most important provisions of Corporate Governance Regulation complied by the Company.....	121
Table No. (1): Loans and credit facilities .....	133
Table No. (2): Service Contracts.....	137
Table No. (3): Properties of the Company .....	138

## Figures

Figure no. (1): Organizational Structure of the Company.....	33
Figure no. (2): The mechanism for trading and underwriting traded rights. ....	146



## 1. Terms and definitions

The following table shows a list of the terms and definitions used throughout this Prospectus:

Term or Abbreviation	Definition
Company or Issuer	Arabian Pipes Company, a Saudi joint stock company. The Company practices its activities under the Commercial Register No. (1010085734) dated 14/02/1412H (corresponding to 25/08/1991G).
Management	Company's Executive Management
Kingdom	Kingdom of Saudi Arabia
Articles of Association	Company's Bylaws
Ministry of Commerce	Ministry of Commerce (formerly Trade and Investment) in the kingdom of Saudi Arabia.
Rules on the Offer of Securities and Continuing Obligations	Rules on the Offer of Securities and Continuing Obligations issued by CMA board pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G). In accordance with the Capital Market Law passed by Royal Decree No. (M/30) dated 02/6/1424H, amended by CMA Board Resolution No. 1-07-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Board or Board of Directors and Board Members	Company's Board of Directors, whose names are stated in Page (D) and (33).
Advisors	Advisors to the Company whose names appear on Pages (F) and (G).
CMA or Authority	The Capital Market Authority of the Kingdom of Saudi Arabia.
Capital Market Law (CML)	Capital Market Law issued under Royal Decree No. (M/30) dated 02/6/1424H (corresponding to 31/07/2003G). as amended.
Saudi Exchange (Tadawul)	Saudi Tadawul Company (formerly the Saudi Stock Exchange Company) one of the Saudi Tadawul Group companies, established in accordance with Cabinet's Resolution dated 29/02/1428H (corresponding to 19/03/2007G), in implementation of the Capital Market Law. It is a Saudi closed joint stock company, and the only entity it is authorized to operate as a stock exchange in the Kingdom of Saudi Arabia, where it lists and trades securities.
Saudi Stock Exchange, Stock Exchange, Stock Market, Exchange, or Tadawul	Saudi Exchange for trading of securities
Tadawul	Automated system for trading securities.
Companies Law	Companies Law promulgated by Royal Decree No. (M/3) dated 28/1/1437H (corresponding to 10/11/2015G), enter in force on 25/07/1437H (corresponding to 02/05/2016G) as amended by Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G).
General Assembly	Shareholders General Assembly Meeting
Ordinary General Assembly Meeting	Shareholders Ordinary General Assembly Meeting
Extraordinary General Assembly (EGM)	The Company's Shareholders' Extraordinary General Assembly
Government	Government of the Kingdom of Saudi Arabia.
Corporate Governance Regulations	Saudi Corporate Governance Regulations issued by the CMA's Board pursuant to Resolution No. (8-16-2017) dated 16/5/1438H (corresponding to 13/2/2017G). in accordance with the Companies Law

	promulgated by Royal Decree No. (M/3) dated 28/1/1437H, as amended by the CMA Board Resolution No. 3-57-2019 dated 15/09/1440H (corresponding to 20/05/2020G).
Related Parties	<p>Means, under the Rules on the Offer of Securities and Continuing Obligations and the Glossary of terms used in the regulations of the Capital Market Authority as issued by the CMA Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G) as amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).</p> <ol style="list-style-type: none"> <li>1) Affiliates of the Issuer.</li> <li>2) Substantial shareholders in the Issuer.</li> <li>3) Directors and senior executives of the Issuer.</li> <li>4) Directors and senior executives of the affiliates of the Issuer.</li> <li>5) Directors and senior executives of the substantial shareholders of the Issuer.</li> <li>6) Any relatives of the persons referred to in (1, 2, 3, 4, or 5) above.</li> <li>7) Any company controlled by any person referred to in (1, 2, 3, 4, 5, or 6) above.</li> </ol>
Listing rules	Listing rules approved by CMA Board's Resolution No. (3- 123 - 2017) dated 09/04/1439H (corresponding to 27/12/2017G) and amended by its Resolution No. (1-104-2019) on 1/2/1441H (corresponding to 30 /09/2019G) and amended by Resolution No. (1-22-2021) dated 12/07/1442H (corresponding to 24/02/2021G).
International Financial Reporting Standards (IFRS)	A set of accounting standards and interpretations thereof issued by the International Financial Reporting Standards Board. (International Financial Reporting Standards Board).
Financial Year/Years	The period during which the result of facility's activity is presented, where the beginning and end of this period are specified in the Company's articles of association or bylaws. The Company's fiscal year ended on December 31.
Localization / Saudization	Replacement of expatriate workers by Saudi citizens in private sector jobs.
Saudi Riyal or Riyal	The official currency of the Kingdom of Saudi Arabia.
American Dollar	The official currency of the United States of America.
Saudi Organization for Chartered and Professional Accountants (SOCPA)	Saudi Organization for Chartered and Professional Accountants in the Kingdom of Saudi Arabia.
General Authority for Statistics	General Authority for Statistics in the Kingdom.
General Organization for Social Insurance ("GOSI")	The General Organization for Social Insurance in the Kingdom of Saudi Arabia.
Ministry of Human Resources and Social Development	Ministry of Human Resources and Social Development (formerly Ministry of Labour and Social Development) in the Kingdom of Saudi Arabia.
Working day	Any business day except for Fridays and Saturdays, any day that is an official holiday in the Kingdom of Saudi Arabia, or any day on which banks are closed in accordance with applicable laws and other government procedures.
Labor Law	The Saudi Labor Law issued by Royal Decree No. M/51 dated 23/08/1426H. (corresponding to 27/09/2005G), amended by Royal Decree No. M/5 dated 07/01/1442H (corresponding to 26/08/2020G).



MOMRAH	Saudi Ministry of Municipal and Rural Affairs and Housing (formerly Ministry of Municipal and Rural Affairs) is the ministry responsible for urban planning for the cities of the Kingdom of Saudi Arabia.
General Directorate of Civil Defense ("Civil Defense")	The General Directorate of Civil Defense in Saudi Arabia is the authority responsible for protecting the population and public and private property from the dangers of fire, disasters and various accidents, and ensuring the safety of transportation, communications, and workflow in public facilities.
H	Hijri calendar.
G	Gregorian calendar.
Securities Depository Center Company / "Edaa"	a closed joint stock company wholly owned by the Saudi Exchange Company (Tadawul). It was established in 2016 under the Saudi Companies Law as issued by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 11/11/2015G).
Vision 2030	The national strategic economic program that aims at reducing dependence on oil and petrochemicals, diversifying the Saudi economy, and developing public services.
Value Added Tax (VAT)	On 02/05/1438H (corresponding to 30/01/2017G), the Cabinet decided to approve the unified VAT agreement for Gulf Cooperation Council (GCC) countries, which came into force on January 1st, 2018G, as a new tax added to the system of taxes and other fees to be implemented by Specific industries in the Kingdom, and in the GCC countries. The amount of this tax is (5%), where a number of products have been excluded therefrom (e.g. basic foods, services related to health care and education). The Kingdom's government decided to increase the value-added tax rate from 5% to 15% starting from July 1st, 2020G.
Rights or Pre-emptive Rights	Tradable securities that entitle its holders the right to subscribe to New Shares upon approval of the capital increase. It is an earned right for all Registered Shareholder and each right entitles its holder to subscribe to one share of the New Shares at the Offer Price. Rights will be deposited after the extraordinary general assembly on capital increase has convened on xx/xx/1443H (corresponding to xx/xx/2022G). These rights will appear in the Registered Shareholders' portfolios under a new right-related symbol. The Registered Shareholders will be informed of the deposit of the Rights in their portfolios, through announcement on Tadawul and by Tadawulaty services as provided by Depository Center and by SMS sent by corporate brokers.
Indicative Value of a Right	The difference between the market value of a company's share during the trading period and the offering price.
Trading Price of the Right	The trading price of a Right as determined by the supply and demand mechanism in the market. Therefore, it may differ from the indicative value of a right.
Financial advisor	Yaqeen Capital
Underwriter	Yaqeen Capital
Lead Manager	Yaqeen Capital
Legal advisor	Alsaleh, Alsahli & Partners Law Firm.
Auditor	Ibrahim Ahmed Al-Bassam & Partners Chartered Accountants - Al Bassam & Co.
Offering Period	The period that starts on xx/xx/1443H (corresponding to xx/xx/2022G) and ends on xx/xx/1443H (corresponding to xx/xx/2022G).
Offer/Subscription Price	Ten (10) Saudi riyals per share.
Rump Shares	Rump Shares which were not subscribed for during the Offering Period.

Rump Offering	Rump Shares Unsubscribed by Eligible Persons shall be offered to Institutional Investors by offering them during Rump Offering Period.
Rump Offering Period	The period starts from 10:00 AM on xx/xx/1443H (corresponding to xx/xx/2022G) until 05:00 PM of the next day on xx/xx/1443H (corresponding to xx/xx/2022G).
New Shares	Thirty million (30,000,000) ordinary shares, which will be issued to increase the company's capital.
Eligibility factor	The result of dividing the number of new shares by the number of existing shares of the company
Eligible persons	All Rights holders, whether Registered Shareholders or those who have purchased the Rights during the Trading Period.
Substantial Shareholders	Shareholders who hold 5% or more of the company's shares, and the company's shareholders include no substantial shareholders as on the date of this prospectus.
The Public	According to the CMA rules and regulations, the Public means any person other than the following: <ol style="list-style-type: none"> <li>1) Affiliates of the Issuer.</li> <li>2) Substantial shareholders in the Issuer.</li> <li>3) Directors and senior executives of the Issuer.</li> <li>4) Directors and senior executives of the affiliates of the Issuer.</li> <li>5) Directors and senior executives of the substantial shareholders of the Issuer.</li> <li>6) Any relatives of the persons referred to in (1, 2, 3, 4, or 5) above.</li> <li>7) Any company controlled by any person referred to in (1, 2, 3, 4, 5, or 6) above.</li> <li>8) Persons working together and, collectively, holding 5% or more of the share class to be listed.</li> </ol>
Net Proceeds	Net Proceeds of Offering after deduction of offering expenses.
Person	Natural person.
Prospectus	This document prepared by the Company in relation to the subscription of rights shares.
Listing	Listing securities on the primary market or - where the context allows - submitting a listing application to Tadawul.
Registered Shareholders	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly on capital increase and are registered in the Company's Shareholders Register held with the Depository Center at the end of the second trading day following the Extraordinary General Assembly on capital increase dated xx/xx/1443H (corresponding to xx/xx/2022G).
New Investors	General Individual and institutional investors - with the exception of the Registered Shareholders - who have purchased the Rights Issue during the Trading Period.
Shares	The company's ten million (10,000,000) ordinary shares, with a nominal value of ten (10) Saudi Riyals per share.
Brokers	Capital market institutions licensed by the Capital Market Authority to conduct the activity of dealing in securities in the capacity of an agent.
Institutional Investors	Includes a number of institutions, as follows: <ol style="list-style-type: none"> <li>1. Government entities and Government owned companies, whether investing directly or through a portfolio manager, or any international entity recognized by the CMA, the Exchange or any other stock exchange recognized by CMA or the Depository Center.</li> <li>2. Mutual funds established in the Kingdom and publicly offered besides private funds which invest in the securities listed in the Saudi Stock Exchange, if such is permitted by the fund's terms and</li> </ol>

	<p>conditions and subject to the provisions and restrictions provided in the Investment Fund Regulations.</p> <ol style="list-style-type: none"> <li>Persons authorized to deal in securities as principals, provided that the financial adequacy requirements are observed.</li> <li>Customers of a capital market institution to conduct management activities, provided that such capital market institution has been appointed on terms upon which it may make decisions regarding the acceptance of the Offering subscription and investment in Tadawul on behalf of the customer without obtaining prior approval.</li> <li>Any legal persons that may open an investment account in the Kingdom and an account with the Depository Center, taking into consideration the rules and regulations that apply on investments by listed companies in securities provided that the participation by such company shall not cause any conflict of interest.</li> <li>GCC Investors with Legal Personality, including companies and funds established in the GCC countries.</li> <li>Qualified foreign investors.</li> <li>A final legal beneficiary in a swap agreement concluded with capital market institution, in accordance with the terms and regulations of the swap agreements.</li> </ol>
Subscriber	Anyone who subscribes to the offered shares.
Shareholder	Owner or holder of shares as of any specified time.
GCC	The Gulf Cooperation Council.
General Authority of Meteorology and Environmental Protection	Government agency responsible for the environment in the kingdom of Saudi Arabia, along with its role in the field of Meteorology.
General Environmental Law	General Environmental Law in the kingdom of Saudi Arabia issued by Royal Decree No. (M / 34) dated 28/07/1422H (corresponding to 15/10/2001G).
Compound Annual Growth Rate (CAGR)	A method used to calculate the growth rate of a particular item over a specified period of time.
National Product	Gross National Product of the Kingdom of Saudi Arabia It is the market value of all final goods and services recognized locally and have been produced within a specific period of time.
Pandemic or Corona Virus "Covid-19"	It is a contagious viral disease known as the Coronavirus and abbreviated "Covid-19", as it began to spread in most countries of the world, including the Kingdom of Saudi Arabia, at the beginning of the year 2020G, and as a result, the World Health Organization classified it as a pandemic.
World Health Organization (WHO)	The World Health Organization (WHO) is the directing and coordinating authority for health within the United Nations system.
Zakat, Tax and Customs Authority (ZATCA)	Zakat, Tax and Customs Authority (formerly General Authority of Zakat and Tax), a government agency affiliated with the Minister of Finance, which is the body entrusted with the work of collecting Zakat, taxes and customs duties.
Underwriting Agreement	The underwriting agreement between the Company and underwriters.
Rules for Qualified Foreign Financial Institutions Investment in Listed Securities	The Rules that regulate the investment in securities by non-Saudi institutions based outside the Kingdom as issued by the Board of the Capital Market Authority pursuant to its Resolution No. 1-42-2015 dated 15/07/1436H (corresponding to 04/05/2015G) as amended by Resolution No. 3-65-2019 dated 14/10/1440H (corresponding to 17/06/2019G).



Unemployment Insurance (Saned)	It is a GOSI scheme that is based on the patronage of the Saudi worker and his family during the period of unemployment. It is applied to all Saudis under the age of fifty-nine who are subject to pension under Social Insurance Law. This Law was issued by Royal Decree No. (M/18) dated 12/03/1435H and came into force as of 01/11/1435H in case of establishments that follow Hijri Calendar and as of 01/09/2014G in case of establishments that follow the Gregorian calendar.
NITAQAT Scheme	A program of the Ministry of Human Resources and Social Development. It is a program to motivate enterprises to employ Saudis. It was approved by Resolution No. (4040) dated 28/01/1432H (corresponding to 09/10/2011G) based on Cabinet Resolution No. (50) dated 13 /05/1415H (corresponding to 27/10/1994G), and the program evaluates the performance of the facility on specific ranges basis (Platinum, green, yellow and red) according to the activity and industry under which the company falls. Such NITAQAT Scheme was amended by Resolution NO. (63717) dated 29/03/1441H (corresponding to 26/11/2019G), where the yellow range was canceled from NITAQAT and all facilities in the yellow band were transferred to the red band and the red band standards contained in the NITAQAT Scheme guide were applied to these facilities.
Litigation	Recourse to courts or judicial and quasi-judicial committees to reach a settlement of a dispute.
(X) Grade Pipes	Pipes that are mainly used for earth and gas pipes
(I) Grade Pipes	Pipes that are mainly used for drilling and oil wells
(B) Grade Pipes	Pipes that are mainly used in the construction and agriculture
Grade 2 Pipes	Include Pipes that do not meet customer standards or additional pipes that have been produced beyond the customer requirements
Pipe Coating & Connection	Pipes that are required to be painted, and a piece is added for connection
ERW, SAW scrap	It is the output of production process as well as the damaged goods that can be sold separately as scrap.
Rolls	Raw materials before they are processed at the company's factories

## 2. Risk factors

All prospective investors should carefully consider all information contained in this Prospectus, pay particular attention to the risk factors described below, before deciding whether to subscribe for the Rights Shares. The risk factors described below may not include all the risks that the Company may encounter, as there could be other risks currently unknown to, or considered immaterial by, the Company, which may preclude its operations. The Company's business, financial position, results of operations, cash flows, and prospects could be adversely materially affected if any of the following risks materialize.

The Board Members further declare that, to the best of their knowledge and belief, there are no material risks the omission of which would affect decisions taken by Shareholders as of the date of this Prospectus, except as disclosed in this Section. An investment in the Rights Shares is only suitable for investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which might result from such an investment. Prospective investors who have doubts about subscription in the Right Shares should consult a financial adviser licensed by CMA for advice on such investments.

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

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

### 2.1 Risks of Company's Activity and Operations

#### 2.1.1 Risks of Inability to Implement the Strategy

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

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

#### 2.1.2 Risks of liquidity

Risks of liquidity are represented in the company's inability to meet its obligations related to current financial liabilities as they become due. The company's trading ratio reached 1.2 times on December 31, 2018G, and 1.1 times on December 31, 2019G, 0.8 times on December 31, 2020G, and 0.8



times on March 31, 2021G. The company's cash conversion cycle reached 311 days as on December 31, 2018G, 331 days as on December 31, 2019G, and 560 days as on December 31, 2020G. There is no guarantee that the company will be able to meet its obligations on the due dates. Liquidity risks can also result from the inability to sell current financial assets at an amount close to their fair value quickly, and the company does not guarantee that no emergency or sudden events will occur that may require immediate liquidity, which will have a material adverse impact on the Company's business, results of operational and financial operations.

### 2.1.3 Risks of Credit

Credit risk arises when one party is unable to fulfill a specific financial obligation to the other party. The balance of trade receivables, advance payments and other receivables amounted to about (201.55) million Saudi riyals in 2018G, (106.57) million Saudi riyals in 2019G, (117.11) million Saudi riyals in 2020G, and (61.96) million riyals Saudi for the six-month period ending on June 30, 2021G, representing about (17.87%), (10.54%), (12.43%) and (7.68%) of the company's total assets for the same periods, respectively. The Company may face credit risk in several temporary or permanent cases, including the existence of debit balances from clients (For more information, please refer to Subsection (6.6) "statement of financial position" of Section (6) "Financial Information and Management's Discussion and Analysis" of this Prospectus), and failure of other creditors to fulfill their obligations towards the Company, in addition to other cases when the Company is exposed to credit risks.

The company cannot guarantee that the parties it deals with will not fail to fulfill their obligations, nor can it accurately predict their future ability to fulfill such obligations. In the event that creditors fail to pay the company's dues, this will have a material adverse impact on the Company's business, financial operation, and results of its operations.

### 2.1.4 Risks of credit facilities

On 11/08/1440H (corresponding to 16/04/2019G), the Company entered into a non-profit loan agreement with the Saudi Industrial Development Fund (SIDF) for building a pipe production factory in Jubail, with a value of (236.50) million Saudi riyals, payable on semi-annual payments on the dates previously determined in the Agreement. On 12/04/1441H (corresponding to 09/12/2019G), the Company obtained an additional loan of (7.16) million Saudi riyals, such loan was rescheduled twice, and the outstanding balance, on June 30, 2021G, is (78.37) million Saudi riyals. The Agreement will expire on 15/08/1446H (corresponding to 14/02/2025G). The loan is secured by mortgaging the buildings, machinery and equipment of the Company's factories and under a promissory note. The Agreement includes financial liabilities, including maintaining certain financial ratios. This loan has been classified as a current liability as a result of the Company's non-compliance with all financial liabilities that may result in immediate repayment of the facility, as the agreement entered into with SIDF stipulates that the minimum current ratio is 1 and the maximum ratio of liabilities to net tangible wealth is 3. Both of them were not complied therewith as of June 30, 2021G.

On 17/02/1439H (corresponding to 06/11/2017G), the Company entered into a loan agreement with Riyadh Bank in order to meet the requirements of working capital. The Agreement was renewed on 12/10/1441H (corresponding to 04/06/2020G) with a credit limit of (277 million Saudi riyals due on the dates previously determined in the Agreement, the outstanding balance on June 30, 2021G is (144.662) million Saudi riyals, the Agreement includes a guarantee by promissory note and financial liabilities including maintenance of certain financial ratios, and the agreement will expire on 12/08/1444H (corresponding to 04/03/2023G).

On 02/04/1442H (corresponding to 17/11/2020G), the Company entered into a loan agreement with Al Rajhi Bank in order to meet the requirements of working capital with a credit limit of (395) million Saudi riyals, the outstanding balance on June 30, 2021G is (131.8) million Saudi riyals, the agreement includes financial liabilities, including maintenance of certain financial ratios, and the agreement will expire on 09/10/1443H (corresponding to 10/05/2022G).

On 29/01/1442H (corresponding to 17/09/2020G), the Company entered into a loan agreement with the Saudi British Bank in order to meet the requirements of the working capital with a credit limit of (205) million Saudi riyals, the outstanding balance on June 30, 2021G is (64.8) million Saudi

riyals, the agreement includes financial liabilities, including maintenance of certain financial ratios, and the agreement will expire on 03/07/1443H (corresponding to 04/02/2022G).

The Company's non-compliance with the pledges may result in a renegotiation with the funders, or the funders may request the payment of the debt immediately and the collection of the guarantees provided by the Company or increase of the guarantees. The Company has submitted a non-objection letter to the funders stating that the funders have no objection on reducing and increasing the Company's capital through rights.

The lenders may request other guarantees against the loans and credit facilities, and the Company cannot provide them. This will make the Company in breach of the terms of the Agreement. If the Company failed to fulfill its payment liabilities under the loan and credit facility agreements, if the Company failed to provide any other guarantees that the lenders may require, if the Company, in the future, breached any of the obligations or liabilities related to the debt that the Company owes, or if the Company failed to comply with its obligations as stipulated in certain agreements, such as the obligation of no change shall be made to the Company or the ownership structure without obtaining a prior written approval from the funders or lender, provided that the company has notified the funders of the capital increase through the rights, then the lenders may call an immediate repayment of the debt as well as the collection of the guarantees provided by the Company. In such a case, the Company may not be able to obtain sufficient alternative sources of funding to meet the repayment of the debt. Any of these factors may have a negative significant impact on the Company's business, financial position, and prospects.

#### **2.1.5 Risks of Financing Agreements**

The Company has entered into a number of funding agreements. There is no guarantee that the Company will be able to fulfill its liabilities on the due dates, which is a violation of the said agreements. Therefore, the lenders have the right to cancel or terminate the funding agreements and call the Company to pay the entire indebtedness immediately. This negatively affects the Company's business, financial position, the results of operations, ability to borrow and finance, and the implementation of future plans.

The existing funding agreements are secured by mortgaging the buildings, machinery and equipment of the Company's factory, under issuing a promissory note, and undertaking to maintain certain financial ratios. If the Company failed to meet its payment liabilities under the funding agreements or failed to provide any other guarantees that may be requested in return for them, or breached, in future, any of the obligations or liabilities related to the debts arising therefrom, the lenders may request payment of the debt immediately and collection of the guarantees provided by the Company.

In this event, there is no guarantee that the Company will be able to obtain adequate alternative financing for repaying these debts. Any of these factors may have negative significant impact on the Company's business, financial position, and prospects. (For more information on financing agreements, please see Subsection (10.12.4) "Loans and Facilities" of Section (10) "Legal information" of this prospectus).

#### **2.1.6 Risks of Contingent Liabilities**

Certain potential liabilities may arise on the Company, such as documentary credits and letters of guarantee, in addition to any other liabilities or costs related to the Company's activity. These potential liabilities are about (22.5) million Saudi riyals in 2018G, (11.1) million Saudi riyals in 2019G, (18.3) million Saudi riyals in 2020G, and (10.4) million Saudi riyals for the six-month ending on June 30, 2021G. If these liabilities are met, they will negatively affect the Company's financial status, financial position, results of operations and prospects.

#### **2.1.7 Risks of Accumulated Losses**

The accumulated losses of the Company as on June 30, 2021G are three hundred twenty-three million one hundred eighteen thousand (323,118,000) Saudi riyals, representing (80.78%) of the Company's capital of four hundred million (400,000,000) Saudi riyals.

It should be noted that 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 whose accumulated losses amounted to (50%) or more of their capital in the light of the Companies Law, and its name has been modified to become "Procedures and instructions for companies whose shares are listed in the market, whose accumulated losses amounted to (20%) or more of their capital", which were implemented starting from the date of 25/07/1438H

(corresponding to 22/04/2017G), which stipulates that the Company must disclose to the public immediately and without delay an independent announcement when its accumulated losses reach (20%) or more.

It should be noted that on 16/03/1442H (corresponding to 02/11/2020G), Royal Decree No. (15016) was issued regarding the suspension of some provisions of the articles of the Companies Law, and the decision of His Excellency the Minister of Commerce No. 348 dated 10/04/1442H (corresponding to 25/11/2020G) was issued based on the Royal Decree to suspend implementing Article No. (150) of the Companies Law for a period of two years from 01/08/1441H (corresponding to 25/03/2020G).

These procedures also stipulate that the Company must disclose to the public immediately and without delay an independent announcement when its accumulated losses reach (50%) or more of its capital, with a recommendation from its board of directors to the extraordinary general assembly, 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 term specified in its articles of association, and in the event of the Company's expiration under Article 150 of the Companies Law or by a decision of the extraordinary general assembly, this will lead to the cancellation of the listing of the Company's shares in the market.

In the event that the percentage of accumulated losses reaches (50%) or more, the Company will be subject to a number of requirements, in particular Article 150 of the Companies Law, which obligates any official in the Company or the auditor as soon as he learns that the Company's accumulated losses have reached (50%) or more of its capital to inform the Chairman of the Board of Directors, and the Chairman of the Board of Directors shall immediately inform the members of the Board thereof. The Board of Directors shall, within (15) days of becoming aware of this, invite the Extraordinary General Assembly to meet within (45) days from the date on which the Board became aware of the losses; to decide either to increase the Company's capital or reduce it to the extent that the percentage of losses falls below half of the paid-up capital, or to dissolve the Company before the term specified in the Company's articles of association. The Company will be considered dissolved by the force of law if the extraordinary general assembly did not meet within the period specified above, or if it met and was unable to issue a decision on the matter, or if it decided to increase the capital in accordance with the conditions established in Article 150 of the Companies Law and the subscription for all the capital increase was not completed within (90) days from the issuance of the Assembly's decision to increase. In the event of the Company's termination under Article 150 of the Companies Law or by a decision of the Extraordinary General Assembly, this will negatively and fundamentally affect the Company, its financial results and Prospects.

### **2.1.8 Risks of failure to obtain and renew required licenses, permits and certificates**

The Company is required to obtain and maintain the various regulatory permits, licenses and approvals regarding its activities. Such licenses include, but not limited to, Municipality permits, Company registration certificates issued by Ministry of Commerce, Chamber of Commerce membership certificates, trademark registration certificate, Saudization certificates, Zakat certificates, and VAT registration certificate, industrial facility licenses and environmental permits issued by The General Authority of Meteorology and Environmental Protection. (For more information, please refer to Subsection (10.8) "Licenses and Permits Obtained by the Company" and Subsection (10.11) "Ongoing obligations imposed by government agencies on the company in its capacity as the license holder" of Section (10) "Legal Information" of this Prospectus).

The Municipality's licenses and the safety license for the Company's offices in Riyadh and Al-Khobar were not reviewed. The Company may subject to the penalties stipulated in the penalties code for municipal violations (issued on 05/02/1442H corresponding to 22/09/2020G), which may amount to (500) thousand riyals, and may extend to closure of the Company's offices. This may negatively affect the Company's operations, results of operations and financial position. The civil defense Law issued by Royal Decree No. (M/10) dated 10/05/1406H (corresponding to 21/01/1986G) and amended by Royal Decree No. (M/66) dated 02/10/1424H (corresponding to 26/11/2003G) regulating Compliance with Security and Safety Requirements. Non-compliance will expose the Company to penalties and fines as stipulated in Article (30), which provides for imposing a penalty on the violator of any of the provisions of such Law or the regulations thereof or decisions issued based thereon, with imprisonment for a period of no more than six months and/or a fine of 30 thousand riyals as maximum.

The Company's failure to renew its current licenses, permits and certificates, or to obtain any licenses necessary for its business, or if any of its licenses are suspended or expired, or if any of those licenses were renewed on conditions that are not appropriate for the Company and its subsidiaries, or in the



event that the Company is unable to obtain the additional licenses, permits and certificates that may be required in the future, this may expose the Company to stoppage and inability to carry out its business such as closing the Company or freezing all services provided by the supervisory authorities to it (such as renewing licenses and certificates... etc.). This will result in disruption of the Company's operations and incurring additional costs and financial penalties according to the relevant regulations, and consequently, will adversely affect the Company's business, results of operations, financial condition and prospects.

### **2.1.9 Risks of Company's Articles of Association**

The company's bylaws, regulations and policies are subject to the provisions of Companies Law issued on 28/01/1437H (corresponding to 11/11/2015G) and amended by Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G), according to which the company's articles of association shall be in accordance with the form approved by the Ministry of Commerce and provisions of the Companies Law. The last time the company amended its articles of association on 17/08/1442H (corresponding to 30/03/2021G); This modification resulted in amending Article Six of the Articles of Association related to Company's objectives, Article fifteen related to capital increase, Article sixteen Related to capital reduction, Article twenty related to the powers and responsibilities of board of directors, Article twenty-one related to remunerations of board members, Article twenty-two relating to the powers of Chairman, Vice chairman and secretary, Article twenty-three related to board meetings, Article twenty-four related to quorum of board meetings, Article twenty seven related to attendance of assemblies and Article forty-seven related to the Company's termination.

The company's inability to properly amend its articles of association to reflect all the mandatory changes and requirements, according to the Companies Law may expose it to legal penalties and fines in accordance with Article Two Hundred and Thirteen. This penalty shall not exceed (500,000) five hundred thousand riyals, without prejudice to a stricter penalty imposed by any other law. Whoever neglects, violates, or fails to comply with the regulations and decisions related to the company's work and activities and fails to comply with the instructions, circulars or controls issued by the Ministry of Commerce, without giving a reasonable reason therefor, shall be fined and such fine or penalty shall be doubled in case of recurrence of such violation. The Ministry of Commerce may consider, in case another amendment is performed while keeping these issues unchanged - as evidence - intentionally - in the company's articles of association or bylaws, or other documents of the company, it was misleading information or incompliance with the provisions of companies' law. Therefore, whoever signs or publishes these documents with his/her knowledge thereof - without prejudice to any severer penalty stipulated in another law - shall be punished with imprisonment for a period not exceeding one year and a fine not exceeding (1,000,000) one million riyals, or both penalties, and such penalty shall be doubled if repeated, which will have adverse and material impact on the company's business, results of operations, financial position and prospects.

### **2.1.10 Risks of reliance on key personnel and Executive management**

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

### **2.1.11 Risks of employee mistakes or misconduct**

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



#### 2.1.12 Risks of Availability of Funding in Future

The Company may need to obtain loans and bank facilities to finance future expansion plans. It is worth noting that obtaining financing depends on the Company's capital, financial position, cash flows, guarantees provided, and credit record. The Company does not give any assurance or guarantee that it will obtain the appropriate financing if the need arises. Therefore, the inability of the Company to obtain funding for its needs from financing sources, or to get financing at acceptable preferential terms commensurate with the Company, will have a negative impact on the Company's performance, operational activities and future plans.

#### 2.1.13 Risks of the Increase in Company's Liabilities

The increase in the Company's liabilities may constitute a risk to the Company's general financial position and solvency, as the percentage of total liabilities is (55.76%) of total assets as on December 31, 2018G, (60.13%) as on December 31, 2019G, (78.10%) as on December 31, 2020G, and (75.93%) as on June 30, 2021G. Accordingly, the increase in the Company's liabilities will result in a negative impact on the Company's financial position. If so happened, it will be difficult for the Company to meet its liabilities. This will have a negative impact on the Company's business, financial position, results of operations and prospects.

(For more information, please refer to Subsection (6.6) "Statement of Financial Position" of Section (6) "Financial Information and Management Discussion and Analysis" of this Prospectus).

#### 2.1.14 Risks of accounts receivable

The balance of accounts receivable is (145.8) million Saudi riyals as on December 31, 2018G, (64.3) million Saudi riyals as on December 31, 2019G, (71.2) million Saudi riyals as on December 31, 2020G, and (16.7) million Saudi riyals as on June 30, 2021G. The accounts receivable unpaid for more than 90 days are about (16.7) million riyals of the receivable balance as on December 31, 2018G, 2019G and 2020G; taking into account that the usual credit terms of customers are 30 days (in general, the case of Aramco) after the products are delivered.

The Company adopts the expected credit loss model to determine the recoverable amount of trade receivables. As of June 30, 2021, there were SAR 16.7 million of trade receivables outstanding for more than one year for which a provision has been constituted in full.

The delay in the collection of receivables will have a negative impact on the availability of liquidity for the Company's needs, expenses and cash flows. This will have a negative impact on the Company's business, financial position, results of operations and prospects.

(For more information, please refer to Subsection (Error! Reference source not found.) "Receivables and Due Restricted Amounts Receivables"; Subsection (6.6) "Statement of Financial Position" of Section (6) "Financial Information and Management's Discussion of the Analysis" of this Prospectus).

#### 2.1.15 Risks of Operating Systems and Information Technology and Reporting Environment

The company relies on IT systems to run its business. The Company's overall reporting framework may include a great deal of manual aggregation of data points from various software due to inadequate systems integration, exposing the Company to a risk of poor internal controls, operational efficiency, and system obsolescence.

Existing systems or new systems, under developing, may breakdown these systems, such as system crash, failure of protection systems, penetration of company systems, viruses, natural disasters, fires, communication errors, lack of skilled labor necessary to operate and manage these systems, or hacking their location and used by third parties.

If the Company failed to efficiently operate the IT systems, under developing, and automates all of its business, or in the event of any malfunctions in the Company's functions, major malfunctions, frequent failures, or failure to register its website, this will adversely affect the Company's business and financial and operational results.

#### **2.1.16 Risks of Changes in Important Accounting Standards and New Standards**

The Company's audited consolidated financial statements for the financial years ending in 2019G and 2020G, the financial statements for the six-month period ending on June 30, 2021G, and the notes attached thereto, have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the Kingdom of Saudi Arabia and other standards and versions approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The Company is obligated in this case to apply amendments or changes to these standards from time to time. Therefore, any changes in these standards or the mandatory application of some new standards could adversely affect the financial statements and, consequently, the company's financial results and financial position.

#### **2.1.17 Risks of non-compliance with Saudization requirements**

Compliance with the Saudization requirements is a legal requirement issued by the Ministry of Human Resources and Social Development in the Kingdom, whereby all companies operating in the Kingdom are obligated to employ a certain percentage of Saudi employees among their total employees and to maintain that percentage.

Subject to the NITAQAT's program issued by the Ministry of Human Resources and Social Development, the Saudization rate, as at the date of this prospectus, is about (35.50%), and is classified within the platinum range. Despite the Company is currently committed to the required Saudization rates, if it ceased to maintain these rates or if the Ministry of Human Resources and Social Development decides to impose more stringent Saudization policies in the future, and the company failed to comply with the requirements of the Ministry of Human Resources and Social Development, then this will result in penalties to be imposed on the Company by government agencies, such as suspending work visa applications and transferring sponsorship of non-Saudis workers, which will have a significant negative impact on the Company's business, financial position, results of operations and expectations, and that the Company may be exposed to a risk of violating work and residence regulations and the instructions of the Ministry of Human Resources and Social Development in terms of the different numbers of workers registered with various government agencies, as well as the lack of full complacence with electronically certified employment agreements of all Company's employees. The Company has not complied with Articles (12) and (13) of Labor Law regarding the development of work regulations in accordance with the form developed by the ministry. This will lead the government agencies to impose penalties on the company, such as suspending work visa applications and transferring sponsorship to non-Saudi workers, which will have a significant negative impact on the Company's business, financial position, results of operations and prospects.

(For more information, please refer to Subsection (3.10) "Personnel and Saudization" of Section (3) "Overview on the Company and the Nature of its Business" of this Prospectus).

#### **2.1.18 Risks of Occurrence of Natural Disasters**

Damages caused to the Company's facilities as a result of natural disasters, such as floods, earthquakes, and other nature accidents, with no sufficient insurance coverage, may cause the Company to incur large and huge costs. It may severely affect the Company's ability to perform its operations, and thus decrease its operational results and compromise its compliance with clients' needs. Natural disasters, occurring and damaging the Company's facilities, with no sufficient insurance coverage, will have a negative material impact on the Company's business, results of operations, financial position and prospects.

#### **2.1.19 Risks of Non-compliance with the Quality Standards and Specifications required by Customers**

The Company seeks to maintain the satisfaction of its customers by continuing to provide the same level of quality of its products. However, in the event that the Company is unable to continue providing its products with the same level of quality, this will adversely affect its reputation, and thus make customers reluctant to deal with it. This will negatively affect the Company's sales and accordingly its operational and financial operations, as well as its prospects.

#### **2.1.20 Risks of Lawsuits and Claims**

In the normal course of its business, the Company may be exposed to lawsuits and litigation relating to its general operations, claims and disputes related to its activities. The company cannot guarantee that no disputes will not arise between the company and other parties dealing with it, or between the company and policyholders. As a result, the Company may be subject to legal claims filed by or against the Company. Therefore, the Company may be subject to claims filed by government bodies and departments, as well as investigations inside the Kingdom. In such cases, the Company cannot predict the results of these claims, disputes, or lawsuits, and cannot guarantee that such claims will not have material impact on its business, financial position and results of operations. In addition, the company cannot accurately anticipate the size of cost of such claims or judicial procedures that may be filed by or against the company or the final results of such claims or judgments, including damages and penalties. Therefore, any negative consequences of such cases will negatively affect the company.

The company asserts that it has not been exposed, in the course of carrying out its business, to cases or lawsuits filed by some policyholders related to its operations, or disputes and claims related to its products and services. However, the company cannot guarantee that it will not be exposed to any cases or lawsuits in the future. As at the date of this Prospectus, the Company has not filed any lawsuits or claims against third parties except for what is mentioned in this Prospectus (For more details, please refer to Subsection (10.15) "Disputes and Lawsuits" of Section (10) "Legal Information").

#### **2.1.21 Risks of Potential Zakat Dues and Additional Claims**

The Company has settled its position regarding Zakat and tax till the year ending on December 31, 2020G, when the company has obtained a Zakat Certificate valid till April 30, 2022G. The final assessment of Zakat for these years is still under review by Zakat, Tax and Customs Authority till the date of this Prospectus. During the year of 2018G, tax assessment was made for the year of 2015G resulting in additional tax of SAR 2.9m and the Company brought an objection in this regard and ZATCA accepted the same initially on 21 Nov. 2018G where a provision was allocated for this assessment. (For more information, please refer to Paragraph (10.11.2) "Ongoing Obligations According to the Requirements of the General Authority for Zakat and Income", of Subsection (10.11) "Ongoing Obligations Imposed by Government Agencies on the Company as the "license holder" of Section (10) "Legal Information" of this Prospectus.

Based on the Company's Zakat position stated above, the company cannot predict whether the Zakat, Tax and Customs Authority will accept their zakat estimates for the above-mentioned financial years for which Zakat, Tax and Customs Authority has not yet issued zakat assessments for it, or will require it to pay any Zakat differences in the future for these years, and if the Zakat, Tax and Customs Authority actually requires the company to pay such differences, this will negatively affect the company's profits, results of its operations, financial position and prospects.

#### **2.1.22 Risks of Lease Contracts**

The entered into 6 leased as a tenant as of the date hereof. With reference to the Ministerial Resolution No, 292 dated 16/05/1438H (corresponding to 13/02/2017G (such leases shall not be valid unless they are registered online). Please refer to Sub-section (**Error! Reference source not found.**) "Leases" hereof.

The Company's failure to comply with the terms of the lease contracts, or failure to register such lease contracts electronically, will lead the Company to enter into judicial disputes that may lead to the withdrawal of the leased lands and consequently a part of the Company's business will halt, and



additional expenses will be incurred. In such case, or if the Company is unable to maintain the continuity of these contracts or renew them on the same current terms or preferential terms, this will adversely affect the Company's business, results of operations, financial performance and prospects.

#### **2.1.23 Risks of Increase in Company's Indebtedness**

The Company's indebtedness reached SAR (485.5m) as of December 31, 2018G, SAR (471.5m) as of December 31, 2019G, SAR (579.5m) as of December 31, 2020G and SAR (419.6m) as of 31 June 2021G. Company. The Company's indebtedness to total equities represented 0.97 time as of as of December 31, 2018G, 1.17 time as of December 31, 2019G, 2.81 time as of December 31, 2020G and 2.16 time as of 31 June 2021G.

The Company is seeking to finance its business to generate the required liquidity that would support revenue realization, while the Company is repaying its indebtedness continuously. Nevertheless, in the event that the indebtedness increased, and the Company was unable to decrease it, that will have a negative impact on the Company's financial performance, operational activities, and future plans. (For more information, please refer to Subsection (6.6) "Statement of Financial Position" of Section (6) "Financial Information and Management Discussion and Analysis" of this Prospectus).

#### **2.1.24 Risks of Securities and Accounts Payable**

Balance of notes payable and accounts payable was SAR (116.2m) as of as of December 31, 2018G, SAR (85.9m) as of December 31, 2019G, SAR (99.8m) as of December 31, 2020G and SAR (101.1m) as of 31 June 2021G. such notes consist of payable notes at SAR 94.3m to GS Global Co. and Bank of Riyadh and SAR 83.0m and SAR 11.3m respectively. Trade receivables related to purchase of raw materials reached SAR 7.0m in the same period. Balance payable to GS Global Co. was overdue in June 30, 2021. Therefore, the Company agreed with the counterpart to settle this balance by way of settlement where an amount of SAR 26m was paid in Q3 of 2021G. GS Global Co. received an interest payable by the Company at SAIBOR 2+%.

Premature payment or notes payable and accounts payable will have an adverse effect on liquidity needed for the Company's needs, expenses and cash flows. This will negatively affect the Company business, financial position, operation results and prospects.

(For more information, please refer to Subsection (6.6.15) "Receivables and Due Restricted Amounts Receivables"; Subsection (6.6) "Statement of Financial Position" of Section (6) "Financial Information and Management's Discussion of the Analysis" of this Prospectus).

#### **2.1.25 Risks of Trademark and Equity Protection**

The Company's ability to market its products and develop its business depends on the use of its name, logo and trademarks, which supports its business and its competitive position and gives it a clear distinction in the market among customers. The company has applied for trademark registration at competent authorities and registration process has not been completed as of the date of this Prospectus. Any violation of property rights or illegal use of the Company's trademarks will affect the Company's reputation, and the Company may have to enter into costly judicial procedures and focus the efforts of some of its administrative employees for these procedures in order to protect its trademarks. In the event that the Company fails to protect its trademark effectively when renewing registration certificates or tracking similar marks, this will negatively affect their value, which will adversely affect the Company's business, results of its operations, financial position and prospects.

#### **2.1.26 Risks of Insurance Coverage**

The Company maintain various insurance policies to cover its business and assets, but it might not have all such insurance policies necessary for its business and assets nor sufficient insurance cover in all cases or that such cover does not include all risks which the Company face. In the future, certain event may occur beyond the Company insurance cover relevant to potential losses or which do not have an insurance cover at all. There is no guarantee that the Company insurance policies will remain available under commercially acceptable conditions or will remain available at all. Any of such events or circumstances or occurrence of an uninsured event will have adverse and material impact on the Company business, assets and financial positions including business results and prospects. (For more information related to insurance policies, please see Sub-section "(10.17) Insurance of this Section (10) Legal Information" hereof.

#### 2.1.27 Risks of Related Parties

Within the ordinary course of its business, the Company deals with related parties with respect to bonuses, allowances, salaries and incentives for members of top management, BOD and other committees. (For more information on transactions of related parties, please see Sub-section "(Error! Reference source not found.) Contracts and transactions with related parties of this (10) Legal Information" hereof).

The Company should subject all transactions with related parties, as applicable, to the Company's Ordinary General Assembly. In case of any future transactions with related parties, they will be discussed in the nearest General Assembly and if they were not approved by the Company's General Assembly, the Company will have to search for other parties other than related parties to liaise with them in terms of execution of such works entrusted to related parties.

The Company's inability to renew or enter into contracts with related parties or renew them under certain conditions unfit for the Company business or failure to obtain the General Assembly approval thereon, this will negatively affect the Company business, financial position, operation results and prospects.

#### 2.1.28 Risks of Contracts with Third Parties

The company has entered into a number of contracts and agreements with third parties (Please refer to Subsection (10.12) "Substantial Contracts" of Section (10) "Legal Information" of this Prospectus. Accordingly, the Company is exposed to the risk of the contracting parties being unable or unwilling to fulfill their contractual obligations. Furthermore, the parties that the Company contracts with may breach their obligations for any reason, including as a result of their bankruptcy, financial insolvency, or disruption of their operations, and the risks that arise from dealing with these parties become more acute under difficult market conditions.

Nor can it be asserted that these parties will be at the level of the Company's aspirations, and in the event that the Company or its contracting parties are unable to abide by the terms of those contracts, or in the event of any future disputes or issues, and the Company's loss of those disputes, this will negatively and materially affect its financial position, cash flows, operational results and prospects.

#### 2.1.29 Risks of reliance on non-Saudi employees

Non-Saudi employees, as at the date of this Prospectus, constitute about (64.50%) of the Company's total employees, which may adversely affect the Company's business results, financial position and operational results, if it is unable to maintain its non-Saudi cadres or find replacements for them with the same skills and required expertise or if a change occurs in the policies and regulations of the Ministry of Human Resources and Social Development, resulting in an increase in the rate of Saudization of the sector. A high percentage of non-Saudi employees leads to an increase in government fees borne by the Company for every non-Saudi employee for work permits and residencies, which will cause an increase in the financial cost of the Company and negatively and fundamentally affect its business, financial performance and results of operations.

#### 2.1.30 Risks of Business Interruption

The Company was affected by a series of sudden events which led to the interruption of production lines and reduction of working hours and days including delay to supply pipes to client and general slowdown of economic activities through the year. COVID-19 and related precautionary measures issued by KSA competent bodies led to applying curfew until the issuance of the Royal Decree which allows unrestricted business resumption. (Please see Sub-section (3.9) "Business Interruption of Section (3) "Background and Business Nature" These events of interruption led to decline in the Company's sales in 2020G at around 50% in an amount of SAR 396,2m compared to 2019G which sales figures recorded SAR 741,1m. In case of any unexpected interruption of the Company's business in the future, this will have adverse and material effect on the Company's sales, financial and operations performance and operations' results.

### 2.1.31 Risks of Outbreak of Coronavirus (Covid-19)

With the beginning of the year 2020G, a contagious viral disease known as (Coronavirus “Covid-19”) spread, as it began to spread in most countries of the world, including the Kingdom of Saudi Arabia, and as a result, the World Health Organization classified it on March 11, 2020G as a pandemic, and called for taking the necessary preventive measures to confront this virus and to limit its spread. Accordingly, the government of the Kingdom of Saudi Arabia hastened to take strict decisions in this regard, which resulted in, for example, but not limited to imposing a partial or total curfew in some cities and governorates of the Kingdom, closing airports, malls and all activities inside them, except for food stores and pharmacies, reducing the number of working hours for some sectors, including the sector in which the Company operates where working hours last till the time when partial curfew starts. When the total curfew was imposed, work was limited to home delivery requests only.

The Company generates revenues from the manufacturing of SAW steel pipes related to O&G pipelines for commercial and constructive purposes in KSA, GCC and exporters. Such pipes contained a large amount of raw materials (i.e. Steel) to be mainly imported from international suppliers. Therefore, results of the Company mostly depend on its ability to import/ acquire raw materials from international markets and less limitedly from markets GCC countries.

Due to COVID-19 pandemic, travel restrictions and lockdown, the Company faced difficulties related to supply and sales where the Company’s supply chain includes certain companies located at jurisdiction in which the government applied or reapply certain measure to control and/ or prevent the spread of COVID-19. Whereas it is not possible to assess the scope and period of impact related to COVID-19, this might have a long-term impact in general.

It is not possible to assess the consequences of COVID-19 at any level of certainty, generally whether in terms of the period which it might take or more particularly in terms of its impact on any certain work. On the long term, if the implications of the pandemic remained in effect despite the partial lifting of restriction, prices negotiated may include conversation with clients and/ or supplier, improvement of historical demand volume and project cancellation (such as those of Saudi Aramco). This includes reaction of clients as to importance of procurement, termination of employee services or other political changes related to business model which affected the Company’s performance during the said historical period which might have impact(s) on profitability. (For more information on COVID-19 pandemic, please see the Sub-section (6.5.1 “KPIs” of Section 6) of the Financial Information & Discussion and Analysis of Management” of this Prospectus.

The precautionary decisions taken by Saudi government to limit the outbreak of Covid-19 affected all economic sectors. Although a vaccine for the virus is available, there is no expected date for the end of the negative effects resulting from this epidemic until the date of this Prospectus. Therefore, the company cannot estimate the size of losses resulting from the spread of this epidemic and does not guarantee that there will be future consequences therefor that may negatively and materially affect the company’s business, new projects, financial position and the results of its future operations.

### 2.1.32 Risks of Working Capital Management

Liquidity risk arises when the company is unable to meet its obligations related to financial liabilities as they become due, as the percentage of total current assets to total current liabilities reached 1.2 times as on December 31, 2018G, 1.1 times as on December 31, 2019G, 0.8 times as on December 31 2020G, and 0.8 times as on June 30, 2021G. The company’s financial liabilities consist of loans, payables and accrued expenses, and the company may not be able to meet its obligations on the due dates. Liquidity risks can also result from the inability to sell current financial assets at an amount close to their fair value quickly, and any emergency or sudden events may occur and require immediate liquidity, which will materially and adversely affect the Company’s business, results of operational and financial operations.

### 2.1.33 Risks of Customer Concentration

The Company's sales depend on a main client which is Saudi Aramco and certain clients where the Company deals with them in the basis of purchase orders where rate of the essential client of the Company reached around (84.2%), (93.5%), (85.2%) and (80.2%) from total sales of the Company as of December 31, 2018G and 2019G, 2020G and June 30, 2021G respectively. (For more information, please see Sub-section (6.5.2) Revenues as per product type of the Sub-section (Error! Reference source not found.) Operations' results – statement of loss and profit of this Section 6 "Financial Information and Management's Discussion and Analysis" hereof. It is worthy to mention that Saudi Aramco does not grant exclusivity over purchase of pipes. Therefore, this concentration renders APC liable to loss of a great market share in case Saudi Aramco moved to another competitor or demand reduction. We notice that Saudi Aramco sales depend on purchase order and this exposes the Company to risks of revenues dominated by periodical purchase orders. Consequently, in case of continued dealing with the said main client and the Company failed to find necessary relationships with new client, this will have negative and materials effect on the Company business and hence its operations' results and financial performance.

### 2.1.34 Risks of Equipment and Method of Use

The Company uses its specialized equipment and machinery to make its products. Depreciation rate of such equipment and machinery ranges from 15% - 10% annually. Accumulated depreciation rate to total book value of equipment and machinery reached 53.4%, 54.8% and 56.8% in 2018G, 2019G, and 2020G and 58% for the six-month period ending June 30, 2021G. (For more information, please see Sub-section Error! Reference source not found. Right to use assets of the Sub-section 6.6 Statement of financial position of Section 6 "Financial Information and Management's Discussion and Analysis" hereof and Sub-section (6.6.2) Properties, machinery and equipment of the Sub-section 6.6 Statement of financial position of Section 6 "Financial Information and Management's Discussion and Analysis" hereof. The Company depends in the course of its business continuity on progress and effectiveness of production lines and machinery. Industrial facilities are subject to significant operating risks arising from multiple factors including breakdowns of production lines and main equipment arising from misuse and unexpected incidents such as electricity cut-off or fire outbreak. This will interrupt the Company's operations and cause it to incur additional costs. This will have adverse and material effect on the Company's business, operations' results, financial position and prospects.

### 2.1.35 Risks of Manufacturing Defects

Some manufacturing interruptions or incident may occur during production, packing or transport of products or such defects committed by personnel due to misbehavior or misconduct in the manner that affects the quality of factory's products and reputation. Consequently, this will lead to apply reform activities to avoid repetition of such defects. Therefore, the Company will pay further costs together with business interruption in the production line of such product which contained manufacturing defects. In case such defects and faults were detected, or others related to final product after sale thereof or other products nonconforming to applicable rules and regulations in KSA, this will have adverse and material effect on the Company's reputation, prospects, operations' results and financial position.

### 2.1.36 Risks of Inventory Management

Balance of inventory reached around SAR (551.9m), SAR (448m), SAR (428m) and SAR (296.6m) as of December 31, 2018G, 2019G, 2020G and June 30, 2021 respectively. The Company's policy aims to strive to keep and maintain optimum level of inventory to monitor inventory possession costs and increase efficiency of operation capital while ensuring timely delivery of goods and commodities and maintaining quality level of products available to clients.

Through the application of Internal Resources Plan (ERP) system, there was a state of material uncertainty related to certain inventory balances. Therefore, the Company appointed a consulting company to take agreed procedures to verify financial differences of inventory which amount to SAR



(210.1). This led to the formation of additional provisions of inventory or partial or full cancellation of inventory. This would have adverse and material effect on the Company's operations, financial position and operations' results.

(For more information, please see Sub-section (**Error! Reference source not found.**) of the Sub-section (6.6) Statement of financial position of Section (6) "Financial Information and Management's Discussion and Analysis" hereof. If the Company failed to keep and maintain optimum level of inventory and monitor inventory periodically, this will lead to severe decline or surplus in levels of inventory. This would cause losses to the Company due to its inability to meet client needs, on the one hand or disposal of inventory on the other. This would have adverse and material effect on the Company's operations, financial position and operations' results.

#### **2.1.37 Risks of Company's reliance on Key Suppliers**

The Company deals in its relationships with suppliers on direct purchase method. The key seven outsourced suppliers of the Company represent (70.20%), (71.20%), (85.00%) and (95.90%) of total suppliers in the years ending 2018G, 2019G, and 2020G and the six-month period ending June 30, 2021G. Should the Company failed to maintain its relationship with key suppliers, this would have adverse and material effect on the Company's business, operations' results, financial position and prospects.

#### **2.1.38 Risks of non-compliance with formation of decommissioning provision**

Since application of the IFRS up to the publishing date of this Prospectus, the Company failed to comply with formation of decommissioning provision which requires the Company which assets are set up on leased lands to form decommissioning provision of such assets. The Company is exposed to decommissioning costs in case or removal or transfer of its factory, equipment and machinery for any reason whatsoever) such as in case of expiry or non-renewal of lease agreement or if it is necessary to transfer assets to another location (since all assets of the Company are set up on leased lands). Please see the Sub-section (**Error! Reference source not found.**) Right to use assets hereof). In case of non-compliance with formation of decommissioning provision or the sum allocated is insufficient to cover such costs which the Company might need in case of decommissioning of assets, then the Company would be liable to additional costs. This would have adverse and material effect on the Company's business, operations' results, financial position and prospects.

#### **2.1.39 Risks of the availability of iron supplies and the high prices of raw materials**

The Company depends on continued supply of raw materials used in production process. Prices of steel and iron are determined based on an index which fluctuates on daily basis. The Company does not have an official hedging policy to minimize index fluctuation risks. As a result, any sudden increase to prices of steel and iron would lead to the Company's failure to apply them to clients and hence the Company would be liable to heavy losses. The Company sets prices based on costs as of selling date in addition to margin. Accordingly, and considering the fact that the purchase and equivalent sale of raw materials will be made after 4 months, any decrease in costs of raw materials during this period will render the Company liable to decrease of selling prices and this would eventually lead to negative margins. For more information, please see the Sub-section (6.5.3) Pipe sales of the Section 6 "Financial Information and Management's Discussion and Analysis" hereof.

Available iron and raw materials are subject to fluctuations due to, for example without limitation, the timing of purchasing such raw materials, prices negotiation capabilities of the Company, increased prices of iron and raw materials in light of factors related to supply and demand or any other effects. Should the Company become unable to procure such supplies in a sufficient and timely manner or under acceptable conditions or if there is any increase to costs of such supplies, then this would have adverse and material effect on the Company's business, financial results and prospects.

#### **2.1.40 Risks of Factory's operational capacity**

The Company manages two factories located at the cities of Riyadh and Jubail in an annual capacity of 160,000 and 300,000 tons respectively. Total operating capacity percentage of the two-plant reached (34.8%), (42.6%), (23.2%) and (20%) for the financial years ending 2018G, 2019G, 2020G and

the six-month period ending June 30, 2021 respectively. Production capacity reduced due to the outbreak of COVID-19 and general economic recession. Decline of purchase orders will affect the annual production capacity of manufacturers and will have adverse and material effect on the Company's business, operations' results, financial position and prospects.

#### **2.1.41 Risks of the external auditor's reservations**

The external auditor issued summary financial statements as of June 30, 2021 and the auditor's report included a number of reservations. (For more information, please see the Sub-section (6.4) Qualified Opinion of the Legal Auditor on the Financial Statements of the Section 6 Financial Information and Management's Discussion and Analysis hereof).

As of June 30, 2021G, accumulated losses reached 80.78% (December 31, 2020G: 77.75%) of the Company's capital. The Company current liabilities exceeded its current assets in an amount of SAR 137.26m ((December 31, 2020G: SAR 134.11m). This excess goes back mainly to reclassification of debts due to non-compliance with the covenants provided for in banking facilities agreement as of December 31, 2020G. Such circumstances and conditions suggest there is a material uncertainty related to the Company's ability to proceed according to the principle of continuity. On 8 June 2021G, the BOD recommended the restructuring of the capital by way of amortizing accumulated losses and reducing capital from SAR 400m to SAR 100m followed by issuance of rights shares at SAR 300m. BOD recommendation is subject to approvals of the Shareholders of the Company and regulatory authorities.

On 19/07/1443H (corresponding to 20/02/2022G), EGM approved reducing the Company's capital by (75%) from four hundred million (SAR 400,000,000) Saudi Riyals to one hundred million (SAR 100,000,000) Saudi Riyals and hence reduce the number of shares from forty million (40,000,000) shares to ten million (10,000,000) shares by way of writing off thirty million (30,000,000) shares. i.e., to reduce (3) shares per (4) shares with the purpose to restructure the Company's capital and amortize accumulated losses.

Extraordinary General Assembly shall be invited to convene to decide whether capital of the Company should be increased or reduced to the extent to which loss ratio declines to less than half of the paid capital or the Company would be dissolved before date set forth in the Company's AOA. The Company will be considered dissolved by the rule of law if the Extraordinary General Assembly failed to convene during the timeframe determined by the law, if it convened and failed to make a decision in this regard or if it decided to increase capital according to the conditions stated in Article 150 of the Companies Law and capital increase was not subscribed within (90) days from issuance of the increase decision of the Extraordinary General Assembly. In the event of Company's termination under Article 150 of the Companies Law or by an EGM resolution, this will materially and adversely affect the Company, its financial results, and prospects.



## 2.2 Risks of Market and Industry

### 2.2.1 Risks of the Kingdom's Economic Performance

The expected future performance of the Company depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, inflation factors, GDP growth, average per capita income, and so on. The Kingdom's macro and micro 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, which would negatively affect the Company's financial performance, given its work within the Kingdom's economic system and its impact on government spending rates.

The continued growth of the Kingdom's economy also depends on several other factors, including continued population growth and government and private sector investments in infrastructure. Therefore, any negative change in any of these factors will have a significant impact on the economy and will therefore negatively and fundamentally affect the Company's business, financial results and prospects.

### 2.2.2 Risks of Political and Economic Instability in the Middle East

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

### 2.2.3 Risks of Companies Law and Corporate Governance Regulations

In its management and conduct of its various business and activities, the Company is subject to the provisions of the Companies Law issued on 28/01/1437H (corresponding to 11/11/2015G) and amended by Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G). The Authority's Board also issued, under Resolution No. (8-127-2016) dated 16/01/1438H (corresponding to 17/10/2016G), the regulatory controls and procedures issued in implementation of the Companies Law for Listed Joint Stock Companies, as amended by the Authority Board's Resolution No. (1-07-2021) dated 01/06/1442H (corresponding to 14/01/2021G). In addition, the Authority's Board issued, under Resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), the Corporate Governance Regulations, as amended by CMA Board Resolution No. 1-07-2021 dated 01/06/1442H (corresponding to 14/01/2021G). The Companies Law and Corporate Governance Regulations impose some new requirements related to regulation and corporate governance that the Company must comply with. The Companies Law has also imposed stricter penalties for violating its provisions and rules, which are mandatory for all companies, and therefore it is possible for the Company or members of its board of directors or executive management to be subject to such penalties of financial fines or imprisonment or both (for example, the Companies Law stipulates that every director, official, board member, auditor, or liquidator who records false or misleading data in financial statements, or the reports he/she develops for partners or general assembly, or deliberately excludes material facts in such statements or reports in order to conceal the company's financial position from partners or others, shall be punished with imprisonment for a period not exceeding 5 years and a fine not exceeding five million Saudi Riyals) in the event of non-compliance with these provisions and rules.

It is worthy to mention that the Company failed to act in compliance with Article 16 of the Corporate Governance Regulations in full which require that number of independent BOD directors shall not be less than 2 or one-third of BOD members whichever is less. Whereas the BOD member/ Mr. Abdullah Mohammed Hilal Al-Harbi is classified as an independent member on Tadawul while he has one of the objections of independence, which is the kinship relationship with another member, who is Mr. / Faisal Mohammed Hilal Al-Harbi, and therefore he became not independent and therefore the number of independent members is (2). Moreover, the Company has not amended Article 46 of AOA related to liability case to be in line with the amendment made to Article 80 of the Companies Law under the Royal Decree No. (M/79) dated 25/07/1439H (corresponding to 11/04/2018G) which permitted that the company would be liable to incur such costs paid by the shareholder to file a case against the company irrespective of its result(s). the Company failed to act in compliance with the minimum limit of Clause 126.2 of the Companies Law to place such financial documents set forth in this Clause



under the disposal of the auditor at least 45 days prior to convention date of the General Assembly where the Company reduced such period from 45 days to 21 days according to Clause 42.1 of the AOA. No reduction may be applied to minimum time limit of any legal period under an express legal provision. Article 3 of the AOA related to the Companies activities was amended to be in line with ISIC4.

If the Company failed to act in compliance with provisions of Companies Law and all obligatory provisions set forth in Corporate Governance Regulations thereafter or in case any of the benchmark articles in Corporate Governance Regulations became obligatory and the Company failed to apply and give force thereto, then the Company shall be subject to regulatory penalties and fines, which will negatively affect its business, results of operations, financial position and prospects.

#### **2.2.4 Risks of Non-compliance with Existing Laws and regulations and/or Issuance of New Laws and Regulations**

The Company is subject to the supervision of a number of government agencies in the Kingdom, including CMA and Ministry of Commerce, etc. Therefore, the Company is subject to the risks of changes in the laws, regulations, circulars and policies in the Kingdom. The legislative and regulatory environment in the Kingdom is witnessing the issuance of many laws and regulations, which are continuously developed and improved. The costs of complying with these regulations are high. In the event of changes to the existing laws or regulations or the issuance of new laws or regulations, such will lead to incurring additional unexpected financial expenses by the Company for the purposes of complying with those regulations and meeting the requirements of these laws, or it may be subject to penalties and fines imposed by the competent supervisory authorities in the event of failure to comply with such regulations and laws continuously, which will negatively affect its business, results of operations, financial position and prospects.

#### **2.2.5 Risks of the competitive environment**

The Company operates in a competitive environment, and its competitive position depends on many factors, including the strength of its financial position, the geographical scope of its business and its reputation. There is no guarantee that the Company will continue to compete effectively with other companies in the market that operate in the same business sectors. The pricing policies of the Company's competitors materially affect its financial performance, and there is no guarantee that the Company will be constantly able to compete with these companies, which leads to a reduction in the Company's market share and thus negatively affects its business, financial results and prospects.

#### **2.2.6 Risks of VAT**

The Kingdom issued the value-added tax Law, which entered into force on January 1, 2018G. Such law imposes an added value of 5% on a number of products and services, and the Kingdom's government has decided to increase the value-added tax rate from 5% to 15%, commencing from July 01, 2020G. Accordingly, the Company shall adapt to the changes resulting from imposing the value added tax. Any violation or wrong implementation of the tax law by the Company's management, will result in fines or penalties or damages the Company's reputation, which will also increase costs and operating expenses, which may reduce the Company's competitive position and the level of demand for its products, which will negatively affect its financial condition, results of operations and prospects.

#### **2.2.7 Risks of Government Fees Applicable to non-Saudi Employees**

The Saudi government approved a number of resolutions aimed at implementing comprehensive reforms in the Saudi labor market by imposing additional charges on every non-Saudi employee who works for Saudi institutions as of 01/01/2018G, at the rate of four hundred (400) Saudi Riyals per month for each non-Saudi employee in 2018G, increasing to six hundred (600) Saudi Riyals per month in 2019G then Eight hundred (800) Saudi Riyals per month in 2020. This will lead to an increase in the government fees that the Company will pay for its non-Saudi employees. As of the date of this Prospectus, the Company's non-Saudi employees (163 employees) constitute (64.5%) of total employees, (Please refer to Subsection (3.10) "Employees and Saudization" of this Prospectus), and thus an increase in the Company's costs in general, which will adversely and substantially affect its business, financial performance and the results of operations. The total government fees paid by the Company for its non-Saudi employees amounted to (SAR 1,730,280), (SAR 2,171,044), (SAR 244,000), and (SAR 111,700) as on December 31, 2018G, 2019G and 2020G, and June 30, 2021G, respectively.

It is worth noting that on 25/01/1441H (corresponding to 24/09/2019G), the Council of Ministers, headed by the Custodian of the Two Holy Mosques, agreed that the state would bear the financial compensation for expatriate workers for a period of five years, in accordance with paragraphs (1.a) and (2.a) of clause (II) of Cabinet Resolution No. (197), dated 23/03/1438H (corresponding to 22/12/2016G), for industrial establishments licensed under an industrial license as of 02/02/1441H (corresponding to 01/10/2019G), and accordingly, the Company is exempted from fees for the financial consideration on its expatriate workers for a period of five years, starting from Q2 of 2020G. Upon the expiry of the specified period for the state to bear such fees by the start of Q1 of 2025G, or if this Resolution is canceled, the Company will be liable to pay these fees, which will lead to an increase in government fees that the Company will pay for its non-Saudi employees, and thus an increase in the Company's costs in general, which will negatively affect its business, financial performance and results of operations.

In addition, the government has also imposed fees for issuing and renewing residency for dependents and companions of non-Saudi employees (Companions 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 increase in the fees for issuing and renewing residence permits borne by a non-Saudi employee 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 where the cost of living is lower, 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 thereof directly, or indirectly by raising the wages of its non-Saudi employees, which will lead to an increase in the Company's costs, and thus will have a negative and material impact on its business, financial performance, results of operations and prospects.

#### **2.2.8 Risks of fluctuations in currency exchange rates**

Some of the Company's transactions are performed in currencies other than the Saudi riyal, particularly the US dollar. The Company is subject to the risks of fluctuations in currency exchange in the transactions performed in currencies other than Saudi riyal. As part of the Kingdom's policy, the Saudi riyal, as of the date of this Prospectus, is exchanged at a rate of 3.75 Saudi riyals to 1 US dollar, but there are no assurances that the exchange rate of the Saudi riyal against the US dollar is stable. Therefore, fluctuations in the value of Saudi riyal against the foreign currencies, in particular the American dollar, which will negatively and materially affect the Company's results of operations, financial position and prospects.

#### **2.2.9 Risks of fluctuations in supply and demand**

The Company's Sector, like other sectors, is affected by fluctuations in supply and demand in the market. Therefore, the failure to adapt production levels to the sharp drop in demand will affect the companies' productivity and sales levels, which will in turn affect the performance of the sector in general, thus, affect the Company's performance, results of operations, financial position and prospects.

## 2.3 Risks of the offered securities

### 2.3.1 Risks of Potential Fluctuation in the Price of the Rights

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

### 2.3.2 Risks of Potential Fluctuations in the Share Price

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

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

### 2.3.3 Risks of non-Profitability or Selling of the Rights

There is no guarantee of profitability per share by trading it at a higher price. In addition, there is no guarantee that it can be sold at all, which indicates that there is no guarantee of sufficient demand in the market to exercise the rights issue or receive compensation from the Company, bearing in mind that the investor who did not subscribe or sell his rights, and the owners of fractional shares, may not obtain any consideration if the sale took place during the remaining offering period at the offering price.

### 2.3.4 Risks of Future Data

The future results and performance data of the Company cannot be actually predicted and may differ from what is contained herein. As the Company's achievements and ability to develop determine the actual results, which cannot be expected or determined. The inaccuracy of the data and results considered one of the risks that the shareholder shall know so as not to affect his/her investment decision. Whereas, in the event that the future results and performance data are fundamentally different from those mentioned herein, such will lead to the loss of part or all of the shareholders' investment in the Company's shares.

### 2.3.5 Risks of the Possibility of Issuing New Shares

The issuance of any new shares by the Company depends on the approval of shareholders EGM. In the event that the Company decides to issue new shares as rights issue to increase its capital, and the shareholders EGM approved this decision, and the shareholders have not exercised their rights by subscribing to the new shares, the ownership of the shares will decrease proportionately in addition to its attachments from the right to vote and obtain profits, which will affect the market price of the share.

### 2.3.6 Risks of Lack of Demand for the Company's Rights and 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 a registered shareholder or a new investor) to sell the rights issue and make a profit out of it, or to enable him to sell the rights issue at all. Moreover, there is no guarantee that there will be sufficient demand for the Company's shares by institutional investors during the Rump offering period. In the event that the investment institutions did not submit offers for the remaining shares at a high price, there may not be sufficient compensation to be distributed to the holders of the rights issue who did not exercise their right to subscribe, or to the holders of fractional shares. Moreover, 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 for these shares, through the residual offering or through the open market.

### 2.3.7 Risks of Potential Dilution of Ownership

If the rights issue holders do not subscribe in full to the new shares, their ownership and related voting rights will be reduced. In addition, there is no guarantee in the event that the restricted rights issue holder wishes to sell his rights issue during the trading period, that the return he receives will be sufficient to fully compensate him for the decrease in his ownership percentage in the Company's capital as a result of its capital increase. There is as well no guarantee that there will be a compensation amount distributed to the eligible shareholders who did not exercise their right to subscribe or to the owners of fractional shares in the event that the investment institutions did not submit offers for the remaining shares at a high price during the remaining offering period, or that the amount of compensation (if any) sufficient to compensate the decrease in the percentage of ownership in the capital of the Company.

### 2.3.8 Risks of failure to exercise the Rights in a timely manner

Subscription Period will start on xx/xx/1443H (corresponding to xx/xx/2022G) and end on xx/xx/1443H (corresponding to xx/xx/2022G). Rights holders and the financial brokers they represent shall take appropriate measures to follow all necessary instructions prior to the expiry of the subscription period. If eligible shareholders fail to properly exercise the subscription rights by the end of the subscription period, based on their rights issue, there is no guarantee that there will be an amount of compensation distributed to the non-participant's eligible shareholders or who did not exercise the subscription properly or to the holders of fractions shares.

### 2.3.9 Risks of Dividends

Future earnings per share depend on a number of factors, including the Company's profitability, maintaining its good financial position, capital needs and distributable reserves, the Company's available credit strength, and general economic conditions. An increase in the Company's capital may lead to a decrease in the earnings per share in the future on the grounds that the Company's profits will be distributed to a larger number of shares as a result of the increase in its capital. The Company does not guarantee that any dividends on the shares will be actually distributed, nor does it guarantee the amount that will be distributed in any particular year. Dividend distribution is subject to certain restrictions and conditions stipulated in the Company's Articles of Association.

### 2.3.10 Risks of speculation in Rights

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

them, in order to ensure that any investment decision is based on full knowledge and awareness. (Please refer to Section (Error! Reference source not found.) - "Details on Shares and Subscription Terms and Conditions" of this prospectus).

### 2.3.11 Risks of suspending trading or cancellation of listing Company's shares

On 31/03/2021G, the Company declared through its website on Tadawul that it is unable to publish relevant annual consolidated financial results on December 31, 2020 within the appointed timeframe. As a result, suspension procedures of securities listed according to listing rules approved by Financial Market Authority BOD Resolution No. (2019-10-1) dated 24/05/1440H (corresponding to 30/01/2019G) which stipulates that if in case the issued failed to publish its financial statements within the appointed timeframe, Saudi Financial Market will suspend trading of securities for one trading session after the expiry of regulatory period.

In the event that the financial information is not published within twenty trading sessions following the first suspended trading session, Tadawul shall announce the re-suspension of the Company's securities until it announces its financial results. In the event that the suspension of trading the Company's shares continues for a period of six months without the Company taking the appropriate measures to correct that suspension, CMA may cancel the listing of the Company's securities.

The financial market lifts the suspension after one trading session following the announcement of the Company's financial results.

However, in case the Company delays in announcing its financial results, or if it is unable to publish them within the statutory period referred to above, this will lead to suspending the Company's shares or cancellation of its shares listing. This will materially and adversely affect the interests of shareholders, Company's reputation and results of operations. In addition, the Capital Market Authority may cancel the offering of the Company's rights issue shares in the event that it deems that the offering may not be in the interest of the shareholders.

## 3. Overview of the Company and Nature of its Business

### 3.1 Company Overview

Arabian Pipes Company ("APC") was initially incorporated as a closed joint stock company under the Ministerial Resolution No. (922) dated 18/11/1411H (corresponding to 01/06/1991G) which approved declaration of the Company incorporation. APC was registered in Commercial Registry of Riyadh City under No. (1010085734) on 14/02/1412H (corresponding to 25/08/1991G) and the tradename of "Arabian Pipes Company". On 26/06/1413H (corresponding to 21/12/1992G), APC was listed on Saudi Tadawul (hereinafter referred to as "Market" or "Tadawul" and it started the trading of its shares having obtained the approvals of the Ministry of Commerce and Saudi Arabian Monetary Agency. On 05/07/1419H (corresponding to 25/10/1998G), the EGM approved the increase of APC capital from (SAR 70,000,000) seventy million Saudi Riyals to (SAR 140,000,000) one hundred forty million Saudi Riyals by way of issuance of rights shares for (SAR 70,000,000) seventy million Saudi Riyals at an increase rate of (100%) of the Company's capital. On 24/12/1424H (corresponding to 26/01/2004G), APC Third Extraordinary General Assembly approved increase of the Company's capital from (SAR 140,000,000) one hundred forty million Saudi Riyals to (SAR 210,000,000) two hundred ten million Saudi Riyals by way of issuance of rights shares at (140,000,000) one hundred forty million new shares at a nominal value of (SAR 50) Saudi Riyals per share to be paid in full in a total amount of (SAR 70,000,000) seventy million Saudi Riyals. Consequently, the Company's shares increased from (2,800,000) two million and eight hundred thousand shares to (4,200,000) four million and two hundred thousand shares. On 28/08/1425H (corresponding to 12/10/2004G), APC EGM approved increase of the Company's capital from (SAR 210,000,000) two hundred ten million Saudi Riyals to (SAR 315,000,000) three hundred fifteen million Saudi Riyals by way of issuance of rights shares at (2,100,000) two million one hundred thousand shares at a total value of (SAR 105,000,000) one hundred and five million Saudi Riyals. Consequently, the Company's shares increased from (4,200,000) four million two hundred thousand shares to (6,300,000) six million three hundred thousand shares. On 21/07/1433H (corresponding to 11/06/2012G), APC Shareholders General Assembly approved increase of the Company's capital from (SAR 315,000,000) three hundred fifteen million Saudi Riyals to (SAR 400,000,000)



four hundred million Saudi Riyals by way of issuance of (8,500,000) eight million and five hundred thousand shares in an amount of (SAR 85,000,000) eighty-five million Saudi Riyals. Consequently, the Company's shares increased from (31,500,000) thirty-one million five hundred thousand shares to (40,000,000) forty million nominal shares at a nominal share of (SAR 10) ten Saudi Riyals by way of granting a bonus share against each (3.7058) existing shares owned by the Shareholders recorded in the Shareholders' Register by the end of EGM date.

The head office of the Company is located at the City of Riyadh, New Industrial City, P.O. Box 42734, 11551 Riyadh, Kingdom of Saudi Arabia.

Current capital of APC is (SAR 100,000,000) one hundred million Saudi Riyals divided into (10,000,000) ten million ordinary shares at a nominal value of (SAR 10) ten Saudi Riyals per share fully paid (hereinafter referred to individually as "Current Share" and collectively as "Current Shares").

As of the date of this Prospectus, there are no key Shareholders possessing (5%) or more of APC's shares.

### 3.2 The Company's history and most important developments in its capital structure

- Arabian Pipes Company ("APC") was initially incorporated as a closed joint stock company under the Ministerial Resolution No. (922) dated 18/11/1411H (corresponding to 01/06/1991G) which approved declaration of the Company incorporation. APC was registered in Commercial Registry of Riyadh City under No. (1010085734) on 14/02/1412H (corresponding to 25/08/1991G) and the tradename of "Arabian Pipes Company". On 26/06/1413H (Corresponding to 21/12/1992G).
- On 26/6/1413H (corresponding to 21/12/1992G), APC was listed on Saudi Tadawul "Tadawul" and it started the trading of its shares having obtained the approvals of the Ministry of Commerce and Saudi Arabian Monetary Agency (the competent authority for the time being - Saudi Central Bank currently) before the development of the Electronic Trading System of Shares (in 2001G) as an alternative system of ESIS which was operating under the supervision of Shares Supervision Department of Saudi Arabian Monetary Agency (Saudi Central Bank).
- On 05/07/1419H (corresponding to 25/10/1998G), the Extraordinary General Assembly approved the increase of APC capital from (SAR 70,000,000) seventy million Saudi Riyals to (SAR 140,000,000) one hundred forty million Saudi Riyals by way of issuance of rights shares for (SAR 70,000,000) seventy million Saudi Riyals at an increase rate of 100% of the Company's capital.
- On 24/12/1424H (corresponding to 26/01/2004G), APC Third Extraordinary General Assembly approved increase of the Company's capital from (SAR 140,000,000) one hundred forty million Saudi Riyals to (SAR 210,000,000) two hundred ten million Saudi Riyals by way of issuance of rights shares at (140,000,000) one hundred forty million new shares at a nominal value of (SAR 50) Saudi Riyals per share to be paid in full in a total amount of (SAR 70,000,000) seventy million Saudi Riyals. Consequently, the Company's shares increased from (2,800,000) two million and eight hundred thousand shares to (4,200,000) four million and two hundred thousand shares.
- On 28/08/1425H (corresponding to 12/10/2004G), APC EGM approved increase of the Company's capital from (SAR 210,000,000) two hundred ten million Saudi Riyals to (SAR 315,000,000) three hundred fifteen million Saudi Riyals by way of issuance of rights shares at (2,100,000) two million one hundred thousand shares at a total value of (SAR 105,000,000) one hundred and five million Saudi Riyals. Consequently, the Company's shares increased from (4,200,000) four million two hundred thousand shares to (6,300,000) six million three hundred thousand shares.
- On 21/07/1433H (corresponding to 11/06/2012G), APC Shareholders General Assembly approved increase of the Company's capital from (SAR 315,000,000) three hundred fifteen million Saudi Riyals to (SAR 400,000,000) four hundred million Saudi Riyals by way of issuance of (8,500,000) eight million and five hundred thousand shares in an amount of (SAR 85,000,000) eighty-five million Saudi Riyals. Consequently, the Company's shares increased from (31,500,000) thirty-one million five hundred thousand shares to (40,000,000) forty million nominal shares at a nominal share of (SAR 10) ten Saudi Riyals by way of granting a bonus share against each (3.7058) existing shares owned by the Shareholders recorded in the Shareholders' Register by the end of EGM date.
- On 19/07/1443H (corresponding to 20/02/2022G), EGM approved reducing the Company's capital by (75%) from (SAR 400,000,000) four hundred million Saudi Riyals to (SAR 100,000,000) one hundred million Saudi Riyals and hence reduce the number of shares from

(40,000,000) forty million shares to (10,000,000) ten million shares by way of writing off (30,000,000) thirty million shares. i.e. to reduce (3) shares per (4) shares with the purpose to restructure the Company's capital and amortize accumulated losses.

- On xx/xx/1443H (corresponding to xx/xx/2022G), EGM approved increasing the Company's capital at (300)% by way of offering rights shares at (300,000,000) three hundred million Saudi Riyals and hence the Company's capital after the said increase became (SAR 400,000,000) four hundred million Saudi Riyals and number of after the said increase became (40,000,000) forty million shares with the purpose to support the working capital, enhance the Company's solvency, reduce borrowing rate, develop and update the Company's factories in Riyadh and Jubail and expand the number of auxiliary products of pipes services as a part of the Company's business.

### 3.3 Company's Main Activities

The Company practices its activities under the Commercial Register No. (1010085734) dated 14/02/1412H (corresponding to 25/08/1991G).

Pursuant to the Company's articles of associations, the main activities are exercising and implementing the following:

- 1) Production and marketing of ERW and SAW steel pipes for pipelines and for constructional and commercial purposes;
- 2) Establishment of metal industries;
- 3) Bending, forming, threading and coupling of pipes;
- 4) Internal and external coating of pipes;
- 5) Performing commercial activities such as sale and purchase of pipes (including their accessories and consumables);
- 6) Carrying out pipeline extension works;
- 7) Purchase of land to set up and invest buildings by way of sale or rent them in favor of APC; and
- 8) Maintenance, cleaning, operation and catering contracting

The company exercises its activities in accordance with applicable laws and after obtaining the necessary licenses from competent authorities, if any.

APC has variety of factories and further pipelines which enable the Company to practice the following activities:

- Riyadh Factory:

This facility produces ERW steel pipes at sizes ranging from 6 to 20 inches at an average production capacity of 160,000 tons annually. The facility is located at Riyadh Industrial City and wholly (100%) owned by APC.

- Jubail Factory:

This facility produces SAW steel pipes at sizes ranging from 16 to 48 inches at an average production capacity of 300,000 tons annually. The facility is located at Jubail Industrial City and wholly (100%) owned by APC.

- External Coating Factory:

This facility is used for external coating of pipes (FBE, 3LPE, 3LPP) at sizes ranging from 6 to 24 inches and average production capacity of 2,4 million square meters annually. The facility is located at Riyadh Industrial City and is wholly (100%) owned by APC.

- Slitting Line:

This line is used for slitting of steel coils necessary for high potential production in terms of maximum width of coil up to (1600mm) and maximum thickness up to (12.7mm). This line is located at APC mill, Riyadh Industrial City and wholly (100%) owned by APC.

- Threading & Coupling Line:

This line is used for threading and coupling of pipes to be applied in the domain of digging and lining of wells (OTCG-CASINGS) according to the international standards required by local and international oil companies. This line is located at APC mill, Riyadh Industrial City and wholly (100%) owned by APC.

### 3.4 Company Vision

To be the MENA pioneers in providing quality piping solutions and to partner with our valued clients to meet their needs.

### 3.5 Company Mission

APC applies the highest quality standards and strives to localize latest piping solutions technologies through our most valuable asset: Human Resources.

### 3.6 Company Strategy

To be the MENA pioneers in providing quality piping solutions and to partner with our valued clients to meet their needs by way of applying the highest quality standards and seek the localization of the state-of-the-art techniques of piping solutions.

In terms of strategies and future forecasts, APC strives to:

- Develop Jubail Factory to cater to market needs.
- Develop forming and welding machinery of Jubail Factory to upgrade machinery.
- Develop Riyadh Factory to cater to market future needs.
- Develop External Coating Factory in Riyadh to cater to market needs.
- Continue to enhance and increase export sales and expand activities geographically by way of taking part in MENA, Iraq, Lebanon and Yemen projects together with GCC.
- Continue to train and qualify student and expand female employment.
- Develop APC comprehensive ERP.
- Update action plans and policies across APC departments.
- Enhance and develop internal control procedures.

### 3.7 Company's strengths and competitive advantages

- APC is approved by many major O&G companies including: Saudi Aramco - Petroleum Development Oman - Saline Water Conversion Corporation - Abu Dhabi Oil Refining Company (Takreer) - GAZCO.
- Pipe purchase agreements related to APC products (Riyadh and Jubail Factories) were signed with Aramco for a period of 5-7years which ensure APC share in Aramco future projects.
- There are two factories in Riyadh and Jubail, which help supply various sizes of pipes ranging from 6 to 48 inches.
- APC has welded pipes Threading & Coupling Line fit for lining of wells works. There are only two factories in KSA which are able to make and supply such type or size of pipes.

- APC has an External Coating Factory in Riyadh to cater to market needs.
- Geographic Distribution: APC proven its ability to dominate this area by way of providing mega projects inside and outside KSA and exports its products to more than 19 countries.

### 3.8 Company's Commercial Registrations and Its Branches

Arabian Pipes Company has (2) two commercial registrations in the Kingdom of Saudi Arabia.

The following table shows the company's branches and records inside the Kingdom of Saudi Arabia:

Table No. (1): Company's Branches and Records

Name	Type	Commercial Registration No.	Address	Activity	Issue Date	Expiry Date
Arabian Pipes Company	Head Office	1010085734	Riyadh Second Industrial City Third Stage	Manufacture of pipes, hoses, plastic pipes, fittings and its accessories,	14/02/1412H (Corresponding to 25/08/1991G)	13/02/1445H (Corresponding to 29/08/2023G)
Al Jubail Factory	Al Jubail Branch	2055007048	Al Jubail / Jubail Industrial - Secondary Industries Area	manufacture of iron and steel pipes, tubes and hollow shapes	21/04/1426H (Corresponding to 17/09/1995G)	20/04/1446H (Corresponding to 23/10/2024G)

Source: The Company

### 3.9 Business Interruption

Referring to the events related to Corona Virus Spread (COVID-19) and its repercussions on the business sectors locally and internationally, the Arabian Pipes Company hereby commits to implement the decisions provisions recently issued by the competent authorities in the Kingdom of Saudi Arabia on 15/03/2020G and takes the necessary measures to protect the company's employees and contributes to limiting the spread of the epidemic. The Company reports that some of its operational sectors are affected in production and shipping due to the taken procedures and measures by the competent authorities. The Company seeks to benefit from the distinguished initiatives and decisions adopted and presented by the Kingdom's government to mitigate the negative effects of the virus spread on private sector companies. Due to the difficulty of determining the period for these measures and precautions, the company is currently unable to determine the financial impact of this crisis. The Company also confirm its commitment to work on taking all financial, administrative and technical measures that guarantee the protection of the company and mitigate the effects of this crisis.

(Please also see Subsection No. (2.1.30) "Risks of Business Interruption" of Section No. (2) "Risk Factors").

Except for what was mentioned above, there has been no interruption in the company's business that could affect or have had a noticeable impact on the financial position during the last (12) months.

### 3.10 Employees and Saudization

As at the date of this prospectus, the number of company's employees reached (338), including (120) Saudi employees and (218) non-Saudi employees. In accordance with Nitaqat Program issued by the Ministry of Human Resources and Social Development, the Saudization rate reached about (35.50%) and is classified within the platinum range.

The following table shows the number of company's employees in accordance with the data of the various government authorities:

Table No. (2): Number of company's employees according to different government authorities

Authority	Document type	Saudi employees	Non-Saudi employees	*Total
GOSI	Social Insurance Certificate	79	156	235
Labor Office	Nitaqat Certificate	120	218	338
General Directorate of Passports - Muqem	an Extract from Muqem	N/A	163	163

Source: The Company

\*As of 25/08/2021G

The following table shows the number of company's employees in Al Jubail Branch, in accordance with the data of the various government authorities:

Table No. (3): Number of company's employees according to different government authorities

Authority	Document type	Saudi employees	Non-Saudi employees	*Total
GOSI	Social Insurance Certificate	53	63	116
General Directorate of Passports - Muqem	an Extract from Muqem	N/A	69	69

Source: The Company

\*As of 25/08/2021G

The following tables show the number of employees, the percentage of Saudization and their distribution among the company's departments during the years 2018, 2019 and 2020, respectively, until the date of this document:

Table No. (4): Number of Company's Employees

Category	December 31, 2018G		December 31, 2019G		December 31, 2020G		As of the date of this document	
	Number	%	Number	%	Number	%	Number	%
Saudis	103	33.12%	124	34.16%	129	36.54%	130	36.83%
Non-Saudis	208	66.68%	239	65.84%	224	63.46%	223	63.17%
Total	311	100%	363	100%	353	100%	353	100%

Source: The Company

Table No. (5): Employees of Each Department

Management	December 31, 2018G		December 31, 2019G		December 31, 2020G		As of the date of this document	
	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis	Saudis	Non-Saudis
CEO Office	2	-	2	-	2	-	2	-
Finance	6	3	6	3	8	4	8	4
HR and Administrative Affairs	33	7	34	5	31	5	31	5
IT	3	4	3	4	5	3	5	3
Internal auditor	-	1	-	1	-	2	-	2
Maintenance	18	44	21	59	22	56	22	56
Production	11	76	16	91	21	85	24	80
Procurement	8	24	9	31	10	23	9	23
Quality	19	45	27	44	24	45	23	48
Sales	3	2	6	1	6	1	6	2
Total	103	208	124	239	129	224	130	223

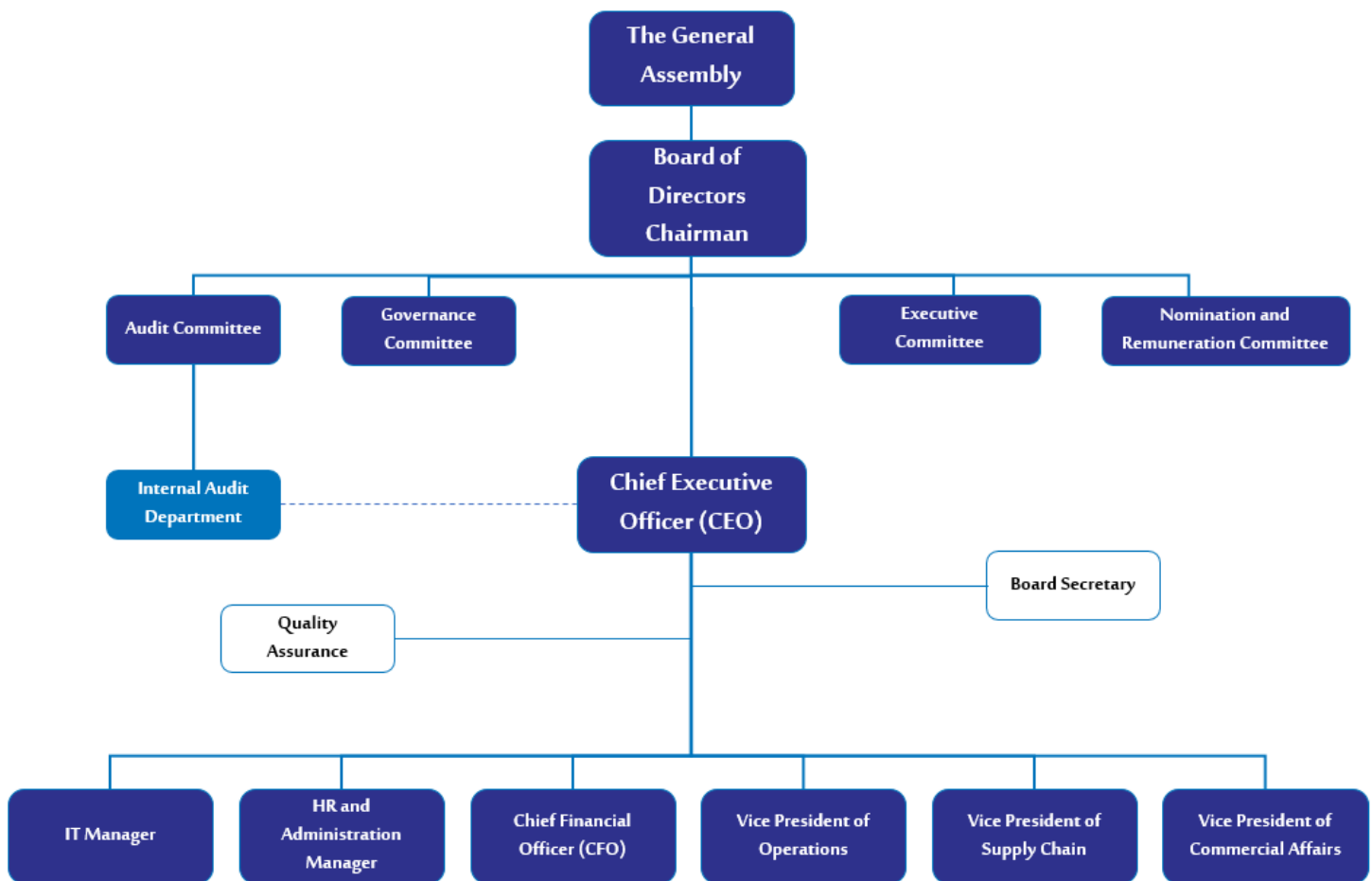
Source: The Company

## 4. Ownership and Organisational structure

### 4.1 Organizational Structure

The following figure shows the organizational structure of the company:

Figure no. (1): Organizational Structure of the Company



Source: The Company

## 4.2 Board of Directors

The following table shows the members of the company's board of directors:

Table No. (6): Board members

Board Members								
The Company's Board assigned on 10/10/1442H (corresponding to 22/05/2021G)*								
Name	Position	Status of membership and Independence*** *	Nationality	Age	Shares			
					Direct		Indirect	
					No.	%	No.	%
Youssef Saleh Mansour Abalkhail**	Chairman Board of Directors	Non-executive non-independent	Saudi	64	4,000	0.01%	-	-
Khalid Abdullah Rashid Abunayyan**	Vice Chairman Board of Directors	Non-executive non-independent	Saudi	64	-	-	-	-
Azzam Saud Suleiman Al-Mudaihim	Board member	Non-executive non-independent	Saudi	51	1,269	0.003%	-	-
Saad Falah Murie Al-Qahtani	Member Board of Directors	Non-executive independent	Saudi	53	500	0.001%	-	-
Ahmed Ali Abdul Karim Al-Luhaidan	Board Member and CEO	Executive /non-independent	Saudi	58	-	-	-	-
Musa Abdullah Bard Al-Ruwaili	Member Board of Directors	Non-executive independent	Saudi	48	500	0.001%	-	-
Abdullah Mohammed Hilal Al-Harbi***	Member Board of Directors	Non-executive independent	Saudi	32	-	-	-	-
Faisal Mohammed Hilal Al-Harbi	Member Board of Directors	Non-executive non-independent	Saudi	39	-	-	-	-

Source: The Company

\* The Extraordinary General Assembly, in its meeting held on 15/09/1442H (corresponding to 27/04/2021G), approved the election of the above-mentioned members of the Board of Directors for the current session, which began on 10/10/1442H (corresponding to 22/05/2021G) for three Years ending on 13/11/1445H (corresponding to 21/05/2024G).

\*\* The Company's board of directors decided in its meeting held on 13/10/1442H (corresponding to 25/05/2021G) to appoint Mr. Youssef Saleh Mansour Abalkhail as Chairman of the Board of Directors, and to appoint Mr. Khalid Abdullah Rashid Abunayyan as Vice Chairman.

\*\*\* Member of the Board of Directors, Mr. Abdullah Mohammed Hilal Al-Harbi, is classified as an independent on the Tadawul website. For more information, please see Section No. (10.5.1) of Section No. (10) "Legal Information" of the prospectus.

\*\*\*\* In accordance with the Corporate Governance Regulations, a member of the Board of Directors acquires the status of an "executive member" when this member is a member of the company's executive management and participates in the daily management of the company or receives a salary from the company in return.

- As for the "Non-executive Member", is a member of the board of directors who is not a full-time member to manage the company or does not receive a salary from the company, except for the membership remuneration for the board and committees.



- As for the Independent Member: is a non-executive board member who enjoys complete independence in its position and decisions. None of the provided symptoms of independence in the following shall apply to the independent member:
  - A. The member owns or has an interest in five percent or more of the company's shares or the shares of another company in its group, or that he is related to the person who owns this percentage.
  - B. The member shall be a representative of a legal person who owns five percent or more of the company's shares or the shares of another company from its group.
  - C. The member shall be a senior executive during the past two years in the company or in another company of its group.
  - D. The member shall have a relation to any of the members of the board of directors in the company or in another company of its group.
  - E. The member shall have a relation to any of the senior executives of the company or in another company of its group.
  - F. The member shall have a relation to any of the company's advisors.
  - G. The member shall be a member of the board of directors in another company from the group of the company nominated for membership in its board of directors.
  - H. The member works or have been an employee during the past two years with the company, any party dealing with the company or with another company of its group, such as chartered accountants and major suppliers, or to have been the owner of controlling shares with any of those parties during the past two years.
  - I. To have a direct or indirect interest in the business and contracts made for the company's account.
  - J. To receive sums of money from the company in addition to the remuneration for membership of the Board of Directors or any of its committees in excess of Two Hundred Thousand Saudi Riyals (SAR 200,000) or 50% of its remuneration in the previous year that the member received in return for membership in the Board of Directors or any of its committees, whichever is less.
  - K. To have spent more than nine consecutive or separate years as a member of the company's board of directors.
  - L. To participate in a business that would compete with the company, or to trade in one of the branches of the company's activity.
- The members of the board of directors who own the company's shares and whose names are mentioned above, acknowledge subscribing to the rights shares in accordance with their respective rights.

### 4.3 Company Committees

The following is a description of the company's committees, their responsibilities and current members of each committee:

#### 4.3.1 Audit Committee

The Company's Board of Directors, in its meeting held on 24/12/1442H (corresponding to 03/08/2021G), approved the Audit Committee formation, defining its tasks, work controls and remunerations for its members for the current session, which started on 24/12/1442H (corresponding to 03/08/2021G) for three years ending at the end of the current Board of Directors term on 13/11/1445H (corresponding to 21/05/2024G). The following table shows the members of the Audit Committee:

Table No. (7): Audit Committee Members

Name	Position
Saad Falah Murie Al-Qahtani	Chairman
Abdullah Mohammed Hilal Al-Harbi	Member
Saleh Abdullah Saleh Al Yahya	Non-Board Member
Khaled Saleh Hammoud Al-Tarifi	Non-Board Member

Source: The Company

The Committee is responsible for monitoring the company's business and ensuring the compliance and integrity of its reports, financial statements and internal control systems. The Committee's tasks include in particular all of the following:

#### Duties and Responsibilities of the Audit Committee

1. Supervising the company's internal audit department in order to verify its effectiveness in carrying out the assigned work and tasks to the company by the Board of Directors.
2. Studying the internal control system and preparing a written report on its opinion and recommendations in this regard.
3. Examining the internal audit reports and follow up the implementation of corrective actions for the notes contained therein.
4. Recommending the Board of Directors to appoint and dismiss chartered accountants and determine their fees. When recommending appointment, the company shall take into account to ensure their independence, provided that the company estimates the cost of the audit before requesting audit proposals, and that the one who is chosen is the one closest to the estimate and efficiency of the work.
5. Supervising the work of chartered accountants and approving any work outside the scope of the assigned audit work with while they are performing the audit work.
6. Studying the audit plan with the chartered accountant and expressing its observations thereon.
7. Studying the chartered accountant's notes and observations on the financial statements and following up on what has been done about these statements.
8. Studying the annual preliminary financial statements before presenting them to the Board of Directors, ensuring the integrity of the financial and non-financial reports, and expressing an opinion and recommendation in this regard.
9. Studying the used accounting policies and expressing an opinion and recommendation to the Board of Directors in their regard.

The Board of Directors shall supervise the Committee through periodic reports submitted to the board.

#### 4.3.2 Remuneration and Nomination Committee and their Responsibilities

The Company's Board of Directors, in its meeting held on 13/10/1442H (corresponding to 25/05/2021G), approved the Remuneration and Nomination Committee formation, defining its tasks, work controls and remunerations for its members for the current session, which started on 10/10/1442H (corresponding to 22/05/2021G) for three years ending at the end of the current Board of Directors term on 13/11/1445H (corresponding to 21/05/2024G). The following table shows the members of the Remuneration and Nomination Committee:

Table No. (8): Nomination and Remuneration Committee Members

Name	Position
Musa Abdullah Bard Al-Ruwaili*	Chairman
Faisal Mohammed Hilal Al-Harbi	Member
Azzam Saud Suleiman Al-Mudaihim	Member

Source: The Company

\* The Company's Board of Directors decided to re-form the Nomination and Remuneration Committee on 24/02/1443H (corresponding to 30/09/2021G) and appoint Mr. Musa Abdullah Bard Al-Ruwaili as Chairman of the Nomination and Remuneration Committee instead of Mr. Azzam Saud Suleiman Al-Mudaihim.

#### Nomination and Remuneration Committee's Roles and Responsibilities

1. Recommending the Board of Directors to nominate candidates for membership of the Board who are able to enhance the Board's ability to effectively manage and direct the company's affairs in accordance with the approved policies and standards.
2. Annual review of the required needs of appropriate skills for membership of the Board of Directors and preparing a description of the required capabilities and qualifications for membership of the Board of Directors, including determining the time that the member should devote to the work of the Board of Directors.

3. Reviewing the structure of the Board of Directors and making recommendations regarding the possible changes.
4. Determining the weaknesses and strengths in the Board of Directors and a proposal to address them in line with the interest of the company.
5. Ensuring on an annual basis the independence of the independent members and the absence of any conflict of interest if one of the members is a member of the board of directors of another company.
6. Developing clear policies for the compensation and remuneration of board members and senior executives, taking into account when setting these policies, the use of performance-related criteria.
7. Recommending to the Board of Directors regarding candidates for membership in the various committees emanating from the Board.
8. Ensuring that there is an introduction for the company's business for new members of the board.
9. Recommending the appointment of the company's executive management.
10. Performing other duties or responsibilities assigned by the Board of Directors from time to time.

The Board of Directors shall supervise the Committee through periodic reports submitted to the board.

#### 4.3.3 Governance Committee Members

The Company's Board of Directors, in its meeting held on 13/10/1442H (corresponding to 25/05/2021G), decided to form the Corporate Governance and Risk Committee, defining its tasks, work controls and remunerations for its members for the current session. This is a continuation of the current term of the Board of Directors, which started on 10/10/1442H (corresponding to 22/05/2021G) for three years ending at the end of the current Board of Directors term on 13/11/1445H (corresponding to 21/05/2024G). The following table shows the members of the Corporate Governance and Risk Committee:

Table No. (9): Governance Committee Members

Name	Position
Abdullah Mohammed Hilal Al-Harbi	Chairman
Azzam Saud Suleiman Al-Mudaihim	Member
Faisal Mohammed Hilal Al-Harbi	Member

Source: The Company

#### Governance Committee and their Responsibilities

1. Ensuring the company's compliance with the laws and regulations of the Ministry of Commerce, the Capital Market Authority (CMA) and any other relevant authorities.
2. Reviewing and updating the policies and rules in accordance with legal requirements and best practices
3. Reviewing and developing a Code of Business Conduct that represents the company's values, and other internal policies and procedures to meet the company's needs and in line with best practices.
4. Keeping members of the Board of Directors informed of developments in the field of corporate governance and best practices, or delegating this to the Audit Committee or any other committee or department.

#### 4.3.4 Executive Committee Members

The Company's Board of Directors, in its meeting held on 13/10/1442H (corresponding to 25/05/2021G), approved the Executive Committee formation, defining its tasks, work controls and remunerations for its members for the current session, which started on 10/10/1442H (corresponding to 22/05/2021G) for three years ending at the end of the current Board of Directors term on 13/11/1445H (corresponding to 21/05/2024G). The following table shows the members of the Executive Committee:

Table No. (10): Executive Committee Members

Name	Position
------	----------

Khalid Abdullah Rashid Abunayyan	Chairman
Youssef Saleh Mansour Abalkhail	Member
Musa Abdullah Bard Al-Ruwaili	Member
Ahmed Ali Abdul Karim Al-Luhaidan	Member

Source: The Company

### Executive Committee's Roles and Responsibilities

1. The Committee shall perform all the assigned tasks by the board of directors. For this purpose, the Committee shall have the right to exercise the powers for which a delegation of the committee is issued in accordance with the resolutions of the board of directors.
2. Auditing deals and transactions with related persons.
3. Studying and discussing the executive plans of capital and investment projects to achieve the company's objectives, following up their implementation and evaluating their results by submitting to the Board of Directors the necessary and appropriate proposals and recommendations in this regard.

The Board of Directors shall supervise the Committee through periodic reports submitted to the board.

#### 4.4 Executive Management

The table below shows the details of the Company's executive management:

Table No. (11): Executive Management

Name	Position	Nationality	Age	Date of appointment	Shares			
					Direct		Indirect	
					Number	%	Number	%
Ahmed bin Ali Al-Luhaidan	Chief Executive Officer (CEO)	Saudi	58	24/07/2017G	0	0	0	0
Hamoud bin Ali Al-Hamza	CFO	Saudi	39	25/02/2018G	0	0	0	0
Dakhil bin Naqi Al-Mutairi	HR and Administrative Affairs Manager	Saudi	34	15/07/2008G	0	0	0	0
Fawzi bin Ibrahim Al Hussein	vice president of Supply Chain	Saudi	48	25/03/2014G	0	0	0	0
Orans Zayed Al-Otaibi	vice president of Commercial Affairs (Acting)	Saudi	44	01/12/2008G	0	0	0	0
Amr bin Muhammad Al-Hattab	vice president of Operations	Egyptian	46	02/08/2007G	0	0	0	0
Amer Farhan	IT Manager	Indian	47	27/09/1999G	0	0	0	0
Ramy Hassan Al-Nawawi	Internal Audit Supervisor	Egyptian	46	27/10/2020G	0	0	0	0

Source: The Company

#### 4.5 Compensation and Remuneration of Board Members and Senior Executives

Nomination and Remuneration Committee shall suggest the received compensation and remuneration by board members and senior executives. The table below shows details of the received salaries, bonuses and allowances by the board members and top five executive managers during the past three years:

Table No. (12): Compensation and Remuneration of Board Members and Senior Executives

(In Saudi Riyals)	Financial year ending on December 31, 2018G	Financial year ending on December 31, 2019G	Financial year ending on December 31, 2020G
Board Members	1,294,000	1,215,000	1,221,000
Senior Executives	4,201,000	4,236,000	4,672,000
<b>Total</b>	<b>5,495,000</b>	<b>5,451,000</b>	<b>5,893,000</b>

Source: The Company



## 5. Employees

### 5.1 Current employee stock ownership programs before registration and offering rights

As at the date of this Prospectus, the Company has no employee stock ownership program.

### 5.2 Arrangements granting employees a share in the Capital

As of the date of this Prospectus, there are no arrangements for granting employees a share in the capital.

## 6. Financial Information and Management Discussion and Analysis

### 6.1 Introduction

This section "Discussion of Management, Financial Position Analysis and Operations Outcomes" presents an analytical review of the operational performance and financial position of Arabian Pipes Company (a Saudi Joint Stock Company) during the financial years ending on December 31, 2018G, 2019G and 2020G and the six-month period ending on 30 June 2020G and 2021G. This section has been prepared based on the financial statements for the financial year ending on December 31, 2019G, which includes the audited financial statements for the comparative period December 31, 2018G in addition to the financial statements for the financial year ending on December 31, 2020G, which includes the audited statements for the comparative period December 31, 2019G. In addition, this section has been prepared based on the condensed audited financial statements for the six-month period ending on June 30, 2021G, which includes the condensed audited financial statements for the comparative period 30 June 2020G. This is in addition to the attached notes to the financial statements that were prepared by the company's management and were audited in accordance with the International Auditing Standards (IAS) by Ibrahim Ahmed Al-Bassam & Partners Chartered Accountants - Al Bassam & Co. (PKF) for the financial years ending on December 31, 2018G and 2020G and the six-month period ending on June 30, 2021G and by the Associated Accountants -Houmod Al Rabian and Co. - Certified Accountants and Consultants for the financial year ending on December 31, 2019G.

The Company has applied the International Financial Reporting Standards (IFRS) with its interpretations issued by the International Accounting Standards Board (IFRS) and approved in the Kingdom of Saudi Arabia, in addition to the issuance of other approved standards by the Saudi Organization for Chartered and Professional Accountants (SOCPA), which are referred to as the approved International Financial Reporting Standards in the Kingdom of Saudi Arabia for the Financial years ending on December 31, 2018G, 2019G and 2020G and the six-month period ending on 30 June 2020G and 2021G.

The Financial Statements for the financial year ending on December 31, 2018G have been issued from the audited financial statements for the financial year ending on December 31, 2019G. The Financial Statements for the financial year ending on December 31, 2019G have been issued from the audited financial statements for the financial year ending on December 31, 2020. In addition, the condensed audited financial statements for the six-month period ending on 30 June 2020G have been issued from the condensed audited financial statements for the comparative period June 30, 2021G.

Neither Ibrahim Ahmed Al-Bassam & Partners Chartered Accountants - Al Bassam & Co. (PKF), nor the Associated Accountants -Houmod Al Rabian and Co. - Certified Accountants and Consultants, nor any of their subsidiaries have any share or interest of any kind in the company. The written approval has been given without retraction with regard to the publication of their name, logo and statement in the prospectus - these rights as auditors of the company for the aforementioned periods.

The audited financial statements for the financial years ending on December 31, 2020G included the conservative opinions of the legal auditor, which were disclosed in this section.

We caution that this part may include statements of a future nature based on management plans and current expectations regarding profit growth, operations outcomes and financial conditions. Accordingly, these statements contain risks and uncertain expectations that may lead to a material difference from the actual results of the company as a result of multiple factors and events, including the discussed factors in this section of the prospectus - Rights 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 approximated to the nearest decimal, and therefore if the mentioned numbers in the tables are summed, their sum may not correspond to the totals mentioned in those tables or to the company's financial statements.

## 6.2 Declarations of the Board of Directors Members of the Arabian Pipes Company

Board members declare that:

1. The contained financial information in this prospectus has been issued without any material modifications and amendments. The Financial Information presented in a format consistent with the audited financial statements for the financial years ending on December 31, 2019G and 2020G in addition to the audited summary financial statements for the six-month period ending on June 30, 2021G and the attached notes to these financial information that have been prepared by the company in accordance with International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia by the Saudi Organization for Auditors and Accountants.
2. The Company incurred losses during the financial years ending on December 31, 2018G and 2020G. Except for what was disclosed in this section of this prospectus regarding losses, there has been no material or negative change in the financial and commercial position of the company during the three financial years immediately preceding the date of the prospectus, rights in addition to the end of the covered period by the certified accountant's report in approving the prospectus, rights excluding losses during the financial years ending in 2018G and 2020G.
3. All the material facts related to the company and its financial performance were disclosed in the prospectus, Rights. There is no other information, documents or facts if they were omitted, the data contained in the prospectus, rights, would become misleading data.
4. The company does not have any property, including contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to ascertain, which significantly affects the assessment of the financial position, except for what was disclosed in this prospectus.
5. Except as disclosed in this prospectus, no commissions, discounts, brokerage fees or non-cash compensation were granted by the company to any of the members of the Board of Directors, senior executives, those resending or offering securities, or experts who received any of those payments or benefits during the three years immediately preceding the date of submitting an application for the issuance of rights shares.
6. The Company does not have any loans or other liabilities of debts including overdrafts from bank accounts. The Company shall acknowledge that the company does not have any security liabilities (including personal guarantee, not covered by personal guarantee, secured by mortgage or not secured by mortgage), liabilities under acceptance, acceptance credit, or rental purchase liabilities except as disclosed in Section No. (2.1.4) "Risks of Credit Facilities" from this prospectus
7. To their knowledge, there are no mortgages, rights, or any burdens, dues or costs on the company's property as on the date of this prospectus, except for what has been disclosed in this Subsection No. (6.6.9) of this prospectus.
8. The Company is not aware of any seasonal or activity-related economic factors that may have an impact on the Company's business and financial situation except as disclosed in section (2) "Risk Factors" of this Prospectus
9. The Company has no information on any government, economic, financial, monetary, political policies or other factors that have substantially affected or may affect (directly or indirectly) the Company's operations except as disclosed in this section of this Prospectus
10. The company did not witness any capital adjustments during the three years immediately preceding the date of submitting the application for registration and offering the securities subject to this prospectus, except for what was disclosed in this section of the prospectus.
11. That the Company does not have any capital covered by an option right as of the date of this Prospectus.
12. The Company does not have issued, existing or approved debt instruments that have not been issued, term loans or secured loans by mortgage or not secured by a mortgage, or loans covered by a personal guarantee, except for what was disclosed in the Subsection (Long Term Loans) of this section of this prospectus.
13. The Company does not have any potential obligations, guarantees, or any important fixed assets that the company intends to buy or lease other than what has been disclosed in this section and in Section No. (2.1.4) "Risks of Credit Facilities" and section "Using the Proceeds of the Offering and Future Projects".
14. Other than what is mentioned in Pages (D,33) of this prospectus, the members of the Board of Directors or any of their relatives have no shares or interest of any kind in the company.



## 6.3 Significant Accounting Policies

### 1. Basics of Preparation

#### 1.1. Statement of Commitment

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and issuances approved by the Saudi Organization for Auditors and Accountants.

#### 1.2. Basics of Measurement

The Financial Statements have been prepared on a historical cost basis, except for recognizing employees' end of service benefits at the present value of future obligations using the projected unit credit method.

#### 1.3. Continuity Principle

As on December 31, 2020G, the accumulated losses represent 77.75% (December 31, 2019G: 28.92%) of the company's capital. On the same date, the company's current liabilities exceeded its current assets by 134.11 million Saudi Riyals, which mainly comes from loan reclassification account due to non-compliance with commitments as on December 31, 2020G. These circumstances indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern. The provisions of the Companies Law in the Kingdom of Saudi Arabia require in such cases, that any official of the company or the auditor, as soon as he becomes aware of this, notify the Chairman of the Board of Directors. The Chairman shall immediately notify the Board of Directors, within fifteen (15) days of it becoming aware of this, to invite the Extraordinary General Assembly to meet within forty-five (45) days from the date of becoming aware of the losses, to consider increasing or decreasing the capital, in accordance with the Law Provisions. This to the extent that the percentage of losses drops below half of the paid-up capital, or the company is dissolved before the specified term in its articles of association.

However, after the ended year on December 31, 2020, the loans were restructured and the Board of Directors considered several strategic options, including capital restructuring, to address the company's continuity. Among these strategic options, the company's board of directors recommended on 08 June 2021G restructuring the capital by absorbing the accumulated losses by reducing the capital from 400 million Saudi Riyals to 100 million Saudi Riyals, followed by the issuance of rights issue amounting to 300 million Saudi Riyals. The capital restructuring recommendation shall be subject to the approvals of the company's shareholders and regulators.

Moreover, the company's management has also developed a work plan approved by the Board of Directors on 08 June 2021G, to verify the company's ability to continue as a going concern, and it is convinced that the company will continue its operations in the near future. Therefore, the financial statements have been prepared on a going concern basis and do not include any adjustments that may be required, if the company is unable to continue as per the going concern basis.

#### 1.4. Functional and Presentation Currency

The financial statements are presented in Saudi Riyals (SAR), which is the functional and presentation currency of the company. All amounts have been approximated to the nearest Saudi Riyals (SAR), unless otherwise indicated.

### 2. Significant Accounting Provisions, Estimates and Assumptions

In preparing the financial statements, management has used provisions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The associated estimates and assumptions are based on historical experience and various other factors

that are believed to be reasonable under the circumstances, the results of which are the basis for issuing provisions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

#### **Significant Provisions in Applying the Company's Accounting Policies**

The following are the significant Provisions, except for the described estimations below that have been made by management in the process of applying the company's accounting policies that have a material effect on the recognized amounts in the financial statements.

#### **Impact of the COVID-19 Pandemic on Expected Credit Losses**

On 11 March 2020G, the World Health Organization declared the outbreak of the Coronavirus ("Covid-19") a pandemic in recognition of its rapid spread throughout the world. This outbreak has also affected the Gulf Cooperation Council (GCC) region including the Kingdom of Saudi Arabia. Governments around the world have taken steps to obstacle the spread of the virus. The Kingdom of Saudi Arabia in particular implemented a border closures, issued social distancing directives and imposed a nationwide curfew. Oil prices have also witnessed significant fluctuations during the current period, not only due to the demand problems arising from Covid-19 with global economies halting the shutdown, but also supply problems due to the volume that preceded the pandemic.

Collectively, these current events and prevailing conditions require the Company to analyze the potential impact of these events on the Company's business operations. The Board of Directors and the Company's management have assessed the situation. Accordingly, the Board of Directors and the Company's management have activated business continuity planning and other risk management practices to manage the business disruption that the COVID-19 outbreak has caused to its operations and financial performance. In the current situation, the size and duration of this outbreak and its impact on credit, market and operational risks remain uncertain. The board and management of the company are constantly assessing the evolving situation in coordination with the legal authorities and further quantification of the impact cannot be ascertained at this stage.

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue operating in the future.

#### **Determining the Deduction Rate to Calculate the Present Value**

Deduction rates represent the current market assessment of the associated risks with scheduling cash flows, taking into account the time value of money and the individual risks of the underlying assets that have not been included in the cash flow estimates. The deduction rate calculation is based on the specific circumstances of the company.

#### **Actuarial Evaluation of Employees' End of Service Benefits**

The cost of employee end of service benefits (hereinafter is referred to as "Employee Benefits") under the defined benefit program is determined using the method of the expected credit unit. The actuarial Evaluation involves making various assumptions that may differ from actual developments in the future. These assumptions include determining the deduction rate, future salary increases, mortality and employee turnover. Given the complexity of the evaluation and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions shall be adjusted on an annual basis, or more frequently, if necessary

#### **Fair Value Measurement and Evaluation Process**

Certain assets and liabilities of the Company have been measured at fair value for financial reporting purposes. The Company management shall be responsible for determining appropriate evaluation inputs and methods for measuring fair value.

In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent available. In the event that Level 1 inputs are not available, the company shall appoint accredited third-party evaluators to conduct the assessment. The Company management works closely with approved external evaluators to identify appropriate inputs and assessment methods in the model.

### Useful Lives of Property, Machinery and Equipment and Intangible Assets

The Company estimates the useful lives of property, machinery and equipment at the end of each annual reporting period. These estimates are determined after considering the expected usage of the assets or depreciation arising from physical use. The management reviews the residual value and useful lives annually and future depreciation charges will be adjusted as management believes that the useful lives differ from previous estimates.

### Zakat Allocation

The management has evaluated the zakat base calculation taking into consideration the local zakat legislations, the issued decisions periodically and the agreements. The interpretation of legislative decrees and agreements is not always clear and requires completion of the assessment by the Zakat, Tax and Customs Authority.

## 3. Significant Accounting Policies

### 3.1 Properties, Machinery and Equipment

Property, machinery and equipment are stated at the cost minus the accumulated depreciation and impairment, except for the land and capital work in progress which are stated at cost and are not depreciated. Capital work in progress represents costs directly attributable to new projects in progress and is capitalized as property, machinery and equipment when the project is completed. However, depreciation of these assets under construction begins when the asset becomes available for use.

Subsequent expenses are capitalized only if it is probable that the future economic benefits associated with the expenses will flow to the company and the amount can be measured reliably.

Finance costs on loans shall be capitalized to finance the construction of qualifying assets, if any, during the required period to complete and prepare the qualifying asset for use.

When parts of property, machinery and equipment are cost-significant compared to the total cost of the item. These parts/components have a different useful life than the other parts. These parts/components have to be replaced at different intervals, the company records those parts as individual assets with a specific useful life and depreciates them accordingly. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated from the date that an item of property, machinery and equipment is available for use or in respect of self-constructed assets, from the date these assets are ready for use.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Table No. (13): Straight Line Method of Depreciation over the useful life of asset

Asset Classification	Years
Buildings	33
Machinery and Equipment	10-25
Furniture and Improvements	33, 3_5
Cars and Vehicles	5

Asset Classification	Years
Computer Software and Equipment	33, 3_5

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

If there is an indication that there has been a significant change in the useful life or residual value of an item, future depreciation shall be audited to reflect the new estimates.

An item of property, machinery and equipment and any significant part that is recognized initially shall be excluded when this part has been disposed of or when no future economic benefits are expected from its use. Any gain or loss arising from non-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Items such as spare parts, auxiliary equipment and service equipment, if any, are recognized in accordance with this International Financial Reporting Standard (IFRS) when they meet the definition of property, machinery and equipment. Otherwise, these items are classified as inventory.

### 3.2 Inventory

Inventories shall be valued at cost or net realizable value, whichever is lower. The cost shall be determined on a weighted average basis. The cost of finished and semi-finished goods includes the cost of raw materials, labor and indirect industrial expenses that contribute to converting raw materials into a final product. Net realizable value consists of the estimated selling price in the ordinary course of business, after deducting the additional production costs to complete the product and any other required costs to make the sale. The company audits the carrying amount of inventories on a regular basis. When necessary, inventories are written down to their net realizable value or provision is made for obsolescence if there is a change in the usage pattern or physical form of the related inventories.

Management estimates the net realizable value of inventory, considering the most reliable evidence at the estimates time are used and making a provision for obsolete inventory. These estimates take into account changes in demand for goods, changes in technology, and fluctuations in quality and prices. Accordingly, the Company considers and takes into account these factors in calculating the provision for obsolete, slow moving and damaged inventory.

Spare parts shall be valued at cost or net realizable value, whichever is lower. The Cost shall be determined on a weighted average cost basis. Provision for obsolete and slow-moving inventories, if any, is estimated at each reporting date.

### 3.3 Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and bank deposits that mature after three months or less, if any. Cash and cash equivalents also include bank overdrafts that are an integral part of the company's cash management and are likely to fluctuate from overdraft to positive balances.

### 3.4 Impairment of Non-financial Assets

At each reporting date, the non-financial assets are audited to determine whether there is any indication that those assets have incurred an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of similar assets) shall be estimated and compared to its carrying amount. If the estimated recoverable amount is less, the carrying amount is reduced to its estimated recoverable amount. Whereas the impairment loss shall be recognized immediately in the profit or loss statement.

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is greater than its fair value less costs of disposal and value in use. The recoverable amount is sensitive to the used deduction rate for the (deducted cash flow) model as well as the expected future cash flows and the growth rate used for deduction and examination purposes.

Similarly, at each reporting date, inventory is assessed for any impairment by comparing the carrying value of each inventory asset (or group of similar assets) to its selling price minus the costs to complete and sell. If there is a decrease in one of the inventory assets (or a group of similar assets), its carrying amount shall be reduced to the selling price minus the necessary costs to complete and sell. An impairment loss shall be recognized immediately in the profit or loss statement.

When the impairment loss entry is subsequently reversed, the carrying amount of the asset (or group of related assets) is increased to the audited estimate of its recoverable amount (selling price minus the costs to complete and sell, in the case of inventory), provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for those assets for the previous year. The reversal of the impairment loss shall be recognized immediately in the comprehensive income or comprehensive loss statement.

### **3.5 Equity Precautions**

The share capital represents the nominal (nominal) value of the shares that have been issued. Retained earnings include all current and prior period retained earnings. All transactions with the owners of the company are recorded separately within the equity.

### **3.6 Legal Reserve**

In accordance with the company's articles of association and the Companies Law in the Kingdom of Saudi Arabia, 10% of the net profit for the year is transferred to the legal reserve until the reserve reaches 30% of the capital. This reserve is not distributable to shareholders. However, the legal reserve can be used to raise capital after obtaining shareholder approval.

### **3.7 Allocations**

Allocations shall be recognized when the Company has an obligation (legal or constructive) at the reporting date as a result of a past event, and it is probable that the Company will have an obligation to transfer economic benefits in settlement and the obligation amount can be estimated reliably.

The recognized amount as an allocation is the best estimate of the required consideration to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When the allocation is measured using the estimated cash flows to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the required economic benefits to settle the allocation are expected to be recovered from a third party. The receivables shall be recognized as an asset if it is virtually certain that payment will be received, and the amount of the receivable can be measured reliably.

### **3.8 Adverse Contracts**

Current Liabilities arising under adverse contracts, if any, shall be recognized and measured as allocations. Adverse contracts exist when the company has a contract in which the unavoidable costs of meeting the liabilities under the contract exceed the expected economic benefits to be received in accordance to it.

### **3.9 Potential Liabilities**

All the potential contingent liabilities arising from past events that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that the Company does not fully control, or all current liabilities arising from past events but not recognized for the following reasons:

- 1) There is no possibility that an outflow of external resources inherent in economic benefits will be required to settle the liability.
- 2) The liability amount cannot be measured reliably, all the liabilities shall be valued at the date of each financial position and disclosed in the company's financial statements under Contingent Liabilities.

### 3.10 Loans

Loans are initially recognized at fair value minus the incurred transaction costs. The loans are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the recovery amount is recognized in profit or loss over the term of the loans using the effective interest method.

Assumptions are removed from the financial position statement when the specified obligation in the contract is discharged, canceled or expires. Loans are classified as a current liability when the remaining due date is less than 12 months.

### 3.11 Zakat

The Company shall be subject to zakat in accordance with the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. Zakat shall be calculated based on the zakat base or adjusted net income, whichever is higher. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is settled

### 3.12 Employees Benefits

#### Short-term Obligations

Liabilities for wages and salaries, including non-monetary benefits, accrued leaves, travel ticket allowance, children's education allowance, and furniture allowance expected to be fully settled within twelve (12) months after the end of the period in which employees render the related service in respect of employee services until the end of the reporting period. These Obligations shall be measured at the expected amount to be paid when the liabilities are settled.

#### Employees End of Service Benefits

The recognized liability or asset in the financial position statement in connection with a defined end of service benefit plan is the present value of the defined benefit liability at the end of the reporting period. The defined benefit liability shall be calculated by independent actuaries using the method of the projected credit unit.

The present value of the receivable liability shall be determined by deducting the estimated future cash flows using the interest rates of high-quality corporate bonds that are determined in the currency in which the benefits will be paid, and that have terms that approximate the terms of the relevant liability.

The defined benefit costs shall be categorized as follows:

#### **Service Cost**

The Service Costs, which include the current service and past service shall be recognized in profit or loss immediately. Changes in the present value of the defined benefit liability arising from plan modifications or reductions are recognized immediately in profit or loss as past service costs.

#### **Interest Cost**

The net interest cost shall be calculated by applying the deduction rate to the net balance of the defined benefit liability. This cost is included in the employee benefits account in the profit or loss statement.

### **Remeasurement of Gains or Losses**

Remeasurement gains or losses arising from experience adjustments and changes in actuarial assumptions in the period in which they occur shall be recognized in the comprehensive income statement.

### **3.13 Foreign Currencies**

Transactions in foreign currencies are initially recorded by the Company at the spot rates of its functional currency on the date that the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates for the functional currency at the reporting date.

Differences arising from the settlement or transfer of monetary items are recognized in the statement of comprehensive income.

### **3.14. Financial Instruments**

#### **3.14.1 Financial Assets**

##### **3.14.1.1 Classification of Financial Assets**

On the initial recognition, the financial assets shall be classified as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. However, the Company as at the reporting date only held financial assets carried at amortized cost and fair value through profit or loss.

#### **A) Financial Assets at Amortized Cost**

A financial asset shall be measured at amortized cost if the financial asset meets the following two conditions and is not designated at fair value through profit or loss:

- Assets hold in a business model whose objective is to hold assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and dividends on the principal amount due.

#### **B) Financial assets at Fair Value through Other Comprehensive Income**

On initial recognition, for an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes at fair value through other comprehensive income. This selection is made on the basis of the investment for the investment.

#### **C) Financial Assets at Fair Value through Profit or Loss**

All other financial assets shall be classified as measured at fair value through profit or loss (for example the held equity rights for trading and debt securities not classified as not classified at amortized cost or at fair value through other comprehensive income).

In addition, on initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized value, at fair value through other comprehensive income or at fair value through profit or loss, if this eliminates or significantly reduces an accounting mismatch that might otherwise arise.

#### 3.14.1.2. Derecognition of Financial Assets

A financial asset or part of a financial asset is derecognized when:

- The right to receive cash flows from the asset has expired, or
- The Company has transferred its right to receive cash flows from the asset or assumed a liability to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement: or:
  - A) The Company has transferred substantially all the risks and benefits of the assets, or
  - B) The Company neither transfers nor retains substantially all the risks and benefits of the asset and does not retain control of the financial asset.

#### 3.14.1.3. Impairment of Financial Assets

The Company assesses, on a forward-looking basis, the expected credit losses over the life of its financial assets carried at amortized cost.

The Company applies the simplified approach as permitted by International Financial Reporting Standard (IFRS) No. "9", which requires recognition of expected losses over the life of the initial recognition of receivables.

A financial asset is written off only when:

- A. it is a past due, and
- B. There is no reasonable expectation of recovery.

In the event that financial assets are written off, the Company continues to engage in enforcement activities to recover the outstanding receivables. When recoveries are made, after write-off, recoveries shall be recognized in the profit or loss statement.

### 3.14.2. Financial Liabilities

#### 3.14.2.1. Initial Recognition

Financial liabilities are initially recognized at fair value and in the case of loans and facilities, the fair value of the received consideration shall be minus the direct costs attributable to the transaction.

#### 3.14.2.2. Subsequent Measurement

After the initial recognition, the financial liability is subsequently measured at amortized cost using the effective interest rate method. Gains and losses shall be recognized in the statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

#### 3.14.2.3. Derecognition of Financial Liabilities

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the related carrying amounts shall be recognized in the statement of profit or loss.

#### 3.14.3 Financial Instruments Offset

Financial assets and liabilities are offset, and the net amount is recorded in the statement of financial position when there is a legally enforceable right to set off the recognized amounts. There is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The right shall not be legally



enforceable contingent upon future events and shall be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### 3.14.4 The Fair Value Hierarchy of Financial Instruments

The Company classifies the fair value of its financial instruments in the following hierarchy, based on the used inputs in its evaluation:

##### First Level

The fair value of financial instruments listed in active markets is based on the closing price quoted at the statement of financial position date. Examples include commodity derivatives and other financial assets such as equity investments and debt securities.

##### Second Level

The fair value of financial instruments that are not traded in an active market shall be determined using evaluation techniques using observable market data. These evaluation methods include deducted cash flows, standard evaluation models based on market standards for interest rates, yield curves or foreign exchange rates, dealer rates for similar instruments, and the use of comparable business transactions.

##### Third Level

The fair value of financial instruments that are measured based on the entity's own evaluations using inputs not based on observable market data (unobservable inputs).

#### 3.14.5 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly deducts estimated future cash receipts (including all the paid or received fees that form an integral part of the effective interest rate, transaction costs and other premiums or deducts) through the expected life of the debt instrument, or, where applicable, the shorter period to net carrying amount on the initial recognition.

#### 3.15. Lease Contracts

##### A) Company as Lessee

The Company assesses whether a contract is, or contains, a lease contract, at the beginning of the contract. The Company recognizes a right of use asset and a corresponding lease liability in respect of all lease arrangements in which the company is the lessee, except for short term lease contracts (defined as leases with a lease term of 12 months or less) and lease contracts of low value assets (such as tablets, laptops and small items of office furniture and phones). For such lease contracts, the Company recognizes lease payments as an operating expense on a straight-line basis over the term of the lease contract unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments not paid on the commencement date, deducted using the included rate in the lease contract. If this rate cannot be easily determined, the company uses the increased borrowing rate.

The included lease payments in the measurement of the lease liability include:

- Fixed lease payments (including substantive fixed payments), minus any lease incentives receivable,
- Variable lease payments that are dependent on an index or rate, initially measured using the index or rate at the commencement date,



- The expected amount to be paid by the lessee under residual value guarantees.
- The exercise price of the purchase options, if the lessee is reasonably certain to exercise the options, and
- Payment of lease termination penalties, if the lease term reflects the exercise of the option to terminate the lease contract.

The lease liability is presented as a separate line item in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the made lease payments.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right of use assets) when:

- The lease term has changed or there is a significant event or change in circumstances that has led to a change in the assessment of the purchase option exercise. In this case, the lease liability is re-measured by deducting the audited lease payments using the audited deduct rate.
- Lease payments change due to changes in an index or rate or a change in the expected payment with a guaranteed residual value. In these cases, the lease liability is re-measured to deduct the modified lease payments using an unchanged deduct rate (unless the lease payments change due to a change in the variable interest rate, in which case a modified deduct rate is used).
- The lease contract is modified and the lease modification is not counted as a separate lease contract. In this case, the lease liability is re-measured based on the term of the modified lease contract by deducted the modified lease payments using the audited deduct rate in effect on the date of the modification.

The Company has not made any such adjustments during the presented periods.

The right to use assets includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day, less any lease incentives received and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses. When the Company incurs an obligation to dismantle and remove a leased asset, restore the site on which it is located or return the underlying asset to the condition required by the terms and conditions of the lease contract, the provision is recognized and measured under International Accounting Standards (IAS) No. 37. To the extent that costs relate to the right of use assets, costs are included in the related right of use assets, unless those costs are incurred to produce the inventory.

The right to use asset is amortized over the shorter lease term and the useful life of the right to use the asset.

The right to use assets is presented as a separate line item in the financial position statement.

The Company applies International Accounting Standards (IAS) No. 36 to determine whether or not a right of use asset is impaired and calculates any specific impairment loss as described in the "Property, Machinery and Equipment" Policy.

Variable leases that are not dependent on an index or rate are not included in the measurement of the lease liability and right of use asset. The related payments shall be recognized as an expense in the period in which the event or condition giving rise to those payments occurs and is included in the "other expenses" line item in the statement of comprehensive income.

As a practical expedient, International Financial Reporting Standard (IFRS) 16 allows a lessee not to separate non-lease components, and instead to account for any lease contract and associated non-lease components as a single arrangement. The company did not use this practical method. For contracts that contain a lease component and one or more additional or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the stand-alone relative price of the lease component and the stand-alone total price of the non-lease components.

### 3.16. Finance Costs

Loans costs directly attributable to the acquisition, construction or production of qualifying assets shall be capitalized over the necessary period to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and are recorded as "finance expenses". Financing costs consist of interest and other costs that the company incurs in connection with the borrowing of funds.

### 3.17. Revenue Recognition

Revenue represents the fair value of the received consideration or receivable for the sold goods minus returns and trade discounts and volume discounts.

Revenue is measured based on the specified consideration in the contract with the customer and is recognized when the customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires provisions.

The revenue-producing activities of the company are as follows:

#### A) Revenue from Selling Goods

Revenue from selling goods shall be recognized in profit or loss when the risk and loss has been transferred to the customer. The customer has agreed to the products in accordance with the sales contract, the terms of acceptance have expired, or the company has objective evidence that all acceptance criteria have been met.

#### B) Sales Returns

When a contract with the customer provides the right to return the goods within a specified period, the company calculates the right to return when the customer requests this right and the contractual conditions are met.

No element of financing is considered to exist as sales are made either on a cash or term basis in line with market practices.

### 3.18. Selling, Distribution, General and Administrative Expenses

Selling, distribution, general and administrative expenses include direct and indirect costs that are not specifically part of sales cost. Allocation between cost of sales and selling, distribution, general and administrative expenses, when required, is made on a consistent basis. The company recognizes marketing support from vendors in selling and distribution expenses on an accrual basis

### 4.19 Government Grants

Government grants shall not be recognized unless there is reasonable assurance that the company will comply with the attached terms to them and grants will be received. Government grants shall be recognized in profit or loss on a regular basis over the period in which the company recognizes the related costs, which the grants are intended to compensate, as an expense.

A government grant receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the company without related future costs shall be recognized in other income in the statement of profit or loss for the period in which it becomes receivable.

### 4.20 Earnings Per Share

The Company presents basic and impaired earnings per share (if any) per common share. Basic Earnings Per Share (EPS) shall be calculated from net profit or loss by dividing the profit or loss attributable to the company's common shareholders by the weighted average number of common shares outstanding during the year, adjusted by the number of common shares repurchased or issued during the year. Impaired earnings per share are adjusted for the profit or loss attributable to the company's common shareholders and the weighted average number of shares outstanding during the year with the effect of all potentially issued common shares.

### 3.21. Dividends

Dividends shall be recorded in the financial statements in the period in which the dividends are approved by the company's shareholders.

Initial dividends shall be recognized as a liability in the period in which the dividends are approved by the Board of Directors.

## 6.4 Qualified Opinion of the Legal Auditor on the Financial Statements

### Basis of Qualified Opinion

1. During 2020G, the company's management identified some differences while automating the inventory system for goods on the way. As a result, the company's management reduced the value of the inventory of goods on the way and recognized settlements in the amount of 106 million Saudi Riyals by increasing the opening cumulative losses for the ended year on December 31, 2019G. Furthermore, during 2020G, the company's management identified some differences while conducting the raw material inventory count. As a result, management reduced the inventory of raw materials and recognized settlements of 19.0 million Saudi Riyals by increasing the opening cumulative losses for the ended year on December 31, 2019G.

Due to the unavailability of supporting documents, we are unable to verify whether the adjustments of 106 million Saudi Riyals and 19 million Saudi Riyals relating to goods inventory on the way and the raw materials inventory, respectively, relate to opening accumulated losses as on December 31, 2019G or for subsequent years. Accordingly, we cannot determine whether there is any impact to be recognized in the profit or loss statement for the ended years on December 31, 2019G and 2020G, and in the carrying amounts of the goods on the road inventories of and raw materials and the company's accumulated losses as on December 31, 2018G or December 31, 2019G.

2. The management conducted an assessment of the impairment of raw materials inventory as on December 31, 2020G. Based on the results of this assessment, a provision for impairment amounting to 58.8 million Saudi Riyals was recorded, which was recognized and recorded during the ended year on December 31, 2020G. However, the management did not perform an assessment of the impairment in the value of the raw materials inventory as on December 31, 2019G and did not reflect the arising effect, if any, on the statement of financial position and profit or loss for the ended year on December 31, 2019G. Accordingly, we cannot determine whether any adjustments are necessary to the value of the raw material inventory, the related impairment allowance and the company's accumulated losses as on December 31, 2019G and the recorded impairment for the ended year on December 31, 2020G.
3. As disclosed in the financial statements, as on December 31, 2020G, advances and other receivables include further advances amounting to 29.4 million Saudi Riyals. The legal auditor was not provided with a detailed analysis of this balance. The legal auditor did not receive the supporting documents that would enable the auditor to verify the movement and the closing balance as on December 31, 2020G. Accordingly, as at the approval date of the financial statements, the auditor was unable to reach satisfaction by applying alternative audit procedures regarding the existence,

completeness, rights and liabilities, and evaluation of other advances. Thus, whether there is any impact that should be recognized in the financial position statement and the profit or loss statement as of and for the ended year on December 31, 2020G that relates to this balance.

#### Material Uncertainty Related to Going Concern.

As on December 31, 2020G, the accumulated losses amounted to 77.8% (December 31, 2019: 28.9%) of the company's capital. On the same date, the company's current liabilities exceeded its current assets by 134.1 million Saudi Riyals. This excess is mainly due to the reclassification of loans due to non-compliance with the stipulated commitments in the bank facility agreements as on December 31, 2020G. These events and conditions indicate a material uncertainty about the company's ability to continue as a going concern. However, subsequent to the ended year on December 31, 2020G, the loans were restructured and the Board of Directors considered several strategic options, including capital restructuring, to address the company continuity.

Among these strategic options, the company's board of directors recommended on 08 June 2021G to restructure the capital by absorbing the accumulated losses through reducing the capital from 400 million Saudi Riyals to 100 million Saudi Riyals, followed by the issuance of rights issue with an amount of 300 million Saudi Riyals. The capital restructuring recommendation shall be subject to the approvals of the company's shareholders and regulators.

Furthermore, the company's management has also developed an action plan approved by the Board of Directors on 08 June 2021G to verify the company's ability to continue as a going concern and is convinced that the company will continue its operations in the near future.

Therefore, the financial statements have been prepared on a going concern basis and do not include any adjustments that may be required, if the company is unable to continue as per the going concern basis.

## 6.5 Operations Outcomes –Profit and Loss Statement

The following table shows the company's income statement for the financial years ending on December 31, 2018G, 2019G and 2020G and the six-month period ending on 30 June 2020G and 2021G:

Table No. (14): Statement of profit or loss for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G- 2019G	Annual Growth 2019G-2020G	Compound Growth 2018G- 2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G- 2021G
Revenues	698,311	741,085	369,289	6.1%	(50.2%)	(27.3%)	111,816	253,420	126.6%
Cost of revenue	(748,567)	(644,612)	(441,343)	(13.9%)	(31.5%)	(23.2%)	(108,839)	(223,463)	105.3%
<b>Gross profit/(loss)</b>	<b>(50,256)</b>	<b>96,473</b>	<b>(72,054)</b>	<b>292.0%</b>	<b>(174.7%)</b>	<b>(19.7%)</b>	<b>2,977</b>	<b>29,957</b>	<b>906.3%</b>
Sales and marketing expenses	(14,342)	(12,203)	(9,227)	(14.9%)	(24.4%)	(19.8%)	(3,906)	(4,962)	27.0%
General and administrative expenses	(17,730)	(21,615)	(29,640)	21.9%	37.1%	29.3%	(14,248)	(16,902)	18.6%

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G- 2019G	Annual Growth 2019G-2020G	Compound Growth 2018G- 2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G- 2021G
Derecognition of/(component) provision for slow-moving stock	(663)	2,080	(59,246)	413.7%	(2948.4%)	845.3%	(6,579)	(11,339)	72.4%
Other revenues	1,699	801	3,864	(52.9%)	382.4%	50.8%	4,683	-	(100.0%)
Impairment of Trade receivables	(8,716)	-	(3,979)	(100.0%)	N/A	(32.4%)	(3,979)	-	(100.0%)
<b>Loss/(profit) from operations</b>	<b>(90,008)</b>	<b>65,536</b>	<b>(170,282)</b>	<b>172.8%</b>	<b>(359.8%)</b>	<b>(37.5%)</b>	<b>(21,052)</b>	<b>(3,246)</b>	<b>84.6%</b>
Financing Costs	(28,309)	(30,794)	(24,156)	8.8%	(21.6%)	(7.6%)	(11,316)	(8,760)	(22.6%)
<b>Net income/(loss) before zakat</b>	<b>(118,317)</b>	<b>34,742</b>	<b>(194,438)</b>	<b>129.4%</b>	<b>(659.7%)</b>	<b>(28.2%)</b>	<b>(32,368)</b>	<b>(12,006)</b>	<b>62.9%</b>
Zakat	(4,382)	(4,494)	(902)	2.6%	(79.9%)	(54.6%)	(3,320)	(100)	(97.0%)
<b>Net profit/(loss) for the year/period</b>	<b>(122,699)</b>	<b>30,248</b>	<b>(195,340)</b>	<b>124.7%</b>	<b>(745.8%)</b>	<b>(26.2%)</b>	<b>(35,688)</b>	<b>(12,106)</b>	<b>66.1%</b>
<b>Other Comprehensive Income</b>									
Items that will not be reclassified later in the profit or loss statement									
Losses of remeasurement of employees' end of service benefits	(94)	(1,228)	(1,325)	1,206.4%	7.9%	275.4%	-	-	N/A
<b>Total comprehensive income/(loss) for the year</b>	<b>(122,793)</b>	<b>29,020</b>	<b>(196,665)</b>	<b>123.6%</b>	<b>(777.7%)</b>	<b>(26.6%)</b>	<b>(35,688)</b>	<b>(12,106)</b>	<b>66.1%</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

### 6.5.1 Key Performance Indicators (KPIs)

The table below shows KPIs for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

Table No. (15): Key Performance Indicators for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

As a percentage of revenues	Financial year 2018G (Management information)	Financial year 2019G (Management information)	Financial year 2020G (Management information)	Annual Growth 2018G-2019G	Annual Growth 2019G-2020G	Compound Growth 2018G-2020G	Six-month period ending on June 30, 2020G (Management information)	Six-month period ending on June 30, 2021G (Management information)	Change for the period 2020G- 2021G
Gross profit/(loss)	(7.2%)	13.0%	(19.5%)	20.2	(32.5)	(12.3)	2.7%	11.8%	9.2
Sales and marketing expenses	2.1%	1.6%	2.5%	(0.4)	0.9	0.4	3.5%	2.0%	(1.5)
General and administrative expenses	2.5%	2.9%	8.0%	0.4	5.1	5.5	12.7%	6.7%	(6.1)

As a percentage of revenues	Financial year 2018G (Management information)	Financial year 2019G (Management information)	Financial year 2020G (Management information)	Annual Growth 2018G-2019G	Annual Growth 2019G-2020G	Compound Growth 2018G-2020G	Six-month period ending on June 30, 2020G (Management information)	Six-month period ending on June 30, 2021G (Management information)	Change for the period 2020G-2021G
Loss/ (profit) from operations	(12.9%)	8.8%	(46.1%)	21.7	(55.0)	(33.2)	(18.8%)	(1.3%)	17.5
Net income/(loss) before zakat	(16.9%)	4.7%	(52.6%)	21.6	(57.3)	(35.7)	(29.8%)	(4.7%)	24.4
Net profit/(loss) for the year/period	(17.6%)	4.1%	(52.9%)	21.7	(57.0)	(35.3)	(31.9%)	(4.8%)	27.1

Source: Management information.

The Arabian Pipes Company ("APC") is a Saudi Joint Stock Company established in 1991 with Commercial Registration No. (1010085734). The Company main activities are the manufacture and marketing of longitudinally welded steel pipes for oil and gas pipelines. Arabian Pipes Company has obtained the highest quality certificates in its field and is accredited by most of the oil and gas companies in the region.

The Company owns and operates two major plants in the Kingdom of Saudi Arabia:

- The first plant is located in Riyadh and has a production capacity of 160,000 tons per annum of Electrical Resistant Welded ("ERW") pipes in sizes from 6 to 20 inches.
- The second plant is located in Jubail Industrial City and has an average production capacity of 300,000 tons per year of Longitudinal Submersible Arc Welded ("LSAW") pipes in sizes ranging from 16 to 48 inches.

The global coronavirus pandemic (COVID-19) has had a global and national impact on the economy, business cycle and supply chain with varying impacts across different industries. The Company generates its revenues from manufacturing longitudinally welded steel pipes for oil and gas pipelines, for commercial and construction purposes in the Kingdom of Saudi Arabia, the Gulf Cooperation Council countries and export countries (such as the Arab Republic of Egypt). These pipes include a significant portion of the raw materials (iron in particular) which are largely imported from international and to lesser extent domestic suppliers. Accordingly, the company's results depend largely on its ability to import / supply raw materials from international / global markets and to a lesser extent through the Saudi market and the markets of the Gulf Cooperation Council countries.

In light of the global COVID-19 pandemic, travel restrictions and imposed lockdowns, the company has faced supply and sales issues. Its supply chain includes companies in areas where the government has implemented or may re-implement measures to contain and/or prevent the spread of COVID-19. While it is impossible to assess the extent and duration of the impact of COVID-19, this may have a long-term impact in general. The company's revenues decreased between the financial years 2018G and 2020G at a compound annual growth rate of 27.3%.

It is not possible to assess the effects of COVID-19 with any certainty, either generally in terms of the period may last or more specifically in terms of its impact on any specific business. In the longer term, if the repercussions continue to exist despite the recent partial lifting of restrictions, they could include newly negotiated prices with customers and/or suppliers, customer optimization for historical demand, project cancellations (e.g. Saudi Aramco projects), the customer's reaction to the significance of the purchase or employee termination, or other fundamental changes in the business model that have affected the company's performance during the historical period may have an impact on profitability. For example:

1. Revenues decreased from 741.1 million Saudi Riyals in financial year 2019G to 369 million Saudi Riyals in financial year 2020G, mainly driven by the decrease in occupancy rates in the Riyadh and Jubail plants and the delivery of pipes against the background of imposed

closures. Although occupancy rates increased to 24.4% in the first half of 2021G, the occupancy rates have not yet reached the average operating levels for the financial year 2018G and 2019G, as no major new contracts were signed in the first half of the financial year 2021G.

2. Purchases decreased from 529.6 million Saudi Riyals in the financial year 2019G to 375.4 million Saudi Riyals in the financial year 2020G, in addition to a total decrease in the cost of raw materials sold from 497.7 million Saudi Riyals in the financial year 2019G to 375.4 million Saudi Riyals in the financial year 2020G. This led to an increase in the collection period from 358 days in the financial year 2019G to 587 days in the financial year 2020G.

## Revenues

The Company's sales are pipes sales of various grades to local and Gulf Cooperation Council (GCC) customers, scrap sales, coil sales and plate sales. In general, sales to the Saudi Arabian Oil Company (Saudi Aramco) (a local customer) accounted for 84% of total revenues during historical periods. It is worth noting that the procurement process by Saudi Aramco is made through purchase orders that indicate the required specifications for the pipes and are not based on concluded supply contracts. Saudi Aramco appoints inspectors in each plant (Jubail and Riyadh) to conduct quality checks.

Revenues were mainly generated from domestic sales that included the company's main customer (Saudi Aramco) and ranged from 94.3% to 99.5% of the total revenue during the historical period. The Gulf Cooperation Council (GCC) sales mainly included customers from the United Arab Emirates and the Sultanate of Oman. While international sales mainly included Linda, a company based in Egypt. Revenues from Gulf Cooperation Council (GCC) sales decreased from 11.1 million Saudi Riyals in the financial year 2018G to 1.2 million Saudi Riyals in the financial year 2019G driven by a decrease in the number of the sold pipes to a customer from 5,640 tons to 654 tons. This customer is interested in second quality pipes and high-quality APC pipes that do not meet their specifications. While revenues from international sales fluctuated between 3.0 million Saudi Riyals and 6.0 million Saudi Riyals during the historical period.

Revenues increased by 6.1% from 698.3 million Saudi Riyals in the financial year 2018G to 741.1 million Saudi Riyals in the financial year 2019G, mainly due to the increase in the average unit price from 3.5 thousand Saudi Riyals to 4.2 thousand Saudi Riyals despite the decrease in the sold quantities from 197.3 thousand tons to 177.5 thousand tons during the same period. This is mainly due to the management's decision to fix prices before purchasing raw materials, starting from the financial year 2019G. This has reduced the company's exposure to fluctuations in the global iron and steel index.

Revenues decreased by 50.2% to reach 369.3 million Saudi Riyals in the financial year 2020G. This is mainly due to a decrease in the sold quantities from 154.3 thousand tons to 72.5 thousand tons during the same period arising from the economic conditions, the outbreak of the global COVID-19 pandemic and the general closure, which in turn led to a decrease in the number of purchase orders and project delays from Saudi Aramco. This resulted in a decrease in the average total occupancy rates for manufacturers to 23.2% in the financial year 2020G.

Revenues increased by 126.6% from 111.8 million Saudi Riyals in the six-month period ending on 30 June 2020G to 253.4 million Saudi Riyals in the six-month period ending on June 30, 2021G. This is mainly due to the increase in the sold quantities from 29.7 thousand tons to 96.2 thousand tons, as the delayed purchase orders from the financial year 2020G were returned from Saudi Aramco in the financial year 2021G.

It is worth noting that prices fluctuate in line with the "HR Coil" index and the "HR Plate" index of supplier countries (mainly China and South Korea).

## Cost of Revenue

Cost of revenue mainly comprises cost of raw materials, cost of inventory write-down, cost of salaries and benefits, pipe coating expenses, pipe fitting cost, consumables expense and other expenses. The cost of revenue decreased by 13.9% from 748.6 million Saudi Riyals in the financial year 2018G (107.2% as a percentage of revenue) to 644.6 million Saudi Riyals in the financial year 2019G (87.0% as a percentage of revenues). This is mainly due to a decrease in the cost of raw materials by 106.4 million Saudi Riyals from 604.1 million Saudi Riyals in the financial year 2018G to 497.7 million Saudi



Riyals in the financial year 2019G despite the increase in revenues from 698.3 million Saudi Riyals in the financial year 2018G to 741.1 million Saudi Riyals in the financial year 2019G. This came against the exceptional losses for slow-moving raw materials, in the financial year 2018G, as they were sold at a price below cost, which led to a loss estimated at 44.0 million Saudi Riyals.

The cost of revenues continued to decline by 31.5% to reach 441.3 million Saudi Riyals in the financial year 2020G (119.5% as a percentage of revenues). This is mainly due to the overall decrease in operations and revenues arising from the economic conditions, the outbreak of the global COVID-19 pandemic and the general closure. However, the cost of revenue as a percentage of revenue increased from 87.0% in the financial year 2019G to 119.5% in the financial year 2020G mainly due to the exceptional inventory write-off cost incurred in the financial year 2020G of 87.0 million Saudi Riyals.

The cost of revenue increased by 105.3% from 108.8 million Saudi Riyals in the six-month period ending on 30 June 2020G to 223.5 million Saudi Riyals in the six-month period ending on June 30, 2021G. This is mainly due to the overall increase in revenues during the same period. It should be noted that the cost of revenue as a percentage of revenue has relatively stabilized at 87.5% in the six-month period ending on 30 June 2020G and June 30, 2021G.

### **Gross profit/(loss)**

Gross profit increased by 292.0% from a loss of 50.3 million Saudi Riyals in the financial year 2018G to a profit of 96.5 million Saudi Riyals in the financial year 2019G (gross profit margin increased from 7.2% loss to 13.0% profit). This is mainly due to a decrease in the cost of revenue by 104.0 million Saudi Riyals from 748.6 million Saudi Riyals in the financial year 2018G to 644.6 million Saudi Riyals in the financial year 2019G arising from decreasing the cost of raw materials. This was accompanied by an increase in revenues from 698.3 million Saudi Riyals in the financial year 2018G to 741.1 million Saudi Riyals in the financial year 2019G.

Gross profit decreased by 174.7% to reach a loss of 72.1 million Saudi Riyals in the financial year 2020G (gross profit margin decreased from 13.0% to a loss of 19.5%). This is mainly due to a decrease in revenues to reach 369.3 million Saudi Riyals in the financial year 2020G, arising from the decrease in pipe sales to Saudi Aramco and scrap. In addition, the cost of revenue decreased by 203.3 million Saudi Riyals from 644.6 million Saudi Riyals in the financial year 2019G to 441.3 million Saudi Riyals in the financial year 2020G arising from the decrease in raw materials expenses, salaries and benefits expenses.

Gross profit increased by 906.3% from 3.0 million Saudi Riyals in the six-month period ending on 30 June 2020G to 30.0 million Saudi Riyals in the six-month period ending on June 30, 2021G (gross profit margin increased from 2.7% to 9.1%). This is mainly due to an increase in revenues by 126.6% from SAR 111.8 million in the six-month period ending on 30 June 2020G to 253.4 million Saudi Riyals in the six-month period ending on June 30, 2021G arising from the increase in the sold quantities from 29.7 thousand tons to 70.9 thousand tons. As the deferred purchase orders were reissued from Saudi Aramco in the financial year 2021G.

### **Sales and Marketing Expenses**

Selling and Marketing Expenses mainly consist of shipping expenses, salary expenses, benefits and marketing expenses, in addition to other expenses. Selling and marketing expenses decreased by 14.9% from 14.3 million Saudi Riyals in the financial year 2018G to 12.2 million Saudi Riyals in the financial year 2019G. This is mainly due to a decrease in expenses by 3.5 million Saudi Riyals from 2.9 million Saudi Riyals in the financial year 2018G to 280 thousand Saudi Riyals in the financial year 2019G arising from the exceptional sales deducts provided in the financial year 2018G, amounting to 2.7 million Saudi Riyals as an initiative to increase sales.

Selling and marketing expenses continued to decrease by 24.4% to reach 9.2 million Saudi Riyals in the financial year 2020G. This is mainly due to a decrease in shipping expenses by 3.2 million Saudi Riyals from 10.1 million Saudi Riyals in the financial year 2019G to 7.0 million Saudi Riyals in the financial year 2020G arising from the decrease in revenues in the financial year 2020G.

Selling and marketing expenses increased by 27.0% from 3.9 million Saudi Riyals in the six-month period ending on 30 June 2020G to 5.0 million Saudi Riyals in the six-month period ending on June 30, 2021G, mainly due to the increase in revenues.

### General and administrative expenses

General and administrative expenses consist of salary expenses, employee benefits, documentary credit fees, letters of guarantee, professional and consulting fees, medical insurance expenses, in addition to other expenses. General and administrative expenses increased by 21.9% from 17.7 million Saudi Riyals in the financial year 2018G to 21.6 million Saudi Riyals in the financial year 2019G. This is mainly due to the increase in salaries and benefits expenses by about 4.8 million Saudi Riyals from 9.1 million Saudi Riyals in the financial year 2018G to 13.9 million Saudi Riyals in the financial year 2019G, where the number of employees increased from 183 to 200 employees.

General and administrative expenses continued to increase by 37.1% to reach 29.6 million Saudi Riyals in the financial year 2020G. This is mainly due to the increase in fees for documentary credits and letters of guarantee by 4.7 million Saudi Riyals, which includes banking fees on open facilities. These fees rose due to the increase in the total facilities. In addition, the company did not take any measures to dismiss employees or reduce salaries during the outbreak of the global Corona pandemic (COVID-19), which led to an increase in the proportion of general and administrative expenses of total revenues from 2.9% in the financial year 2019G to 8.0% in the financial year 2020G accompanied by a decrease total revenue.

General and administrative expenses increased by 18.6% from 14.2 million Saudi Riyals in the six-month period ending on 30 June 2020G to 16.9 million Saudi Riyals in the six-month period ending on June 30, 2021G. This is mainly due to the increase in fees for documentary credits and letters of guarantee by 3.9 million Saudi Riyals from zero in the six-month period ending on 30 June 2020G to 3.9 million Saudi Riyals in the six-month period ending on June 30, 2021G. Taking into account that the fees for documentary credits and letters of guarantee related to the period of the financial year 2020G, were fully recognized in the second half of 2020G.

### Derecognition of/(Component) Provision for Slow-moving Stock

The derecognition of/(component) provision for slow moving stock consists of the provision for slow moving and obsolete stocks. Stock provisions increased by 57.1 million Saudi Riyals from 2.1 million Saudi Riyals in the financial year 2019G to 59.2 million Saudi Riyals in the financial year 2020G. This is mainly due to the impairment of the raw materials by 58.8 million Saudi Riyals and an impairment of the finished goods by 500 thousand Saudi Riyals, as the value was determined through an evaluation conducted by the company with an independent third party.

### Other revenues

Other income relates to sources of income not related to the Company's operating activities, which mainly include gains from loan restructuring and adjustments. Other revenues decreased by 52.9% from 1.7 million Saudi Riyals in the financial year 2018G to 801 thousand Saudi Riyals in the financial year 2019G. This is mainly due to other exceptional revenues that were achieved in the financial year 2018G on treasury securities.

Other revenues increased by 382.4% to reach 3.8 million Saudi Riyals in the financial year 2020G, mainly due to exceptional gains recorded in the financial year 2020G. Whereas, the financial instruments (a short-term loan from Riyadh Bank) were modified by an amount of 4.7 million Saudi Riyals, which was recognized in the first half of the financial year 2020G. As this amount was reduced by 924 thousand Saudi Riyals in the second half of the financial year 2020G, after the company obtained additional clarifications from the Ministry of Finance about the amendment. The Company should be noted that these gains were caused by the deferral of contractual payments which led to a decrease in the present value of the liabilities.

### Accounts Receivable Provision

The accounts receivable provision for mainly relates to the provision for long-standing accounts receivable. Provisions are recorded based on the receivables aging schedule. It reflects the recoverable amount of accounts receivable. In the financial year 2018G and 2020G, provisions of 8.7 million Saudi Riyals and 4.0 million Saudi Riyals, respectively, were recorded. The total provisions as on June 30, 2021G amounted to 16.7 million Saudi Riyals, which is equivalent to all outstanding receivables for more than one year at that date. The company made an assessment in accordance with International Financial Reporting Standards (IFRS) No. (9) and where no additional provisions were recorded in line with International Financial Reporting Standards (IFRS) No. (9).

## Zakat

Zakat provision has been relatively stable between 2018G and 2019G at 4.4 million Saudi Riyals and 4.5 million Saudi Riyals, respectively.

Zakat provision decreased by 3.6 million Saudi Riyals from 4.5 million Saudi Riyals in the financial year 2019G to 902 thousand Saudi Riyals in the financial year 2020G. This is mainly due to the incurred losses by the company in the financial year 2020G, which led to a decrease in the zakat base and income subject to zakat.

## Net profit/(loss) for the year/period

The net income for the year increased by 124.7% from a loss of 122.7 million Saudi Riyals in the financial year 2018G to a profit of 30.2 million Saudi Riyals in the financial year 2019G (the income margin for the year increased from a loss of 17.6% to a profit of 4.1%), and this is mainly due to:

- Revenues increased by 6.1% from 698.3 million Saudi Riyals in the financial year 2018G to 741.0 million Saudi Riyals in the financial year 2019G. This is mainly due to the increase in the average unit price from 3.5 thousand Saudi Riyals to 4.2 thousand Saudi Riyals despite the decrease in the sold quantities from 197.3 thousand tons to 177.5 thousand tons during the same period.
- The cost of revenue decreased by 104.0 million Saudi Riyals from 748.6 million Saudi Riyals in the financial year 2018G to 644.6 million Saudi Riyals in the financial year 2019G due to the impairment in the cost of raw materials.

The net income for the year decreased to reach losses of 195.3 million Saudi Riyals in the financial year 2020G (to reach a loss margin for the year of 52.9%), and this is due to:

- Revenue decreased by 50.2% to reach 369.3 million Saudi Riyals in the financial year 2020G arising from the decrease in the sold quantities from 154.3 thousand tons to 72.5 thousand tons during the same period due to economic conditions, the outbreak of the global COVID-19 pandemic and the general closure, which in turn led to a decrease in the number of purchase orders and project delays from Saudi Aramco.
- Net income for the year increased by 66.1% from a loss of 35.7 million Saudi Riyals in the six-month period ending on 30 June 2020G to a loss of 12.1 million Saudi Riyals in the six-month period ending on June 30, 2021G (the income margin for the year increased from a loss of 31.9% to a loss 4.8%), attributable to:
- Revenues increased by 126.6% from 111.8 million Saudi Riyals in the six-month period ending on 30 June 2020G to 253.4 million Saudi Riyals in the six-month period ending on June 30, 2021G, mainly due to an increase in the sold quantities from 18.9 thousand tons to 51.7 thousand tons.

## Other Comprehensive Income

Other comprehensive income relates to remeasurement losses for employees' end of service benefits which consist of losses arising from changes in financial assumptions, losses arising from changes in demographic assumptions and losses arising from a change in experience assumptions.

## 6.5.2 Revenues per Product Type

Table No. (16): Revenues per Product for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G- 2019G	Annual Growth 2019G- 2020G	Compound Growth 2018G- 2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G- 2021G
Pipes	625,466	731,876	361,949	17,0%	(50.5%)	(23.9%)	104,346	248,332	138.0%
ERW Scrap	16,827	10,892	6,310	(35.3%)	(42.1%)	(38.8%)	6,053	3,832	(36.7%)

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G- 2019G	Annual Growth 2019G- 2020G	Compound Growth 2018G- 2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G- 2021G
SAW Scrap	3,182	2,725	1,173	(14.4%)	(56.9%)	(39.3%)	1,555	770	(50.5%)
Rolls	52,637	209	128	(99.6%)	(38.8%)	(95.1%)	128	486	279.8%
Panels	673	255	-	(62.1%)	(100.0%)	-	-	-	N/A
Sales Returns	(474)	(4,872)	(272)	927.8%	(94.4%)	(24.2%)	(265)	-	(100.0%)
<b>Total</b>	<b>698,311</b>	<b>741,085</b>	<b>369,289</b>	<b>6.1%</b>	<b>(50.2%)</b>	<b>(27.3%)</b>	<b>111,816</b>	<b>253,420</b>	<b>126.6%</b>
<b>As a percentage of total revenues</b>									
Pipes	89.6%	98.8%	98.0%	9.2	(0.7)	8.4	93.3%	98.0%	4.7
ERW Scrap	2.4%	1.5%	1.7%	(0.9)	0.2	(0.7)	5.4%	1.5%	(3.9)
SAW Scrap	0.5%	0.4%	0.3%	(0.1)	(0.0)	(0.1)	1.4%	0.3%	(1.1)
Rolls	7.5%	-	-	(7.5)	0.0	(7.5)	0.1%	0.2%	0.1
Panels	0.1%	-	-	(0.1)	0.0	(0.1)	-	-	0.0
Sales Returns	(0.1%)	(0.7%)	(0.1%)	(0.6)	0.6	0.0	(0.2%)	-	0.2
<b>Revenues per Customers</b>									
Sales to the Saudi Arabian Oil Company (Aramco)	587,872	692,744	314,631	17.8%	(54.6%)	(26.8%)	86,646	203,196	134.5%
Sales to other customers	110,439	48,341	54,658	(56.2%)	13.1%	(29.6%)	25,170	50,224	99.5%
Aramco sales as a percentage of the total	84.2%	93.5%	85.2%	9.3	(8.3)	1.0	77.5%	80.2%	2.7
Customers sales as a percentage of the total	15.8%	6.5%	14.8%	(9.3)	8.3	(1.0)	22.5%	19.8%	(2.7)

Source: Management information.

### 6.5.3 Pipe Sales

Table No. (17): Pipes sales for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G- 2019G	Annual Growth 2019G- 2020G	Compound Growth 2018G-2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G- 2021G
(X) Class Pipes	348,765	416,338	281,817	19.4%	(32.3%)	(10.1%)	69,119	121,757	76.2%
(J) Class Pipes	241,662	255,778	28,400	5.8%	(88.9%)	(65.7%)	12,026	95,164	691.3%
(B) Class Pipes	20,933	36,497	36,817	74.4%	0.9%	32.6%	13,722	23,531	71.5%
Sales of the Second-Class Pipes	12,754	3,004	5,345	(76.5%)	77.9%	(35.3%)	3,664	7,876	115.0%

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G- 2019G	Annual Growth 2019G- 2020G	Compound Growth 2018G-2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G- 2021G
Pipe Coating and Connection Sales	1,352	20,259	9,570	1398.0%	(52.8%)	166.0%	5,815	5	(99.9%)
<b>Total Pipes</b>	<b>625,466</b>	<b>731,876</b>	<b>361,949</b>	<b>17.0%</b>	<b>(50.5%)</b>	<b>(23.9%)</b>	<b>104,346</b>	<b>248,332</b>	<b>138.0%</b>
<b>As a percentage of total revenues</b>									
(X) Class Pipes	49.9%	56.2%	76.3%	6.3	20.1	26.4	61.8%	48.0%	(13.8)
(J) Class Pipes	34.6%	34.5%	7.7%	(0.1)	(26.8)	(26.9)	10.8%	37.6%	26.8
(B) Class Pipes	3.0%	4.9%	10.0%	1.9	5.0	7.0	12.3%	9.3%	(3.0)
Sales of the Second-Class Pipes	1.8%	0.4%	1.4%	(1.4)	1.0	(0.4)	3.3%	3.1%	(0.2)
Pipe Coating and Connection Sales	0.2%	2.7%	2.6%	2.5	(0.1)	2.4	5.2%	-	(5.2)
<b>Total Pipes</b>	<b>89.6%</b>	<b>98.8%</b>	<b>98.0%</b>	<b>9.2</b>	<b>(0.7)</b>	<b>8.4</b>	<b>93.3%</b>	<b>98.0%</b>	<b>4.7</b>
<b>The Sold Quantities Per Type (tons)</b>									
(X) Class Pipes	115,733	98,642	68,519	(14.8%)	(30.5%)	(23.1%)	16,395	35,205	114.7%
(J) Class Pipes	58,281	56,775	6,089	(2.6%)	(89.3%)	(67.7%)	2,927	20,962	616.1%
(B) Class Pipes	6,694	12,335	13,080	84.3%	6.0%	39.8%	4,860	7,940	63.4%
Second-Class Pipes	6,979	1,463	2,821	(79.0%)	92.8%	(36.4%)	2,117	4,244	100.5%
<b>Total Pipes</b>	<b>187,686</b>	<b>169,215</b>	<b>90,509</b>	<b>(9.8%)</b>	<b>(46.5%)</b>	<b>(30.6%)</b>	<b>26,298</b>	<b>68,351</b>	<b>159.9%</b>
<b>Average price for each item according to the pipes type (thousand Saudi riyals)</b>									
(X) Class Pipes	3.0	4.2	4.1	40.1%	(2.6%)	16.8%	4.2	3.5	(18.0%)
(J) Class Pipes	4.1	4.5	4.7	8.6%	3.5%	6.1%	4.1	4.5	10.5
(B) Class Pipes	3.1	3.0	2.8	(5.4%)	(4.9%)	(5.1%)	2.8	3.0	5.0%
Second-Class Pipes	1.8	2.1	1.9	12.3%	(7.7%)	1.8%	1.7	1.9	7.2%

Source: IT Management.

Steel prices are determined based on the global iron index, which fluctuates on a daily basis. The company does not have a formal hedging policy to reduce the risk of fluctuations in the index. As such, any sudden increase in steel prices may expose the company to significant losses. Specifically, in the

financial year 2018G, prices were determined by management on the basis of cost (as at the date of sale) plus a margin. Accordingly, given that there is a period of approximately 4 months between the purchase of raw materials and the sale process, the decrease in the cost of raw materials during this period exposed the company to lower selling prices which in turn led to negative margins.

As for the subsequent periods after the financial year 2018G, the management audited the pricing mechanism in accordance with the prices are fixed with suppliers and customers after receiving the purchase order from customers. As such, as per the new pricing mechanism, management is of the opinion that hedging is not required because its cost outweighs the benefit of hedging.

It is worth noting that sales to the Saudi Arabian Oil Company (Aramco) (a local customer) accounted for 84% of the total revenue during historical periods, i.e., sales of 84% during historical periods to one customer. It should also be noted that the procurement process by Saudi Aramco is made through purchase orders that indicate the required specifications for the pipes and are not based on concluded supply contracts.

#### **(X) Class Pipes**

(X) Class Pipes are mainly used for underground and gas pipelines and is the largest contributor to the company's revenues with 49.9%, 56.2%, 76.3% and 48% for the financial years 2018G, 2019G and 2020G and the six-month period ending on June 30, 2021G, respectively.

Revenues from sales of (X) class pipes increased by 19.4% from 348.8 million Saudi Riyals in the financial year 2018G to 416.3 million Saudi Riyals in the financial year 2019G. This is mainly due to the increase in the average selling price from 3.0 thousand Saudi Riyals per ton in the financial year 2018G to 4.2 thousand Saudi Riyals per ton in the financial year 2019G, despite the decrease in the sold quantities from 115,7 Thousand tons to 98.6 thousand tons during the same period. The increase in the price is related to the overall increase in the index, based on which prices are determined, while the decrease in quantities is mainly due to a decrease in the sold quantities to Saudi Aramco by 11.4 thousand tons arising from the decrease in the number of purchase orders and a decrease in the sold quantities to another customer by 2.6 thousand tons.

Revenues from (X) class sales depreciated from 416.3 million Saudi Riyals in the financial year 2019G to 281.8 million Saudi Riyals in the financial year 2020G. This is mainly due to a decrease in quantities by 30.1 thousand tons from 98.6 thousand tons in the financial year 2019G to 68.5 thousand tons in the financial year 2020G. Where the average selling price per ton was relatively stable at 4.2 thousand Saudi Riyals during the financial year 2019G and 4.1 thousand Saudi Riyals during the financial year 2020G. This impairment is due to a decrease in orders from Saudi Aramco, which led to a decrease from 97.5 thousand tons delivered to Saudi Aramco in the financial year 2019G, compared to 66.8 thousand tons in the financial year 2020G, as a result of the economic conditions and the Corona pandemic in the financial year 2020G, which led to delaying purchase orders for Saudi Aramco projects, as this affected the operating rates of factories during the year.

Revenues from (X) class sales increased by 76.2% from 69.1 million Saudi Riyals in the six-month period ending on 30 June 2020G to 121.7 million Saudi Riyals in the six-month period ending on June 30, 2021G. This is due to the increase in the sold quantities from 16.4 thousand tons in the six-month period ending on 30 June 2020G to 35.2 thousand tons in the six-month period ending on June 30, 2021G, arising from the facilities in the general closure measures and the overall increase in activities.

#### **(J) Class Pipes**

This type of pipes is mainly used for drilling and oil wells. Revenues from sales of (J) class pipes increased by 5.8% from 241.7 million Saudi Riyals in the financial year 2018G to 255.8 million Saudi Riyals in the financial year 2019G. This is mainly due to the increase in the average selling price from 4.3 thousand Saudi Riyals per ton in the financial year 2018G to 4.6 thousand Saudi Riyals per ton in the financial year 2019G, despite the decrease in quantities from 58.3 thousand tons to 56.8 thousand tons during the same period.

Revenues from sales of (J) class pipes depreciated by 88.9% to reach 28.4 million Saudi Riyals in the financial year 2020G, mainly due to a decrease in (J) class purchase orders from Saudi Aramco. It is worth noting that revenues from sales of (J) class pipes were exclusively to Saudi Aramco in the financial years 2018G, 2019G and 2020G.

Revenues from sales of (J) class pipes increased by 691.3% from 12.0 million Saudi Riyals in the six-month period ending on 30 June 2020G to 95.2 million Saudi Riyals in the six-month period ending on June 30, 2021G. This is mainly due to an increase in the sold quantities from 2.9 thousand tons in the six months period ending on 30 June 2020G to 21.0 thousand tons in the six months period ending on June 30, 2021G. As late purchase orders from the financial year 2020G were returned from Saudi Aramco in the financial year 2021G, in addition to the facilities in the general closure measures and the overall increase in activities after the Corona pandemic

#### **(B) Class Pipes**

This type of pipes is mainly used in the construction and agricultural industry and is sold to customers other than Saudi Aramco. Revenues from sales of (B) class pipes increased by 74.4% from 20.9 million Saudi Riyals in the financial year 2018G to 36.5 million Saudi Riyals in the financial year 2019G, mainly due to the increase in the sold quantities by 84.3% from 6.7 thousand tons to 12.3 thousand tons during the same period. Revenues from sales of (B) class pipes were relatively stable at 36.8 million Saudi Riyals in the financial year 2020G.

Revenues from sales of (B) class pipes increased by 71.5% from 13.7 million Saudi Riyals in the six-month period ending on 30 June 2020G to 23.5 million Saudi Riyals in the six-month period ending on June 30, 2021G. This is due to the increase in the sold quantities from 4.9 thousand tons in the six-month period ending on 30 June 30, 2020 AD to 7.9 thousand tons in the six-month period ending on June 30, 2021G, arising from the facilities in the general closure measures and the overall increase in activities after the Corona pandemic.

#### **Second-Class Pipes Sales**

This type of pipes consists of pipes that do not meet customer standards or additional pipes produced above customer requirements, which are sold separately to different customers. Second-Class Pipes are by-products.

Revenues from Second-Class Pipes sales depreciated by 9.8 million Saudi Riyals from 12.8 million Saudi Riyals in the financial year 2018G to 3.0 million Saudi Riyals in the financial year 2019G. This is mainly due to a decrease in the sold quantities from 7.0 thousand tons in the financial year 2018G to 1.5 thousand tons in the financial year 2019G, arising from the general slowdown in the market. The second-class sales increased by 2.3 million Saudi Riyals to reach 5.3 million Saudi Riyals in the financial year 2020G, mainly due to an increase in the sold quantities by 1.4 million tons, of which 638 million tons relate to a special customer for sales of second-class pipes.

Revenues from Second-Class Pipes sales increased by 4.2 million Saudi Riyals from 3.7 million Saudi Riyals in the six-month period ended on 30 June 2020G, to 7.9 million Saudi Riyals in the six-month period ended on June 30, 2021G. This is mainly due to an increase in the quantities sold from 2.1 thousand tons in the six-month period ending on June 30, 2020G to 4.2 thousand tons in the six-month period ending on June 30, 2021G as a result of purchase orders from a customer against 3.3 thousand tons of second-class pipes, which led to the production of 5.6 million Saudi Riyals due to the offered competitive prices by the Arabian Pipes Company compared to the company's competitors.

#### **Pipe Coating and Connection Sales**

Pipe Coating and Connecting sales consist of a coating and tubing service sold exclusively to Saudi Aramco throughout the historical period. Revenues from Pipe Coating and Connection Sales increased by 18.9 million Saudi Riyals from 1.4 million Saudi Riyals in the financial year 2018G to 20.3 million Saudi Riyals in the financial year 2019G, mainly due to new orders from Saudi Aramco. These sales depreciated to reach 9.6 million Saudi Riyals in the financial year 2020G as a result of the decrease in demand from Saudi Aramco.

Revenues from Pipe Coating and Connection Sales depreciated by 99.9% from 5.8 million Saudi Riyals in the six-month period ending on 30 June 2020G to 5,000 Saudi Riyals in the six-month period ending on June 30, 2021G, mainly due to the decrease in orders from Saudi Aramco.

#### **ERW Scrap**

ERW Scrap consists of scrap sales arising from production as well as damaged goods, which can be sold separately as scrap. Revenues from scrap sales depreciated by 35.3% from 16.8 million Saudi Riyals in the financial year 2018G to 10.9 million Saudi Riyals in the financial year 2019G. This is mainly due to a decrease in the sold quantities to the Faisal Saada Al-Enezi Corporation, which in turn contributed to 57.7% and 55.8% of the total scrap sales in the financial year 2018G and 2019G, respectively, as the quantities decreased by 4.0 thousand tons from 8.5 thousand tons in the financial year 2018G to 4.5 thousand tons in the financial year 2019G. Scrap sales continued to decline to reach 6.3 Million Saudi Riyals in the financial year 2020G as a result of a decrease in quantities from 7.1 thousand tons to 5.1 thousand tons.

Scrap sales depreciated by 36.7% from 6.1 million Saudi Riyals in the six-month period ending on 30 June 2020G to 3.8 million Saudi Riyals in the six-month period ending on June 30, 2021G. This is mainly due to the decrease in the sold quantity of scrap materials, in addition to the decrease in the average price per ton from 2.2 thousand Saudi Riyals to 1.8 thousand Saudi Riyals.

### **SAW Scrap**

Revenues from scrap sales depreciated by 14.4% from 3.2 million Saudi Riyals in the financial year 2018G to 2.7 million Saudi Riyals in the 2019G as a result of the impairment in the total prices (per ton) from 2.1 thousand Saudi Riyals to 1.6 thousand Saudi Riyals during the same period.

Revenues from scrap sales depreciated to reach 1.2 million Saudi Riyals in the financial year 2020G as a result of a decrease in the sold quantities by 200 thousand Saudi Riyals from 1.2 thousand tons in the financial year 2019G to 1.0 thousand tons in the financial year 2020G.

Revenues from scrap sales depreciated by 50.5% from 1.6 million Saudi Riyals in the six-month period ending on 30 June 2020G to 770,000 Saudi Riyals in the six-month period ending on June 30, 2021G as a result of the decrease in the sold quantity of scrap in addition to the impairment in the average price per ton from 2.2 thousand Saudi Riyals to 1.8 thousand Saudi Riyals.

### **Rolls**

These sales consist of sales of raw materials before they are processed in the company's factories based on non-recurring purchase orders from customers.

Revenues from coil sales depreciated from 52.6 million Saudi Riyals in the financial year 2018G to 209 thousand Saudi Riyals in the financial year 2019G, mainly due to exceptional losing sales that took place in the financial year 2018G amounting to 52.6 million Saudi Riyals.

Revenues from rolls sales depreciated to reach 128 thousand Saudi Riyals in the financial year 2020G and 486 thousand Saudi Riyals in the six-month period ending on June 30, 2021G, as sales of raw materials are not considered the main source of the company's revenues.

### **Panels**

The panel sales included non-recurring revenues for specific requests to some customers, which amounted to 673 thousand Saudi Riyals and 255 thousand Saudi Riyals in the financial year 2018G and 2019G, respectively. Sales of panels are classified by sales of raw materials.

### **Returns**

These returns consist of sales returns during the year. In some rare cases, defects appear upon receipt by the customer. Returns increased from 474 thousand Saudi Riyals in the financial year 2018G to 4.9 million Saudi Riyals in the financial year 2019G, as the returns increased due to the increase in revenues. After that, the returns depreciated to reach 272 thousand Saudi Riyals in the financial year 2020G as a result of the impairment in revenues. The returns depreciated from 265 thousand Saudi Riyals in the six-month period ending on 30 June 2020G to zero in the six-month period ending on June 30, 2021G, because there were no returns during this period.



#### 6.5.4 Cost of revenue

Table No. (18): Revenue cost for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G-2019G	Annual Growth 2019G-2020G	Compound Growth 2018G-2020G	Six-month period ending on June 30 2020G (Reviewed)	Six-month period ending on June 30 2021G (Reviewed)	Change for the period 2020G-2021G
Raw materials	604,147	497,726	266,254	(17.6%)	(46.5%)	(33.6%)	74,275	170,392	129.4%
Write-off	-	-	87,002	N/A	N/A	0.0	-	-	N/A
Compensations and Benefits	36,295	35,692	21,450	(1.7%)	(39.9%)	(23.1%)	10,604	16,686	57.4%
Expenses of pipe coating and connection	48,281	53,525	14,723	10.9%	(72.5%)	(44.8%)	10,121	13,592	34.3%
Consumables	21,923	12,508	12,898	(42.9%)	3.1%	(23.3%)	1,967	3,903	98.5%
Others	37,921	45,161	39,016	19.1%	(13.6%)	1.4%	11,872	18,890	59.1%
<b>Total</b>	<b>748,567</b>	<b>644,612</b>	<b>441,343</b>	<b>(13.9%)</b>	<b>(31.5%)</b>	<b>(23.2%)</b>	<b>108,839</b>	<b>223,463</b>	<b>105.3%</b>
<b>As a percentage of total revenues</b>									
Raw materials	86.5%	67.2%	72.1%	(19.4)	4.9	(14.4)	66.4%	67.2%	0.8
Write-off	0.0%	0.0%	23.6%	-	23.6	23.6	0.0%	0.0%	-
Compensations and Benefits	5.2%	4.8%	5.8%	(0.4)	1.0	0.6	9.5%	6.6%	(2.9)
Expenses of pipe coating and connection	6.9%	7.2%	4.0%	0.3	(3.2)	(2.9)	9.1%	5.4%	(3.7)
Consumables	3.1%	1.7%	3.5%	(1.5)	1.8	0.4	1.8%	1.5%	(0.2)
Others	5.4%	6.1%	10.6%	0.7	4.5	5.1	10.6%	7.5%	(3.2)
<b>Total</b>	<b>107.2%</b>	<b>87.0%</b>	<b>119.5%</b>	<b>(20.2)</b>	<b>32.5</b>	<b>12.3</b>	<b>97.3%</b>	<b>88.2%</b>	<b>(9.2)</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G and Management information.

##### Raw materials

Raw materials represent the cost of the used raw materials in the production of pipes and mainly include the cost of steel. The cost of raw materials depreciated by 17.6% from 604.1 million Saudi Riyals in the financial year 2018G to 497.7 million Saudi Riyals in the financial year 2019G. This is due to losses of 540 thousand Saudi Riyals for exceptional raw materials incurred in the financial year 2018G, which amounted to 54.0 million Saudi Riyals.

Raw materials expenses continued to decline by 46.5% to reach 266.3 million Saudi Riyals in the financial year 2020G, mainly due to the general slowdown in activities and the impairment in revenues from 741.1 million Saudi Riyals in the financial year 2019 to 369.3 million Saudi Riyals in the financial year 2020G.

Raw materials expenses increased by 129.4% from 74.3 million Saudi Riyals in the six-month period ending on 30 June 2020G to 170.4 million Saudi Riyals in the six-month period ending on June 30, 2021G in line with the incurred cost in the financial year 2019G.

##### Write-off

The write-off mainly represents the depreciation of inventories under manufacture and scrap inventories by 52.3 million Saudi Riyals and 26.4 million Saudi Riyals, respectively, in addition to writing off other amounts. These amounts were determined by the management through an evaluation process conducted in the financial year 2020G. It should be noted that the Board of Directors agreed to write off these amounts on 08 June 2021G.

#### **Compensations and Benefits**

Compensations and benefits consist of the compensations and benefits of production employees. Compensations and benefits were relatively stable at 36.3 million Saudi Riyals in the financial year 2018G and 35.7 million Saudi Riyals in the financial year 2019G. Where costs are allocated by allocating the percentage of the different components of the material cost. Compensations and benefits decreased by 39.9% to reach 21.5 million Saudi Riyals in the financial year 2020G due to the total impairment in revenues in the financial year 2020G, which led to the depreciation in the cost of revenues.

Compensations and benefits expenses increased from 10.6 million Saudi Riyals in the six-month period ending on 30 June 2020G to 16.7 million Saudi Riyals in the six-month period ending on June 30, 2021G as a result of employee promotions during this period, which led to an increase in compensations and benefits.

#### **Expenses of Pipe Coating and Connection**

Expenses of Pipe Coating and Connection relate to the costs of coating, threading and connection, which included the cost of coating material and the additional required costs to connect the pipes to each other for the orders of Saudi Aramco exclusively. Expenses of pipe coating and connection increased by 5.2 million Saudi Riyals from 48.3 million Saudi Riyals in the financial year 2018G to 53.5 million Saudi Riyals in the financial year 2019G as a result of the increase in projects related to coating pipes and connecting related to the requests of Saudi Aramco during this period. Then, these expenses decreased by 72.5% to reach 14.7 million Saudi Riyals in the financial year 2020G as a result of the impairment in projects related to pipe coating and connection during this period.

Expenses of pipe coating and connection increased from 10.1 million Saudi Riyals in the six-month period ending on 30 June 2020G to 13.6 million Saudi Riyals in the six-month period ending on June 30, 2021G as a result of the increase in projects related to pipe coating and connection during this period.

#### **Consumables**

Consumables included welding chemicals, oils, power and other lubricants. Similar to the cost of other revenue components, consumables are determined based on a percentage of the total costs and are generally dependent on the product mix and technical specifications of pipes required in a given period. Expenditures for consumables depreciated from 21.9 million Saudi Riyals in the financial year 2018G to 12.5 million Saudi Riyals in the financial year 2019G due to the lack of excessive need for consumables during this period. After that, it rose slightly to reach 12.9 million Saudi Riyals in the financial year 2020G.

Expenditures for consumables increased from 2.0 million Saudi Riyals in the six-month period ending on 30 June 2020 to 3.9 million Saudi Riyals in the six-month period ending on June 30, 2021G as a result of the excessive use in maintaining machinery and equipment.

#### **Others**

Other expenses consist of depreciation, spare parts, maintenance, utilities and other expenses incurred during production. Other expenses increased from 37.9 million Saudi Riyals in the financial year 2018G to 45.2 million Saudi Riyals in the financial year 2019G, mainly due to an increase in spare parts and maintenance costs from 6.3 million Saudi Riyals to 9.0 million Saudi Riyals during the same period.

Other expenses depreciated to reach 39.0 million Saudi Riyals as a result of the decrease in spare parts and maintenance costs from 9.0 million Saudi Riyals in the financial year 2019G to 2.9 million Saudi Riyals in the financial year 2020G. It is worth noting that the costs of spare parts and maintenance range from 1.0% to 1.2% as a percentage of revenue.

Other expenses increased by 59.1% from 11.9 million Saudi Riyals in the six-month period ending on 30 June 2020G to 18.9 million Saudi Riyals in the six-month period ending on June 30, 2021G as a result of the increase in spare parts and maintenance costs during the same period.

#### 6.5.5 Sales and marketing expenses

Table No. (19): Sales and marketing expenses for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G-2019G	Annual Growth 2019G- 2020G	Compound Growth 2018G- 2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G- 2021G
Shipping Expenses	8,253	10,143	6,981	22.9%	(31.2%)	(8.0%)	2,488	3,718	49.4%
Compensations and Benefits	1,895	1,379	1,793	(27.2%)	30.0%	(2.7%)	999	1,084	8.5%
Marketing Expenses	2,875	-	-	(100.0%)	-	(100.0%)	-	-	N/A
Other Expenses	1,319	681	453	(48.4%)	(33.5%)	(41.4%)	419	159	(62.1%)
<b>Total</b>	<b>14,342</b>	<b>12,203</b>	<b>9,227</b>	<b>(14.9%)</b>	<b>(24.4%)</b>	<b>(19.8%)</b>	<b>3,906</b>	<b>4,962</b>	<b>27.0%</b>
<b>As a percentage of total revenue</b>									
Shipping Expenses	1.2%	1.4%	1.9%	0.2	0.5	0.7	2.2%	1.5%	(0.8)
Compensations and Benefits	0.3%	0.2%	0.5%	(0.1)	0.3	0.2	0.9%	0.4%	(0.5)
Marketing Expenses	0.4%	-	-	(0.4)	-	(0.4)	-	-	-
Other expenses	0.2%	0.1%	0.1%	(0.1)	-	(0.1)	0.4%	0.1%	(0.3)
<b>Total</b>	<b>2.1%</b>	<b>1.6%</b>	<b>2.5%</b>	<b>(0.4)</b>	<b>0.9</b>	<b>0.4</b>	<b>3.5%</b>	<b>2.0%</b>	<b>(1.5)</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G and Management information.

#### Shipping Expenses

Shipping expenses consist of the expenses of shipping pipes from the company's factories to the customers' warehouses, where shipping is done through a third-party company (Raneem Transport Company) which determines the price based on the delivery location, as follows:

- 950 Saudi Riyals for shipping from Riyadh to Dhahran
- 500 Saudi Riyals for shipping from Jubail to Dammam
- 600 Saudi Riyals for shipping from Jubail to Buqayq.

Shipping expenses increased by 22.9% from 8.3 million Saudi Riyals in the financial year 2018G to 10.1 million Saudi Riyals in the financial year 2019G and subsequently decreased to reach 7.0 million Saudi Riyals in the financial year 2020G in line with the increase and decrease in revenues during the period.

Shipping expenses increased by 49.4% from 2.5 million Saudi Riyals in the six-month period ending on 30 June 2020G to 3.7 million Saudi Riyals in the six-month period ending on June 30, 2021G mainly due to the increase in revenue and production.

It is worth noting that the pipes that are produced in the Riyadh plant have a relatively higher price due to the high shipping costs associated with transporting products from Riyadh City to other locations.

#### Compensations and Benefits

Compensations and Benefits consist of salaries, allowances, bonuses and fees related to sales and distribution personnel. Compensations and Benefits depreciated by 27.2% from 1.9 million Saudi Riyals in the financial year 2018G to 1.4 million Saudi Riyals in the financial year 2019G mainly due to the resignation of the Deputy Vice president of Sales and Marketing, which contributed to a decrease in expenses by 30,000 Saudi Riyals per month.

Compensations and Benefits increased by 30.0% from 1.4 million Saudi Riyals in the financial year 2019G to 1.8 million Saudi Riyals in the financial year 2020G. This is mainly due to the increase in the salaries of Saudi employees from 782 thousand Saudi Riyals in the financial year 2019G to 908 thousand Saudi Riyals in the financial year 2020G.

Compensations and Benefits were relatively stable at 1.0 million Saudi Riyals in the six-month period ending on 30 June 2020G, compared to 1.1 million Saudi Riyals in the six-month period ending on June 30, 2021G.

### Marketing Expenses

Marketing expenses amounted to 2.9 million Saudi Riyals in the financial year 2018G and related to an exceptional deduction on sales to a customer in the financial year 2018G.

### Other Expenses

Other expenses depreciated by 48.4% from 1.3 million Saudi Riyals in the financial year 2018 to 681 thousand Saudi Riyals in the financial year 2019 and then by 33.5% to 453 thousand Saudi Riyals in the financial year 2020G.

### 6.5.6 General and Administrative Expenses

Table No. (20): Administrative and general expenses for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G-2019G	Annual Growth 2019G-2020G	Compound Growth 2018G-2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G-2021G
Compensations and Benefits	9,145	13,925	14,240	52.3%	2.3%	23.4%	7,465	7,612	2.0%
Fees for Documentary credits and letters of guarantee	3,292	4,627	9,292	40.6%	100.8%	18.6%	-	3,874	N/A
Professional and advisory fees	1,953	1,572	2,254	(19.5%)	43.4%	(10.3%)	943	1,322	40.1%
medical insurance	753	800	988	6.2%	23.5%	3.1%	493	449	(8.9%)
Others	2,587	691	2,866	(73.3%)	314.8%	(48.3%)	5,347	3,645	(31.8%)
<b>Total</b>	<b>17,730</b>	<b>21,615</b>	<b>29,640</b>	<b>21.9%</b>	<b>37.1%</b>	<b>10.4%</b>	<b>14,248</b>	<b>16,902</b>	<b>18.6%</b>
<b>As a percentage of total revenue</b>									
Compensations and Benefits	1.3%	1.9%	3.9%	0.6	2.0	2.5	6.7%	3.0%	(3.7)
Fees for Documentary credits and letters of guarantee	0.5%	0.6%	2.5%	0.2	1.9	2.0	0.0%	1.5%	1.5
Professional and advisory fees	0.3%	0.2%	0.6%	(0.1)	0.4	0.3	0.8%	0.5%	(0.3)
medical insurance	0.1%	0.1%	0.3%	0.0	0.2	0.2	0.4%	0.2%	(0.3)

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G-2019G	Annual Growth 2019G- 2020G	Compound Growth 2018G-2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G-2021G
Others	0.4%	0.1%	0.8%	(0.3)	0.7	0.4	4.8%	1.4%	(3.3)
<b>Total</b>	<b>2.5%</b>	<b>2.9%</b>	<b>8.0%</b>	<b>0.4</b>	<b>5.1</b>	<b>5.5</b>	<b>12.7%</b>	<b>6.7%</b>	<b>(6.1)</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G and Management information.

### Compensations and Benefits

Compensations and Benefits consist of paid expenses to public and administrative employees. Compensations and Benefits increased by 52.3% from 9.1 million Saudi Riyals in the financial year 2018G to 13.9 million Saudi Riyals in the financial year 2019G. This is mainly due to an increase in the total number of employees and an increase in basic salaries in accordance with the annual increases from 3% to 5%, in addition to an increase in accommodation fees by 422 thousand Saudi Riyals.

Compensations and Benefits increased by 2.3% to reach 14.2 million Saudi Riyals in the financial year 2020. This is mainly due to the increase in the annual salaries of public administration employees from 3% to 5%, in addition to the fact that the company did not take any measures regarding public administration employees during the outbreak of the global Corona pandemic.

### Fees for Documentary credits and letters of guarantee

The fees for documentary credits and letters of guarantee consist of bank fees for loans. Fees for documentary credits and letters of guarantee increased by 40.6% from 3.3 million Saudi Riyals in the financial year 2018G to 4.6 million Saudi Riyals in the financial year 2019G, driven by the bank's commissions on transactions within the course of the company's business. Fees for documentary credits and letters of guarantee continued to rise to reach 9.3 million Saudi Riyals in the financial year 2020G arising from the increase in total loans. Letter of Credit / Letter of Credit fees amounted to 3.9 million Saudi Riyals in the six-month period ending on June 30, 2021G which represented 1.5% as a percentage of revenue.

### Professional and advisory fees

Professional and advisory fees consist of advisory fees for some projects in addition to board fees. Professional and advisory fees depreciated by 19.5% from 1.9 million Saudi Riyals in the financial year 2018G to 1.6 million Saudi Riyals in the financial year 2019G, mainly due to the increase in the number of board meetings held in the financial year 2019G.

Professional and advisory fees increased by 43.4% to reach 2.3 million Saudi Riyals in the financial year 2020G. This is mainly due to exceptional bonuses to the Board of Directors amounting to 150,000 Saudi Riyals, which were paid to each member of the Board of Directors (7 members) as a result of the positive results achieved in the financial year 2019G.

### Medical Insurance

Medical insurance expenses have remained relatively stable throughout the historical period at 753 thousand Saudi Riyals in the financial year 2018G, 800 thousand Saudi Riyals in the financial year 2019G, and 988 thousand Saudi Riyals in the financial year 2020G despite the change in the number of employees between the 2018G, 2019G and 2020G. This is mainly due to negotiations with insurance companies and the received type of coverage. Medical insurance expenses were relatively stable at 493 thousand Saudi Riyals in the six-month period ending on 30 June 2020G and at 449 thousand Saudi Riyals in the six-month period ending on June 30, 2021G.

### 6.5.7 Other Revenues

Table No. (21): Other income for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G-2019G	Annual Growth 2019G- 2020G	Compound Growth 2018G-2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G-2021G
Adjustment profit on financial instruments	-	-	3,756	-	-	-	4,683	-	(100.0%)
Others	1,699	801	108	(52.9%)	(86.5%)	(74.8%)	-	-	N/A
<b>Total</b>	<b>1,699</b>	<b>801</b>	<b>3,864</b>	<b>(52.9%)</b>	<b>382.4%</b>	<b>50.8%</b>	<b>4,683</b>	<b>-</b>	<b>(100.0%)</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

#### Adjustment profit on financial instruments

Income from adjustment on financial instruments relates to exceptional gains recorded in the financial year 2020G, as the financial instruments (short-term loan from Riyadh Bank) were modified in the amount of 4.7 million Saudi Riyals, which was recognized in the first half of the financial year 2020G. As this amount was depreciated by 924 thousand Saudi Riyals in the second half of the financial year 2020G, after the company obtained additional clarifications from the Ministry of Finance about the amendment. It should be noted that these gains were caused by the deferral of contractual payments which led to a decrease in the present value of the obligations.

#### Others

Other revenue included sales of spare parts as well as sales of used cars. Other revenues depreciated from 1.7 million Saudi Riyals in the financial year 2018G to 801 thousand Saudi Riyals in the financial year 2019G and 108 thousand Saudi Riyals in the financial year 2020G arising from the impairment in spare parts sales and sales of used cars.

Then it depreciated to zero in the six-month period ending on June 30, 2021G arising from the lack of spare parts sales and sales of used cars.

### 6.5.8 Financing Costs

Table No. (22): Financing costs for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G-2019G	Annual Growth 2019G- 2020G	Compound Growth 2018G- 2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G-2021G
Loans	26,428	29,158	22,804	10.3%	(21.8%)	(7.1%)	10,805	7,780	(28.0%)
Lease Obligations	1,881	1,104	895	(41.3%)	(18.9%)	(31.0%)	511	980	91.8%
Cost of Financing Employee End of Service Benefits	-	532	457	N/A	(14.1%)	-	-	-	N/A
<b>Total</b>	<b>28,309</b>	<b>30,794</b>	<b>24,156</b>	<b>8.8%</b>	<b>(21.6%)</b>	<b>(7.6%)</b>	<b>11,316</b>	<b>8,760</b>	<b>(22.6%)</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

Finance costs consist of loan financing costs, lease commitment costs and employee end of service benefits financing costs. Financing costs have been relatively stable over the historical period between 2018G and 2019G at 28.3 million Saudi Riyals and 30.8 million Saudi Riyals, respectively.

Financing costs depreciated by 21.6% to reach SAR 24.2 million Saudi Riyals in the financial year 2020G. This is mainly due to a decrease in loan financing costs by 6.4 million Saudi Riyals from 29.2 million Saudi Riyals in the financial year 2019G to 22.8 million Saudi Riyals in the financial year 2020G arising from the overall impairment in SIBOR during the period and the company's pledge to Saudi Aramco in return for loan settlement.

#### 6.5.9 Gross profit / (loss)

Table No. (23): Net (loss)/ income for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2020G and 2021G.

SAR Thousand	Financial year 2018G (Audited)	Financial year 2019G (adjusted)	Financial year 2020G (Audited)	Annual Growth 2018G- 2019G	Annual Growth 2019G- 2020G	Compound Growth 2018G- 2020G	Six-month period ending on June 30, 2020G (Reviewed)	Six-month period ending on June 30, 2021G (Reviewed)	Change for the period 2020G- 2021G
<b>Loss/ (profit) from operations</b>	<b>(90,008)</b>	<b>65,536</b>	<b>(170,282)</b>	<b>172.8%</b>	<b>(359.8%)</b>	<b>(37.5%)</b>	<b>(21,052)</b>	<b>(3,246)</b>	<b>84.6%</b>
Financing Costs	(28,309)	(30,794)	(24,156)	8.8%	(21.6%)	(7.6%)	(11,316)	(8,760)	(22.6%)
<b>Net income/(loss) before zakat</b>	<b>(118,317)</b>	<b>34,742</b>	<b>(194,438)</b>	<b>129.4%</b>	<b>(659.7%)</b>	<b>(28.2%)</b>	<b>(32,368)</b>	<b>(12,006)</b>	<b>62.9%</b>
Legal Zakat	(4,382)	(4,494)	(902)	2.6%	(79.9%)	(54.6%)	(3,320)	(100)	(97.0%)
<b>Net profit/(loss) for the year/period</b>	<b>(122,699)</b>	<b>30,248</b>	<b>(195,340)</b>	<b>124.7%</b>	<b>(745.8%)</b>	<b>(26.2%)</b>	<b>(35,688)</b>	<b>(12,106)</b>	<b>66.1%</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

#### 6.5.10 Net profit/(loss) for the year/period

The net income for the year increased by 124.7% from a loss of 122.7 million Saudi Riyals in the financial year 2018G to a profit of 30.2 million Saudi Riyals in the financial year 2019G (the income margin for the year increased from a loss of 17.6% to a profit of 4.1%), and this is mainly due to:

- Revenues increased by 6.1% from 698.3 million Saudi Riyals in the financial year 2018G to 741.0 million Saudi Riyals in the financial year 2019G. This is mainly due to the increase in the average unit price from 3.5 thousand Saudi Riyals to 4.2 thousand Saudi Riyals despite the decrease in the sold quantities from 197.3 thousand tons to 177.5 thousand tons during the same period.
- The cost of revenue decreased by 104.0 million Saudi Riyals from 748.6 million Saudi Riyals in the financial year 2018G to 644.6 million Saudi Riyals in the financial year 2019G due to the impairment in the cost of raw materials.

The net income for the year decreased to reach losses of 195.3 million Saudi Riyals in the financial year 2020G (to reach a loss margin for the year of 52.9%), and this is due to:

- Revenue decreased by 50.2% to reach 369.3 million Saudi Riyals in the financial year 2020G arising from the decrease in the sold quantities from 154.3 thousand tons to 72.5 thousand tons during the same period due to economic conditions, the outbreak of the global COVID-19 pandemic and the general closure, which in turn led to a decrease in the number of purchase orders and project delays from Saudi Aramco.
- Net income for the year increased by 66.1% from a loss of 35.7 million Saudi Riyals in the six-month period ending on 30 June 2020G to a loss of 12.1 million Saudi Riyals in the six-month period ending on June 30, 2021G (the income margin for the year increased from a loss of 31.9% to a loss 4.8%), attributable to:

- Revenues increased by 126.6% from 111.8 million Saudi Riyals in the six-month period ending on 30 June 2020G to 253.4 million Saudi Riyals in the six-month period ending on June 30, 2021G, mainly due to an increase in the sold quantities from 29.7 thousand tons to 70.9 thousand tons.

## 6.6 Statement of Financial Position

The following table provides a summary of the company's statement of financial position for the financial years ending on December 31, 2018G, 2019G and 2020G and the six-month period ending on 30 June 2020G and 2021G:

Table No. (24): Statement of financial position as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	373,394	374,420	354,824	348,630
Right to use assets	-	21,833	21,970	21,010
<b>Total Non-Current Liabilities</b>	<b>373,394</b>	<b>396,253</b>	<b>376,794</b>	<b>369,640</b>
<b>Current Assets</b>				
Inventory	551,903	488,053	428,144	296,555
Trade Receivables	145,837	64,336	71,228	26,530
Advance Payments and Other Receivables	43,000	42,237	45,883	35,432
Cash and cash equivalents	13,499	19,968	20,046	78,674
<b>Total Current Assets</b>	<b>754,239</b>	<b>614,594</b>	<b>565,301</b>	<b>437,191</b>
<b>Total Assets</b>	<b>1,127,633</b>	<b>1,010,847</b>	<b>942,095</b>	<b>806,831</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
capital	400,000	400,000	400,000	400,000
Statutory Reserve	159,427	120,000	120,000	120,000
General Reserve	31,438	-	-	-
Actuarial Losses for Employees' End of Service Benefits	(94)	(1,322)	(2,647)	(2,647)
accumulated losses	(91,852)	(115,672)	(311,012)	(323,118)
<b>Total shareholders' equity</b>	<b>498,919</b>	<b>403,006</b>	<b>206,341</b>	<b>194,235</b>
<b>Liabilities</b>				
<b>Non-Current Liabilities</b>				
Long-term Loans	-	7,165	-	-
Lease Obligations	-	17,945	18,252	18,654
Employee's End of Service Benefits	11,649	14,622	18,088	19,491
<b>Total Non-Current Liabilities</b>	<b>11,649</b>	<b>39,732</b>	<b>36,340</b>	<b>38,145</b>
<b>Current liabilities</b>				



SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Overdraft	-	-	-	2,539
Long-term Loans - the Trading Part	80,000	69,861	77,717	78,374
Lease Obligations –the Trading Part	-	2,295	2,195	2,609
Short-Term Loans	405,503	394,494	501,842	341,266
Due to related parties	963	1,546	1,211	1,334
Payment papers and trade payables	116,222	85,970	99,813	101,296
Receivables and other payables	6,912	6,297	12,695	42,992
Zakat provision	7,465	7,646	3,941	4,041
<b>Total Current Liabilities</b>	<b>617,065</b>	<b>568,109</b>	<b>699,414</b>	<b>574,451</b>
<b>Total Liabilities</b>	<b>628,714</b>	<b>607,841</b>	<b>735,754</b>	<b>612,596</b>
<b>Total Equity and Liabilities</b>	<b>1,127,633</b>	<b>1,010,847</b>	<b>942,095</b>	<b>806,831</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

Table No. (25): KPIs of financial position as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Management information)	December 31, 2019G (Management information)	December 31, 2020G (Management information)	June 30, 2021G (Management information)
Average days of accounts receivable (day)	76	32	70	19
Average days of inventory (day)	333	358	587	315
Average Accounts Payable Days (Day)	98	59	97	447

Source: Management information.

#### Non-Current Assets

Total non-current assets increased by 22.9 million Saudi Riyals from 373.4 million Saudi Riyals as on December 31, 2018G to 396.3 million Saudi Riyals as on December 31, 2019G. This is mainly due to an increase in right of use assets by 21.8 million Saudi Riyals in the financial year 2019G as a result of the company's application of International Financial Reporting Standard (IFRS) No. (16) in the financial year 2021G (with the amendment of the financial year 2020G).

Total non-current assets depreciated to 376.8 million Saudi Riyals as on December 31, 2020G, due to a decrease in property, machinery and equipment balance by 19.6 million Saudi Riyals during the financial year 2020G arising from the depreciation of property, machinery and equipment.

Total non-current assets depreciated by 7.2 million Saudi Riyals from 376.8 million Saudi Riyals as on December 31, 2020G to 369.6 million Saudi Riyals as on June 30, 2021G.

#### Current Assets

Total current assets depreciated by 139.6 million Saudi Riyals from 754.2 million Saudi Riyals as on December 31, 2018G to 614.6 million Saudi Riyals as on December 31, 2019G. This is mainly due to a depreciation in inventory by 63.8 million Saudi Riyals from 551.9 million Saudi Riyals as on December 31, 2018G to 488.1 million Saudi Riyals as on December 31, 2019G as a result of recording two adjustments to production in process and raw materials amounting to 106.0 million Saudi Riyals and 18.9 million Saudi Riyals respectively. It is worth noting that these adjustments, which were reflected in the balances of the financial year 2019G in the financial statements for the financial year ending on December 31, 2020G, came after the settlement of the recorded amounts in the records and the actual existing inventory. This was associated with a deprecation in the accounts receivable by 81.6 million

Saudi Riyals from 146.0 million Saudi Riyals to 64.3 million Saudi Riyals as on December 31, 2019G, as a result of the large sales volume during the last two months of the financial year 2018G (110.3 million Saudi Riyals) compared to the financial year 2019G (46.7 million Saudi Riyals).

Total current assets continued to decline by 49.3 million Saudi Riyals to reach 565.3 million Saudi Riyals as on December 31, 2020G, arising from a depreciation in inventory by 60 million Saudi Riyals. This is mainly due to the write-off of 52.3 million Saudi Riyals and 26.4 million Saudi Riyals on in-progress production and scrap stock, respectively. It is worth noting that the inventory was written off based on an evaluation process conducted by the management during the year. However, the average inventory days increased from 358 days as on December 31, 2019G to 587 days as on December 31, 2020G due to storage of the inventory as a result of the outbreak of the global COVID-19 pandemic and the general closure. As the company's customers (especially Saudi Aramco) did not receive their products as a result of the general closure procedures.

Total current assets depreciated by 128.1 million Saudi Riyals from 565.3 million Saudi Riyals as on December 31, 2020G to 437.2 million Saudi Riyals as on June 30, 2021G. This is mainly due to a depreciation in the inventory reached 296.6 million Saudi Riyals as in the financial year 2020G arising from the depreciation in purchases from 89.7 million Saudi Riyals as on the financial year 2020G to 39.3 million Saudi Riyals as in the financial year 2020G due to the decrease in the total number of new orders since the beginning 2021G. This was accompanied by a depreciation in accounts receivable by 44.7 Million Saudi Riyals from 71.2 million Saudi Riyals as on December 31, 2020G to 26.5 million Saudi Riyals as on June 30, 2021G, arising from the increase in the collection process during the six-month period ending on June 30, 2021G, in accordance with the agreement with Aramco Saudi Arabia, as a way to help Arabian Pipes Company in its cash position, which led to depreciate the average accounts receivable from 70 days in the financial year 2020G to 19 days at the beginning of 2021G.

### Equity

Total equity depreciated by 95.9 million Saudi Riyals from 498.9 million Saudi Riyals as on December 31, 2018G to 403.0 million Saudi Riyals as on December 31, 2019G, arising from the depreciation in the statutory reserve by 39.4 million Saudi Riyals from 159.4 million Saudi Riyals as on December 31, 2018G to 120 million Saudi Riyals as on December 31, 2019G. Whereas, 39.4 million Saudi Riyals were reduced against the accumulated losses in the financial year 2019G to decline the balance of accumulated losses. In addition, the total equity depreciated as a result of the adjustment to the opening balance as on 01 January 2019 as the inventory was written off as shown below in the clarification of adjustments for previous years. It continued to decrease by 196.7 to reach 206.3 million Saudi Riyals as on December 31, 2020G as a result of the increase in accumulated losses from 115.7 million Saudi Riyals as on December 31, 2019G to 311.0 million Saudi Riyals as on December 31, 2020G.

Total equity continued to decline to reach 194.2 million Saudi Riyals as on June 30, 2021G as a result of an increase in accumulated losses by 12.1 million Saudi Riyals from 311.0 million Saudi Riyals as on December 31, 2020G to 323.1 million Saudi Riyals as on June 30, 2021G.

### Non-Current Liabilities

Total non-current liabilities increased by 28.1 million Saudi Riyals from 11.6 million Saudi Riyals as on December 31, 2018G to 39.7 million Saudi Riyals as on December 31, 2019G as a result of obtaining long-term loans amounting to 7.2 million Saudi Riyals and an increase in rental obligations by 17.9 million Saudi Riyals from Zero as on December 31, 2018 to 17.9 million Saudi Riyals as on December 31, 2019G. This was accompanied by an increase in employees' end of service benefits by 3 million Saudi Riyals from 11.6 million Saudi Riyals as on December 31, 2018G to 14.6 million Saudi Riyals as on December 31, 2019G. On December 31, 2019G, the total payments decreased from 2.9 million Saudi Riyals as on December 31, 2018G to 429 thousand Saudi Riyals as on December 31, 2019G.

Total non-current liabilities depreciated by 3.4 million Saudi Riyals from 39.7 million Saudi Riyals as on December 31, 2019G to 36.3 million Saudi Riyals as on December 31, 2020G as a result of a decrease in long-term loans by 7.2 million Saudi Riyals, offset by an increase in rental obligations by 307 thousand Saudi Riyals from 17.9 million Saudi Riyals on December 31, 2019G to 18.3 million Saudi Riyals as on December 31, 2020G, and an increase in employee end of service benefits by 3.6 million Saudi Riyals from 14.6 million Saudi Riyals as on December 31, 2019G to 18.2 million Saudi Riyals as on December 31, 2020G.

Total non-current liabilities increased to reach SAR 38.1 million Saudi Riyals as of June 30, 2021G, mainly due to an increase in rental obligations by 400,000 Saudi Riyals and an increase in employee end of service benefits by 1.4 million Saudi Riyals.

#### Current Liabilities

Total current liabilities depreciated by 49.0 million Saudi Riyals from 617.1 million Saudi Riyals as on December 31, 2018G to 568.1 million Saudi Riyals as on December 31, 2019G mainly due to the decrease in the long-term loan rate from 80.0 million Saudi Riyals as on December 30, 2018G to 69.9 million Saudi Riyals as on December 31, 2019 as a result of paying a payment of the loan, while the second part of this loan is classified under non-current liabilities and a decrease in the short-term loan rate from 405.5 million Saudi Riyals as on December 31, 2018 to 394.5 million Saudi Riyals as on December 31, 2019.

Total current liabilities increased to reach 699.4 million Saudi Riyals as on December 31, 2020, as a result of an increase in the long and short-term loans rate, reaching 77.7 million Saudi Riyals and 501.4 million Saudi Riyals during the same period. Total current assets depreciated by 125 million Saudi Riyals to reach 574.4 million Saudi Riyals as on June 30, 2021G due to the decrease in short-term loans to reach 341.3 million Saudi Riyals as on June 30, 2021G.

#### 6.6.1 Non-Current Liabilities

Table No. (26): Non-Current Assets as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Property, Plant and Equipment	373,394	374,420	354,824	348,630
Right to use assets	-	21,833	21,970	21,010
<b>Total Non-Current Liabilities</b>	<b>373,394</b>	<b>396,253</b>	<b>376,794</b>	<b>369,640</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

#### 6.6.2 Properties, Machinery and Equipment

Table No. (27): Net book value of Property, Plant and Equipment as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Management information)
Lands	5,676	5,676	5,676	5,676
Buildings	55,141	52,546	49,909	48,591
Machinery and Equipment	304,103	307,029	289,599	281,085
Furniture and Improvements	337	268	233	262
Cars and Vehicles	-	-	401	358
Computer software and equipment	66	160	216	514
Capital work in progress	8,071	8,741	8,790	12,144
<b>Total</b>	<b>373,394</b>	<b>374,420</b>	<b>354,824</b>	<b>348,630</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G and management information.

Table No. (28): additions to Property, Plant and Equipment as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Management information)
Lands	-	-	-	-

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Management information)
Buildings	530	40	-	-
Machinery and Equipment	2,870	26,097	7,548	3,643
Furniture and Improvements	128	191	-	90
Cars and Vehicles	-	-	430	-
Computer software and equipment	87	254	273	405
Capital work in progress	3,575	670	49	3,354
<b>Total</b>	<b>7,190</b>	<b>27,252</b>	<b>8,300</b>	<b>7,492</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G and management information.

Table No. (29): Depreciation of Property, Plant and Equipment as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Management information)
Lands	-	-	-	-
Buildings	2,621	2,635	2,637	1,318
Machinery and Equipment	23,749	23,171	24,920	12,157
Furniture and Improvements	151	260	35	61
Cars and Vehicles	-	-	29	43
Computer software and equipment	136	160	208	107
Capital work in progress	-	-	-	-
<b>Total</b>	<b>26,657</b>	<b>26,226</b>	<b>27,829</b>	<b>13,686</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G and management information.

Property, machinery and equipment consists of plant and equipment related to the two plants operating in Riyadh and Jubail (where the carrying amount is 281.1 million Saudi Riyals), buildings (where the carrying amount is 48.6 million Saudi Riyals), and capital work-in-progress (where the carrying amount is 12.1 million Saudi Riyals), land (where the carrying amount is 5.7 million Saudi Riyals) and other fixed assets (where the carrying amount is 1.1 million Saudi Riyals). The carrying amount of property, machinery and equipment increased by 1.0 million Saudi Riyals from 373.4 million Saudi Riyals as on December 31, 2018G to 374.4 million Saudi Riyals as on December 31, 2019G. This is mainly due to additions of 27.3 million Saudi Riyals during the year for machinery and equipment mainly related to machinery and equipment, compared to a depreciation of 26.2 million Saudi Riyals during the same year. The carrying amount of property, machinery and equipment depreciated by 19.6 million Saudi Riyals to reach 354.8 million Saudi Riyals as on December 31, 2020G. This is mainly due to depreciation of 27.8 million Saudi Riyals offset by additions of 8.3 million Saudi Riyals during the same year. Additions to property, machinery and equipment amounted to 9.8 million Saudi Riyals, while depreciation amounted to 13.7 million Saudi Riyals, which led to a depreciation in the carrying amount of property, machinery and equipment to 348.6 million Saudi Riyals as on June 30, 2021G.

Although plant utilization is less than 50% (below full capacity), the company has not reviewed the useful life of machinery and equipment. Further, the machinery and equipment has been depreciated by 60% as on December 31, 2021G. However, management is of the opinion that there are no requirements for replacement of capital assets. An impairment test was performed and there was no need to write down the assets.

Property, machinery, and equipment has been subject to an impairment assessment by a consulting offices and institutions, which covered the equipment as on 31 March 2021G. As the consultant did not notice any depreciation in the value of fixed assets. In fact, the consultant considers that

the fair market value of the fixed assets is 370 million Saudi Riyals compared to the carrying amount of 354.8 million Saudi Riyals as on December 31, 2020G. The carrying amount may be subjected to additional depreciation. It is worth noting that the machinery and equipment was depreciated by 58% as on June 30, 2021G, management believes that there is no need to replace the capital expenditures currently as maintenance is being done to maintain the assets and ensure that they generate the required cash flows.

#### **Lands**

The land includes a plot of lands in Al Jubail city for staff accommodation and was purchased in the financial year 2015G. The lands stabilized at 5.7 million Saudi Riyals over the historical period from 2019G to 2021G.

#### **Buildings**

Buildings consist of production buildings, factories, warehouses and other infrastructure related to factories in both Riyadh and Jubail. The carrying amount of the buildings depreciated from 55.1 million Saudi Riyals as on December 31, 2018G to 52.5 million Saudi Riyals as on December 31, 2019G arising from the annual depreciation expense, which amounted to 2.6 million Saudi Riyals, offset by additions of 40 thousand Saudi Riyals during the same period. The carrying amount continued to decline to reach 49.9 million Saudi Riyals as on December 31, 2020G, due to the annual depreciation expense, which amounted to 2.6 million Saudi Riyals and the absence of any additions during the year.

The carrying amount of the buildings depreciated by 1.3 million Saudi Riyals from 49.9 million Saudi Riyals as on December 31, 2020G to 48.6 million Saudi Riyals as on June 30, 2021G arising from the annual depreciation expense, which amounted to 1.3 million Saudi Riyals without any additions in this period.

#### **Machinery and Equipment**

Machinery and Equipment consisted of machinery, tools and equipment in both Jubail and Riyadh which mainly included hydraulic presses, pipe mills and milling machines among other equipment. The carrying amount of machinery and equipment increased from 304.1 million Saudi Riyals as on December 31, 2018G to 307.0 million Saudi Riyals as on December 31, 2019G arising from the reached additions of 2.9 million Saudi Riyals. The carrying amount of machinery and equipment depreciated to 289.6 million Saudi Riyals as on December 31, 2020G, due to depreciation expenses of 24.9 million Saudi Riyals, offset by additions of 7.5 million Saudi Riyals during the same period.

The carrying amount of machinery and equipment depreciated by 8.5 million Saudi Riyals from 289.6 million Saudi Riyals as on December 31, 2020G and to 281.1 million Saudi Riyals as on June 30, 2021G arising from the depreciation expense, which amounted to 12.2 million Saudi Riyals, offset by additions of 3.6 million Saudi Riyals.

#### **Furniture and Improvements**

The carrying amount of furniture and equipment relates primarily to furniture for the company's main building and capital improvements. The carrying amount of furniture and improvements depreciated from 337 thousand Saudi Riyals as on December 31, 2018G to 268 thousand Saudi Riyals as on December 31, 2019G arising from the annual depreciation expense, which amounted to 260 thousand Saudi Riyals, offset by additions of 191 thousand Saudi Riyals during the same period. The carrying amount continued to decline to reach 233 thousand Saudi Riyals as on December 31, 2020G arising from the annual depreciation expense, which amounted to 35 thousand Saudi Riyals and the absence of any additions during the year.

The carrying amount of furniture and improvements increased by 28 thousand Saudi Riyals from 233 thousand Saudi Riyals as on December 31, 2020G to 262 thousand Saudi Riyals as on June 30, 2021G arising from the annual depreciation expense, which amounted to 61 thousand Saudi Riyals, offset by additions of 90 thousand Saudi Riyals.

#### **Cars and Vehicles**

The carrying amount of the cars and vehicles amounted to 401 thousand Saudi Riyals as of December 31, 2020, as it was depreciated by 29 thousand Saudi Riyals and there were additions of 430 thousand Saudi Riyals.

The carrying number of cars and vehicles depreciated to 358 thousand Saudi Riyals as on June 30, 2021G arising from the depreciation expenses, which amounted to 43 thousand Saudi Riyals and without any additions during this period.

#### **Computer Software and Equipment**

Computer software and equipment are mainly computer hardware licenses that are used by the company's management in its operations. The carrying amount of software and computer equipment increased from 66 thousand Saudi Riyals as on December 31, 2018G to 160 thousand Saudi Riyals as on December 31, 2019G arising from the annual depreciation expense, which amounted to 160 thousand Saudi Riyals, offset by additions of 191 thousand Saudi Riyals during the same period. The carrying amount continued to rise to reach 216 thousand Saudi Riyals as on December 31, 2020G arising from the annual depreciation expense, which amounted to 208 thousand Saudi Riyals and additions of 273 thousand Saudi Riyals.

The carrying amount increased by 297 thousand Saudi Riyals from 216 thousand Saudi Riyals as on December 31, 2020G and to 514 thousand Saudi Riyals as on June 30, 2021G arising from the additions of 405 thousand Saudi Riyals, offset by the depreciation expense, which amounted to 107 thousand Saudi Riyals.

It is worth noting that a new ERP information system is currently in the process of being implemented by the administration, as it is expected to be fully operational by February 2022.

#### **Capital Works in Progress**

The capital work-in-progress consists of 9.0 million Saudi Riyals in respect of a coating machine purchased to add a coating line that has been in operation for the company for approximately 5 years. The decision of the Board of Directors is suspended to determine the accuracy of this device (i.e. disposal or installation). The remaining amount, which reached 3.0 million Saudi Riyals, relates to machine upgrades which are used on a custom provision basis. As per management, the additional amount required for capital work-in-progress to be completed cannot be determined by management considering the uncertainty involved in future handling of the coating machine.

The carrying amount of capital work in progress increased by 700 thousand Saudi Riyals from 8.1 million Saudi Riyals as on December 31, 2018G to 8.7 million Saudi Riyals as on December 31, 2019G arising from the additions amounting to 670 thousand Saudi Riyals following updates related to the coating machine.

The carrying amount of the capital work in progress relatively stabilized at 8.8 million Saudi Riyals as on December 31, 2020G, where the additions amounted to 49 thousand Saudi Riyals.

The carrying amount of capital work in progress increased by 3.3 million Saudi Riyals from 8.8 million Saudi Riyals as of December 31, 2020G to 12.1 million Saudi Riyals as on 31 June 2021G arising from the additions amounted 3.4 million Saudi Riyals following updates related to the coating machine.

#### **6.6.3 Right of Use Assets**

The right to use assets was recognized after applying the International Financial Reporting Standard (IFRS) No. (16) as on 01 January 2019G. The Company has applied a modified retrospective approach which does not require restatement of previous periods. Right of use assets shall be measured at cost (initial measurement) consisting of the initial amount of the adjusted lease liability for any lease payments made on or before the commencement date (for example, lease expenses paid in advance as on December 31, 2018G). Plus, any direct initial costs incurred. It should be noted that no provision has been made for any estimated costs of dismantling and restoring the site, which was received, to its original condition. Right of use assets increased by 200 thousand Saudi Riyals from 21.8 million Saudi Riyals as on December 31, 2019G to 22.0 million Saudi Riyals as on December 31, 2020G mainly due to additions of 1.9 million Saudi Riyals offset by a depreciation in the value of right of use assets by 1.8 million Saudi Riyals during the same period. The right to use assets also depreciated to 21.0 million Saudi Riyals arising from the depreciation 1.0 million Saudi Riyals at the beginning of the year until June 30, 2021G.

The management has not recorded any costs or provisions corresponding to the expected future outflow required to restore the land to its condition.

#### 6.6.4 Current Assets

Table No. (30): Current Assets as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Inventory	551,903	488,053	428,144	296,555
Trade Receivables	145,837	64,336	71,228	26,530
Advance payments and other receivables	43,000	42,237	45,883	35,432
Cash and cash equivalents	13,499	19,968	20,046	78,674
<b>Total Current Assets</b>	<b>754,239</b>	<b>614,594</b>	<b>565,301</b>	<b>437,191</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

#### 6.6.5 Inventory

Table No. (31): Inventory as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Complete Production, Net	158,383	188,662	215,685	161,598
Raw Materials, Net	119,032	102,760	174,361	128,790
Production in process, Net	102,827	103,962	51,441	49,579
Spare Parts	53,132	51,212	45,347	45,010
Goods in Transit, Net	118,094	35,821	19,026	21
Stationery	1,383	1,260	1,428	1,540
Scrap Inventory, Net	21,258	24,502	228	728
<b>Total Inventory</b>	<b>574,109</b>	<b>508,179</b>	<b>507,516</b>	<b>387,266</b>
Less: provision for inventory	(22,206)	(20,126)	(79,372)	(90,711)
<b>Inventory</b>	<b>551,903</b>	<b>488,053</b>	<b>428,144</b>	<b>296,555</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

#### Inventory

Inventory mainly consists of finished production, raw materials, work in progress, spare parts, Goods in Transit, Stationery and scrap inventory. The inventory depreciated by 63.8 million Saudi Riyals from 551.9 million Saudi Riyals as on December 31, 2018G to 488.1 million Saudi Riyals as on December 31, 2019G as a result of recording two adjustments to goods in transit and raw materials amounting to 106.0 million Saudi Riyals and 18.9 million Saudi Riyals, respectively. It is worth noting that these adjustments, which were reflected in the balances for 2019G in the financial statements for the financial year ending on December 31, 2020G, came after the management settled the amounts recorded in the records and the actual inventory on hand.

Inventory depreciated by 60.0 million Saudi Riyals from 488.1 million Saudi Riyals as on December 31, 2019G to 428.1 million Saudi Riyals as on December 31, 2020G. This is mainly due to the recording of write-offs of 52.3 million Saudi Riyals and 26.4 million Saudi Riyals on in-progress production and scrap stock, respectively. It is worth noting that the inventory was written off based on an evaluation process conducted by the management during the year. However, the average inventory days increased from 358 days as on December 31, 2019G to 587 days as on December 31, 2020G arising from the inventory storage due to the global pandemic COVID-19, as the company's customers did not receive their products as a result of the general closure procedures.

Inventory continued to decline to reach 296.6 million Saudi Riyals as on June 30, 2021G, due to the decrease in total production and raw materials compared to the financial year 2020G as a result of the decrease in the total number of new orders since the beginning of 2021G. The company achieved its revenues in the first half of the financial year 2021G through the stocks that were already present during the period.

During the implementation of the Internal Resource Management System (ERP), it was revealed that there was uncertainty about some inventory balances of an essential nature. Accordingly, the company directly appointed a consulting company to perform agreed procedures to ascertain the financial differences in the inventory item, which amount to 210.1 million Saudi Riyals, starting from the company's annual financial statements for previous financial years from the beginning of the company until the end of the financial year 2020G.

1. Confirming the conformity of the actual inventory quantities and the correctness of the figures in tons mentioned in the company's factories in Riyadh and Jubail.
2. Confirming the existence of financial differences in the inventory in the amount of the inventory, amounting to 239.6 million Saudi Riyals, including the value of the re-evaluation at the fair price in accordance with its evaluation. It identified an amount of 162 million Saudi Riyals that may have caused these differences during previous periods since the establishment of the factory, the most important of which are:
  - Opening account for raw materials at Jubail Plant.
  - Calculation of scrap inventory since the establishment of the plant in Riyadh due to the standard calculation of the quantity and value of scrap account
  - Incorrect entries in the inventory account for previous periods

After auditing the issued report by the consulting company, the external auditor stated that what came in the report were insufficient observations to address the differences with accounting restrictions based on them. Therefore, the financial impact has been clarified in the financial statements for the financial year 2020G. Several adjustments to the inventory were recorded in the financial year 2020G to correct the previous accounting errors and to show the actual net realizable value of the existing inventory.

Management has been adjusted for 125.0 million Saudi Riyals which consists of 106.0 million Saudi Riyals and 19.0 million Saudi Riyals of transported goods and raw materials respectively in the financial year 2020G by restating the opening cumulative losses. In addition, during the financial year 2020G, management performed an assessment of impairment of raw materials and finished goods and identified impairment of 58.8 million Saudi Riyals and SAR 500,000, respectively. During the first half of the financial year 2021G, management recognized an additional provision of 11.3 million Saudi Riyals for slow moving inventories.

It should be noted that raw materials are usually purchased based on the requirements of the company's customers and from Saudi Aramco's list of approved suppliers. As during the last period, the company procured raw materials from 8 different suppliers, and given that a large part of the company's purchases is from international suppliers, timely submission of orders is critical for the company to ensure that customers' requirements are met. It should also be noted that there is a storage agreement with Saudi Aramco whereby the company will store the products for a period of up to 1.5 to 2 years specified in each purchase order. Through this agreement, Saudi Aramco shall purchase those products at the stated price in the purchase order. In the financial year 2020G, the company leased a plot of land to store the finished goods related to Saudi Aramco's orders until their subsequent sale



and receipt by Saudi Aramco, which led to an increase in inventory levels as on December 31, 2020G and negatively affected storage days and consequently collections.

#### 6.6.6 Trade Receivables

Table No. (32): Trade receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Trade Receivables	158,553	77,052	87,923	43,225
Less: provision for impairment	(12,716)	(12,716)	(16,695)	(16,695)
<b>Total</b>	<b>145,837</b>	<b>64,336</b>	<b>71,228</b>	<b>26,530</b>
Saudi Arabian Oil Company (Aramco) receivables	145,268	63,896	70,974	25,978
Receivables from other customers	569	439	255	552
Average days of accounts receivable (day)	76	32	70	38

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

##### 6.6.6.1 Aging of Trade Receivables

Table No. (33): Ages of Trade receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
1-30 Days	129,454	59,917	71,228	26,530
31-90 Days	12,403	-	-	-
91-365 Days	16,696	439	-	-
One Year or More	-	16,696	16,695	16,695
<b>Total</b>	<b>158,553</b>	<b>77,052</b>	<b>87,923</b>	<b>43,225</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

##### 6.6.6.2 Movement in Trade Receivables Provision

Table No. (34): Movement in provision for trade receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Provision at the beginning of the year	4,000	12,716	12,716	16,695
Provision charged during the year	8,716	-	3,979	-
<b>Provision at the end of the year</b>	<b>12,716</b>	<b>12,716</b>	<b>16,695</b>	<b>16,695</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

Trade receivables depreciated by 81.5 million Saudi Riyals from 145.8 million Saudi Riyals as on December 31, 2018G to 64.3 million Saudi Riyals as on December 31, 2019G. This is mainly due to the increase in collection and the depreciation in revenues from 110.3 million Saudi Riyals during the last two months of the financial year 2018G to 46.7 million Saudi Riyals during the last two months of the financial year 2019G. While revenues

increased from 698.3 million Saudi Riyals in the financial year 2018G to 741.1 million Saudi Riyals in the financial year 2019G, which led to a decrease in the average days of accounts receivable by 44 days from 76 days as on December 31, 2018G to 32 days as on December 31, 2019G arising from the large sales volume during the last two months of the financial year 2018G (110.3 million Saudi Riyals) compared to the financial year 2019G (46.7 million Saudi Riyals).

Trade receivables increased by 6.9 million Saudi Riyals to reach 71.2 million Saudi Riyals as on December 31, 2020G, despite the depreciation in the annual revenues due to the increase in revenues in the last two months of the financial year 2020G (57.4 million Saudi Riyals) compared to the financial year 2019G (46.7 million Saudi Riyals). This led to an increase in the average accounts receivable from 32 days in financial year 2019G to 70 days in the financial year 2020G.

Trade receivables depreciated to 26.5 million Saudi Riyals as on June 30, 2021G. This is mainly due to the improvement in collection in the six-month period ending on June 30, 2021G, in accordance with the agreement with Saudi Aramco, as a way to help Arabian Pipes Company in its cash position, which led to a depreciation in the average accounts receivable from 70 days in the financial year 2020G to 19 days at the beginning of the financial year 2021G. The Company has applied International Financial Reporting Standard (IFRS) No. 9, and in accordance with the company's evaluation, there were no significant changes when applying the standard. It is worth noting that the full balance of accounts receivable (net of provisions) is due for a period of less than 30 days, as on June 30, 2021G.

#### 6.6.6.3 Advance Payments and Other Receivables

Table No. (35): Advance payments and other receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Other advance payments	29,079	33,198	29,396	27,761
Advance payments to suppliers	9,374	8,767	13,764	3,991
Prepaid expenses	3,978	-	-	-
Employee's Receivables	569	272	2,723	-
Prepaid Insurance	-	-	-	1,137
Miscellaneous	-	-	-	2,543
<b>Total</b>	<b>43,000</b>	<b>42,237</b>	<b>45,883</b>	<b>35,432</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

Advances and other receivables primarily consist of advances to suppliers, prepaid insurance and other payments. Advances and other receivables depreciated by 10.5 million Saudi Riyals from 45.8 million Saudi Riyals as on December 31, 2020G to 35.4 million Saudi Riyals as on June 30, 2021G. This is mainly due to depreciation in payments made to suppliers by 9.8 million Saudi Riyals from 13.8 million Saudi Riyals as on 30 December 2020G to 4.0 million Saudi Riyals as on June 30, 2021G arising from the depreciation in purchases during the six-month period ending on June 30, 2021G.

#### Other Advance Payments

This item was not clarified in accordance with the opinion of the conservative legal auditor, as they were not provided with a detailed analysis of this balance, and the supporting documents that would enable them to verify the movement and the closing balance as on December 31, 2020G were not received. Accordingly, as at the date of approval of the financial statements, the auditor was unable to reach satisfaction by applying alternative audit procedures regarding the existence, completeness, rights and obligations, and valuation of other advances. Thus, whether there is any impact that should be recognized in the financial position statement and the profit or loss statement as at and for the year ended on December 31, 2020G that relates to this balance.

### Advance Payments to Suppliers

These payments relate to advances to suppliers as stated in the purchase orders. Payments made to suppliers decreased from 9.4 million SAR in fiscal year 2018G to 8.8 million SAR in fiscal year 2019G, and then increased to reach 13.8 million SAR in fiscal year 2020G. After that, it decreased to reach 4.0 million SAR as on June 30, 2021G. This is mainly due to the difference in terms and percentages of advance payments during that period, which led to a change in the balance of advance payments during this period.

### Prepaid Expenses

Prepaid expenses consist of prepaid insurance related to medical insurance, motor insurance, and equipment insurance. It decreased from 4.0 million Saudi riyals in the fiscal year 2018 to zero in subsequent years as a result of reclassifying prepaid expenses to prepaid insurance.

### Employees Receivables

Employees' receivables consist of loans made to the Company's employees as well as government fees relating to the Company's employees. Employee's receivables decreased from 569 thousand Saudi riyals in the fiscal year 2018G to 272 thousand Saudi riyals in the fiscal year 2019G and then increased to 2.7 million Saudi riyals in the fiscal year 2020G as a result of the high cost of government fees in addition to providing additional loans to employees due to the global COVID-19 pandemic. After that, the balance decreased to zero as a result of reclassifying the balance of employees' receivables to the miscellaneous item during the six-month period ending on June 30, 2021G.

### Prepaid Insurance

It consists of medical insurance, motor insurance, and equipment insurance, which amounted to 1.1 million Saudi riyals during the six-month period ending on June 30, 2021G.

### Miscellaneous

It consists of government fees related to the Company employees, which amounted to 2.5 million Saudi riyals during the six-month period ending on June 30, 2021. At the end of the fiscal year 2021G, the remaining balance is added to the employees' receivables item.

## 6.6.7 Equity

Table No. (36): Equity as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (Adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
capital	400,000	400,000	400,000	400,000
Statutory Reserve	159,427	120,000	120,000	120,000
General Reserve	31,438	-	-	-
Actuarial losses for employees' end of service benefits	(94)	(1,322)	(2,647)	(2,647)
Accumulated losses	(91,852)	(115,672)	(311,012)	(323,118)
<b>Total</b>	<b>498,919</b>	<b>403,006</b>	<b>206,341</b>	<b>194,235</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

### Capital

The issued and paid-up capital of the Company is 400 million Saudi riyals as on December 31, 2020 (400 million Saudi riyals as on December 31, 2019), divided into 40 million issued and paid-up shares (40 million shares as on December 31, 2019) with a nominal value of 10 Saudi riyals per share.

#### Statutory Reserve

The statutory reserve decreased by 39.4 million Saudi riyals from 159.4 million Saudi riyals as on December 31, 2018G to 120.0 million Saudi riyals as on December 31, 2019G, as the balance stabilized during the subsequent period. The amount of 39.4 million Saudi riyals were reduced against the accumulated losses in the fiscal year 2019G to reduce the balance of accumulated losses.

#### Actuarial losses for employees' end of service benefits

Actuarial losses are caused by changes in the assumptions about mortality rates, resignations, illness assumptions, financial probabilities, discount rates and salary increase rates when evaluating end of service benefits for Company employees. The actuarial loss in the fiscal year 2019G increased to 1.3 million Saudi riyals, mainly due to the change in financial assumptions that led to the increase of 1.0 million Saudi riyals, the increase in salaries that contributed to 400 thousand Saudi riyals, and the reduction of 300 thousand Saudi riyals as a result of the resignations.

#### Accumulated Losses

Accumulated losses amounted to 23%, 28.9% and 77.8% of the Company's capital as on December 31, 2018, 2019 and 2020 respectively. Accordingly, the Company's board of directors recommended reducing the Company's accumulated losses by reducing the capital from 400 million SAR to 100 million SAR and rights issue amounting to 300 million SAR. Accumulated losses increased to reach 323.1 million SAR as a result of recorded losses during the six-month period ending on June 30, 2021G.

#### 6.6.8 Non-Current Liabilities

Table No. (37): Non-Current Liabilities as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (Adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Long-term Loans	-	7,165	-	-
Rental Liabilities	-	17,945	18,252	18,654
Employees' end of service benefits	11,649	14,622	18,088	19,491
Total Non-Current Liabilities	11,649	39,732	36,340	38,145

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

#### 6.6.9 Long-term Loans

Table No. (38): Long-term Loans as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Current Portion	(80,000)	(69,861)	(77,026)	(77,026)
Due Fees	-	-	(691)	(1,348)
Total Current Portion	(80,000)	(69,861)	(77,717)	(78,374)
Non-Current Portion	-	7,165	-	-

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

The long-term loans mainly consist of a loan obtained from the Saudi Industrial Development Fund in the amount of 113.4 million SAR for the construction of the Jubail Production Factory. It is worth noting that the loan is secured against all property and equipment of the Arabian Pipes Company. On March 9, 2015, the Saudi Industrial Development Fund agreed to reschedule the payment of the outstanding balance of 83.0 million SAR into ten payments (semi-annual). Subsequently, the management renegotiated the settlement of the outstanding balance as on December 31, 2020, amounting to 77.0 million SAR to Eight payments (semi-annual).

#### 6.6.10 Rent Liabilities

Table No. (39): Rent liabilities as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (Adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Balance at the beginning of the year	-	-	20,240	20,447
Additions during the year	-	22,606	1,891	-
Financial fees for the year	-	1,104	895	980
Rental payments during the year	-	(3,470)	(2,579)	(163)
Balance at the end of the year	-	20,240	20,447	21,264

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

The company implemented IFRS 16 during the fiscal year 2019G, where it adopted the modified retrospective approach, which does not require restatement of previous periods. The lease liability is initially measured at the present value of the lease payments, which are not paid on the commencement date, discounted using the implicit rate in the lease contract. The discount rates used to measure lease liabilities ranged from 3% to 5%.

Rental liabilities increased by 200,000 SAR from 20.2 million SAR as on December 31, 2019G to 20.4 million SAR as on December 31, 2020G, mainly due to additions of 1.9 million SAR and financing fees of 895 thousand SAR, offset by rental payments of 2.6 million SAR during the same period. The rental liabilities increased in the subsequent period to 21.3 million SAR as on June 30, 2021, as a result of financing fees amounting to 1.0 million SAR.

#### 6.6.11 Employee End of Service Benefits

Table No. (40): Employee End of Service Benefits as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (Adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Balance at the beginning of the year	11,548	11,649	14,622	18,088
Current Service Cost	2,441	1,642	1,892	1,746
Interest of liabilities for defined benefits	436	532	457	-
Paid benefits during the year	(2,870)	(429)	(208)	(343)
Remeasurement Losses	94	1,228	1,325	-
Balance at the end of the year	11,649	14,622	18,088	19,491

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

Employee end of service benefits increased by 3.0 million SAR from 11.6 million SAR as on December 31, 2018G to 14.6 million SAR as on December 31, 2019G mainly due to re-measurement losses of 1.2 million SAR as on December 31, 2019G and the decrease of total payments amounted to 2.5 million SAR from 2.9 million SAR as on December 31, 2018G to 429 thousand SAR as on December 31, 2019. The end of service benefit increased to 18.1 million SAR as on December 31, 2020 due to additional re-measurement losses of 1.3 million SAR during the year.

No payments were made during the six-month period ending on June 30, 2021, and no re-measurement gains or losses were recorded. Therefore, the end of service benefit increased to 19.5 million SAR as a result of the current service cost of 1.7 million SAR offset by payments of up to 343 thousand SAR.

#### 6.6.12 Current Liabilities

Table No. (41): Current Liabilities as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (Adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Overdraft	-	-	-	2,539
Long-term Loans - Current Portion	80,000	69,861	77,717	78,374
Rent liabilities - Current Portion	-	2,295	2,195	2,609
Short-term Loans	405,503	394,494	501,842	341,266
Dues to related parties	963	1,546	1,211	1,334
Bills Payable and Trade receivables	116,222	85,970	99,813	101,296
Receivables and Other Payables	6,912	6,297	12,695	42,992
Zakat provision	7,465	7,646	3,941	4,041
<b>Total Current Liabilities</b>	<b>617,065</b>	<b>568,109</b>	<b>699,414</b>	<b>574,451</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

#### Overdraft

The overdraft amounted to 2.5 million SAR as on June 30, 2021. This facility was obtained from SABB Bank in the fiscal year 2021G, with a maximum of 5.0 million SAR, while it is used to finance the daily activities of the Company.

#### 6.6.13 Short-term Loans

Table No. (42): Short-term Loans as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (Adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Short-term Loans	397,859	387,864	497,313	337,019
Due Financing Cost	7,644	6,630	4,529	4,247
<b>Total</b>	<b>405,503</b>	<b>394,494</b>	<b>501,842</b>	<b>341,266</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

The company obtained loans from the following Banks:

Table No. (43): Loans obtained by the Company

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (Adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Riyadh Bank	47,220	199,290	190,000	144,662
Al Rajhi Bank	184,611	163,924	165,382	131,838
SABB Bank	173,672	31,280	146,460	64,766
<b>Total</b>	<b>405,503</b>	<b>394,494</b>	<b>501,842</b>	<b>341,266</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

- **Riyadh Bank**

The borrowing amounted to 144.7 million SAR as on June 30, 2021G in relation to a short-term loan obtained to finance working capital. The payment of 115.4 million SAR was overdue as on June 30, 2021, as the management is currently negotiating to reschedule the loan.

- **Al Rajhi Bank**

The borrowing amounted to 131.8 million SAR as on June 30, 2021G in relation to a short-term loan obtained to finance working capital. The payment of 19.9 million SAR was overdue as on June 30, 2021G, however, the management expects to be able to repay the loan from the pledged proceeds by November 2021G as the Company has pledged to pay 80% of the proceeds of the Jubail Factory for this loan.

- **SABB Bank**

The borrowing amounted to 64.8 million SAR as on June 30, 2021G, in relation to the short-term loan obtained to finance working capital. It is expected to be repaid in full by February 2022, and the Company has pledged a percentage of the sales proceeds for this loan (80% of the proceeds of the Riyadh Factory).

It should be noted that all the Company's property, machinery and equipment are mortgaged to the Saudi Industrial Development Fund against the long-term loan.

Table No. (44): Facilities between Riyadh Bank and the Company

Riyadh Bank	
	<b>Direct Credit Alternatives Limit:</b> Amount limits: 100,000 million SAR Commission: Tariff + additional commission of 1% + acceptance fees applicable to our bank Purpose: Special facilities for financing new contracts for projects assigned by Saudi Aramco. Financing Percentage: 80%
Facility Amount / Commission / Purpose	<b>Financing Credits Limit:</b> Amount limits: 100,000 million SAR Conditions: (1) Payment after 360 days or with a deduction of 80% of the revenues of the Saudi Aramco project or the end of the contract term, whichever occurs first (2) Submitting a waiver confirmation from Saudi Aramco or a letter stating that your dues have been paid through the intermediary account <b>Short-term Loan Limit:</b> Amount limits: 60,000 million Saudi riyals Purpose: Special facilities for financing new contracts for projects assigned by Saudi Aramco

Riyadh Bank	
	Financing Percentage: 80%
Existing Liabilities	144,123 million SAR as on 30 July 2021G
Term	The period ends on May 31, 2022G

Source: Management information.

Table No. (45): Facilities between Al Rajhi Bank and the Company

Al Rajhi Bank	
Facility Amount/Purpose	<p>(1) Facility limit: 395,000 million SAR</p> <p>(2) Facility limit: 285,000 million SAR</p> <p>Purpose: Financing general requirements of the working capital</p> <p>(3) Facility limit: 385,000 million SAR</p> <p>Purpose: Financing projects contracts for Saudi Aramco</p> <p>(4) Facility limit: 18,000 million SAR</p> <p>Purpose: Financing the purchase of iron from suppliers from inside and outside the kingdom against invoices with a financing rate of 100%.</p> <p>(5) Facility limit: 39,800 million SAR</p> <p>Purpose: Financing projects contracts for Saudi Aramco, provided that 100% of the value of each invoice is financed after the approval of the first party.</p> <p>(6) Facility limit: 98,261 million SAR</p> <p>Purpose: Financing projects contracts for Saudi Aramco related to the purchase of raw materials</p> <p>(7) Facility limit: 89,731 million SAR</p> <p>Purpose: Financing projects contracts for Saudi Aramco related to the purchase of raw materials</p> <p>(8) Facility limit: 10,000 million SAR</p>

Source: Management information.

Table No. (46): Facilities between SABB Bank and the Company

SABB Bank	
Facility Amount / Commission / Purpose	<p><b>Overdraft:</b></p> <p>Facility limit: 5,000 million SAR</p> <p>Purpose: Facilitating high flow customer operations</p>
General Guarantees	<p>(1) Letter and Facility Agreement No. SPI/304/18 dated 27 September and any subsequent renewals/amendments to it (replaced).</p> <p>(2) A duly signed promissory note amounting to 360,000 million SAR, which is required in a facility agreement No.: SBJ/303/18 dated September 27, 2018, to be paid upon request (replaced)</p> <p>(3) A duly signed promissory note dated September 27, 2019 amounting to \$ 1,350 million, to be paid upon request, provided that this document shall be renewed annually (replaced).</p> <p>(4) A duly signed promissory note dated September 27, 2018, amounting to 1,300 million euros, to be paid upon request, provided that this document shall be renewed annually.</p>
Existing Liabilities	64,001 million SAR as on June 30, 2021G



SABB Bank	
Term	The period ends on February 28, 2022G

Source: Management information.

#### 6.6.14 Dues to Related Parties

Table No. (47): Dues to related parties as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (Adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Key management personnel	291	389	-	-
Board of Directors	672	1,157	1,211	1,334
Dues to related parties	<b>963</b>	<b>1,546</b>	<b>1,211</b>	<b>1,334</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

Table No. (48): Senior Management Employee Compensations as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Board members and other committees	276	1,209	1,293	251
Senior Executives	291	4,236	4,498	2,409

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

Dues to related parties consist of accounts payable to the board of directors arising from remuneration of board members.

#### 6.6.15 Bills Payable and Trade Receivables

Table No. (49): Bills Payable and Trade receivables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Bills Payable	109,789	77,590	88,297	94,292
Trade Receivables	6,433	8,380	11,516	7,004
<b>Total</b>	<b>116,222</b>	<b>85,970</b>	<b>99,813</b>	<b>101,296</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

Bills payable and trade receivables consist of bonds payable in the amount of 94.3 million SAR due to GS Global in the amount of 83.0 million SAR and 11.3 million SAR due to Riyadh Bank as on June 30, 2021. It also consists of trade receivables arising from the purchase of raw materials amounting of 7.0 million SAR in the same period, as the majority of purchases were made through letters of credit. It is worth noting that the amount owed to GS Global was delayed due to cash flow restrictions. Accordingly, an agreement was reached to settle the outstanding balance installments. The rescheduling of the outstanding balance is subject to SIBOR + 2% interest on the due amounts within the bills payable.

### 6.6.16 Receivables and Other Payables

Table No. (50): Receivables and other payables as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Dues to subcontractors	-	-	3,986	-
employee benefits payable	2,725	3,248	3,073	3,275
value added tax payable	-	-	2,678	26,079
Advances from clients	3,066	2,201	1,225	5,103
Others	1,121	848	1,733	8,535
<b>Total</b>	<b>6,912</b>	<b>6,297</b>	<b>12,695</b>	<b>42,992</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

Receivables and other payables consist of value added tax payable, advances from clients, employee benefits payable and other amounts payable. Receivables and other payables increased by 30.3 million riyals from 12.7 million riyals as on December 31, 2020G to 43.0 million riyals as on June 30, 2021, mainly due to (1) the increase in the value added tax payable from 2.7 million Saudi riyals to 26.1 million Saudi riyals during the same period as a result of cash flow restrictions, which led to delaying VAT payments (4 months to 5 months), as the restructuring of this balance through monthly payments over a period of one year is discussed with the competent authorities. It is worth noting that the company incurred a delay fine of 3.9 million SAR (2) the increase in other receivables from 1.7 million SAR to 8.5 million SAR as a result of the increase in accumulated professional fees from 1.4 million SAR to 5.3 million SAR as a result of an exceptional bonus to the Board of Directors of 150 thousand Saudi riyals per member, offset by (3) the decrease in the accumulated subcontracting costs as a result of the decrease in the number of subcontractors.

### 6.6.17 Zakat provision

Table No. (51): Zakat Provision as on December 31, 2018G, 2019G, 2020G and June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Balance at the beginning of the year	7,525	7,465	7,646	3,941
Component during the year	4,382	4,494	902	100
Paid during the year	(4,442)	(4,313)	(4,607)	-
Balance at the end of the year	<b>7,465</b>	<b>7,646</b>	<b>3,941</b>	<b>4,041</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

It mainly consists of zakat fees and payments during the fiscal year. The Zakat provision decreased by 3.6 million SAR from 7.6 million SAR as on December 31, 2019G to 4.0 million SAR as on December 31, 2020G mainly due to the overall losses and the decrease in the zakat base of the company, which led to the decrease in Zakat expenses from 4.5 million Saudi riyals in the fiscal year 2019G to 902 thousand Saudi riyals in the fiscal year 2020. The Zakat provision increased by 100,000 Saudi riyals from 3.9 million Saudi riyals as on December 31, 2020G to 4.1 million SAR as on June 30, 2021G as a result of recognizing a provision of 100,000 Saudi riyals during the six-month period ending on June 30, 2021G, as well as the non-payment of the corresponding amount.

## 6.7 Statement of Cash Flows

Table No. (52): Statement of Cash Flows for the financial years ending on December 31, 2018G, 2019G, 2020G and the six-month period ending on June 30, 2021G.

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
cash flows from operating activities				
Net (loss)/profit before zakat	(118,317)	34,742	(194,438)	(12,006)
Modifications for:				
Depreciation of property, plant and equipment	26,657	26,226	27,829	13,686
Amortization of the right to use assets	-	1,893	1,754	960
Loss of disposal of property, plant and equipment	-	-	67	-
Inventory write-off	-	-	87,008	-
Inventory	663	(2,080)	59,246	11,339
Impairment of trade receivables	-	-	3,979	-
Provision for employees' end of service benefits	2,877	2,174	2,349	1,746
provision for credit losses	8,716	-	-	-
Finance burdens	28,309	30,794	24,156	8,760
adjusted loan income	-	-	(3,756)	-
movement in working capital				
Inventory	101,503	(59,003)	(86,345)	120,250
Trade receivables	10,182	81,501	(10,871)	44,698
Advance payments and other receivables	16,089	763	(3,646)	10,451
Payment papers	265	-	-	-
Trade payables	(8,975)	-	-	-
Due to related parties	151	583	(335)	123
Payment papers and trade payables	-	(30,252)	13,843	1,483
Receivables and other credits	(1,608)	(746)	6,398	30,297
<b>Cash (used in) / generated from operating activities</b>	<b>66,512</b>	<b>86,595</b>	<b>(72,762)</b>	<b>231,787</b>
zakat paid	(4,442)	(4,313)	(4,607)	-
End of service benefits for paid employees	(2,870)	(429)	(208)	(343)
<b>Net cash (used in) / generated from operating activities</b>	<b>59,200</b>	<b>81,853</b>	<b>(77,577)</b>	<b>231,444</b>
cash flow from investing activities				
Purchase of property, plant and equipment	(7,190)	(27,252)	(8,300)	(7,492)
<b>Net cash used in investing activities</b>	<b>(7,190)</b>	<b>(27,252)</b>	<b>(8,300)</b>	<b>(7,492)</b>
cash flows from financing activities				

SAR Thousand	December 31, 2018G (Audited)	December 31, 2019G (adjusted)	December 31, 2020G (Audited)	June 30, 2021G (Reviewed)
Short-term loans	-	611,657	532,694	(160,294)
Paying off short-term loans	-	(625,509)	(422,871)	-
Net change in long-term loans	(2,000)	-	-	-
Net change in short-term loans	(18,504)	-	-	-
Paid finance charges	(26,130)	(30,810)	(21,289)	(7,406)
Paid rent obligations	-	(3,470)	(2,579)	(163)
<b>Net cash (used in) / generated from financing activities</b>	<b>(46,634)</b>	<b>(48,132)</b>	<b>85,955</b>	<b>(167,863)</b>
Net change in cash and cash equivalents	5,376	6,469	78	56,089
Cash and the like at the beginning of the year	8,123	13,499	19,968	20,046
<b>Cash and the like at the end of the year</b>	<b>13,499</b>	<b>19,968</b>	<b>20,046</b>	<b>76,135</b>

Source: The audited financial statements for the financial years ending on December 31, 2019G and 2020G, and the audited financial statements for the six-month period ending on June 30, 2021G.

### 6.7.1 Cash flows from Operating Activities

Cash flows from operating activities increased from 59.2 million Saudi riyals in the fiscal year 2018G to 81.9 million Saudi riyals in the fiscal year 2019G, mainly due to the increase in net profit before zakat to reach 34.7 million Saudi riyals during the year. After that, it decreased as the cash flows used in operating activities amounted to 77.6 million Saudi riyals during the fiscal year 2020G as a result of losses incurred during the year amounting to 194.4 million Saudi riyals, offset by non-cash adjustments related to inventory, which amounted to 146.3 million Saudi riyals.

Cash flows from operating activities amounted to 231.4 million SAR in the six-month period ending on June 30, 2021G.

### 6.7.2 Cash Flows from Investing Activities

Cash flows from investing activities relate to the purchase of property, machinery and equipment.

The net cash used in investing activities increased by 20 million Saudi riyals from 7.2 million Saudi riyals in the fiscal year 2018G to 27.2 million Saudi riyals in the fiscal year 2019G and then decreased to 8.3 million Saudi riyals in the fiscal year 2020G as a result of additions to property, machinery and equipment during this period of time.

Cash flows from investing activities amounted to 7.5 million Saudi riyals for the six-month period ending on June 30, 2021.

### 6.7.3 Cash Flows from Financing Activities

Cash flows from financing activities included financing activities in addition to loan proceeds and payments, financing fee payments and payments for rent liabilities.

The net cash generated from financing activities increased from 46.6 million Saudi riyals in the fiscal year 2018G to 48.1 million Saudi riyals in the fiscal year 2019G as a result of the amount collected from short-term loans amounting to 611.7 million Saudi riyals, offset by the repayment of short-term loans amounting to 625.5 million riyals. In addition to paying financing costs amounting to 30.8 million Saudi riyals and paying rent liabilities amounting to 3.5 million Saudi riyals.

Cash flows from financing activities increased to reach 86.0 million Saudi riyals in the fiscal year 2020G as a result of the amount collected from short-term loans amounting to 532.7 million Saudi riyals, offset by the repayment of short-term loans amounting to 422.9 million Saudi riyals in addition to the payment of financing costs amounting to 21.3 million Saudi riyals and the settlement of rent liabilities amounting to 2.6 million Saudi riyals.

The cash flows used in financing activities amounted to 167.9 million Saudi riyals during the six months ended June 30, 2021G.

## 6.7.4 Adjustments for Previous Years

### 6.7.4.1 Adjusting Previous Years Numbers

6.7.4.1.1 During the current year, the company's management identified some discrepancies in the process of automating the inventory-goods-on-the-go system. An additional assessment was made for the years ended on December 31, 2020, 2019G and 2018G, and an adjustment was identified in the amount of 106.0 million SAR cumulatively related to the years prior to 2018. Accordingly, the comparative numbers have been modified.

6.7.4.1.2 During the current year, the Company's management identified some discrepancies during making stock inventory - raw materials. As a result, the management has identified an amount of 19.0 million SAR to be written off, relating to the years prior to 2018. Accordingly, on June 8, 2021G, the Board of Directors approved the write-off of Inventory - Raw Materials and recognized settlements of 19.0 million SAR by increasing the opening cumulative losses for the year ended on December 31, 2019G. Accordingly, the comparative numbers have been modified.

Table No. (53): The effect of adjustments for previous years on accumulated losses is as follows

Adjustment in the statement of financial position	Note	Previously recorded balance on January 1, 2019	The effect of adjustment for previous year	Adjusted balance on January 1, 2019
Inventory		551,903	124,933	426,970
- The goods-on-the-go	4.1	-	(105,988)	-
- Raw Materials	4.2	-	(18,945)	-
Retained Earnings		(91,852)	(124,933)	(216,785)

Source: The Company

6.7.4.1.3 The Company's management identified an error in the right-of-use assets and lease liabilities, and accordingly, the comparative numbers have been adjusted to correct the error, as shown below:

Table No. (54): Adjustments to right-of-use assets and lease liabilities

Adjustment in the statement of financial position	Previously recorded balance on December 31, 2019	The effect of adjustment for previous year	Adjusted balance on December 31, 2019
Right-of-use Assets	19,940	1,893	21,833
Lease Liabilities	(19,890)	(350)	(20,240)
Retained Earnings	-	1,543	-

Source: The Company

Certain comparative information has been reclassified to conform to the current period's presentation.

## 7. Use of proceeds and future projects

### 7.1 Net Proceeds

The total proceeds from the rights issue are estimated at three hundred million SAR (300,000,000), of which five million SAR (5,000,000) will be paid, to cover the costs of the offering, which include the fees of the financial advisor, subscription manager, underwriter, legal advisor, professional financial advisor, legal accountant, marketing, printing and distribution expenses and other expenses related to the subscription.

The net proceeds of the offering will amount to about two hundred and ninety-five SAR (295,000,000), which will be used to restructure the capital and inject new funds to provide working capital so that the Company can increase its operational capacity and support its future activities, as the company seeks to support working capital and enhance the company's financial solvency, reducing the borrowing rate, developing and modernizing the company's factories in Riyadh and Jubail, and expanding a number of pipe products within the company's business.

The company will also disclose to the public on the website of the Saudi Tadawul Group (Saudi Tadawul) when there is a difference of (5%) or more between the actual use of the proceeds of the offering versus what was disclosed in this prospectus as soon as it becomes aware of this. This is in accordance with paragraph (b) of Article (54) of the Rules on Offering Securities and Continuing Obligations, which states that "the issuer shall disclose to the public when there is a difference of 5% or more between the actual use of the proceeds of the rights issue shares against what was disclosed in the relevant prospectus as soon as it becomes aware of that."

### 7.2 Using the Proceeds of Offering

The net proceeds of the offering will be used mainly to support the expansion of the Company's activity and to provide working capital that will enable the Company to increase its operational capacity and support its future activities. The shareholders will not receive any of the proceeds arising from the offering.

The Company will use the net proceeds of the offering as follows:

- 1) **Working Capital:** working capital consists of (raw materials, operating tasks and salaries that contribute to reaching the finished product and ready for sale, which helps in increasing production quantities and thus contribute to achieving the increase in the company's cash flows to ensure that it is recycled and used working capital money in more than one cycle during the fiscal year, bearing in mind that the estimated cost will be (85) million Saudi riyals, and the work plan is expected to start in the first quarter of 2022G.

- 2) **Investment Amounts**

The company will use an amount of (60) million Saudi riyals, which will be used to develop production lines of company's factories in Riyadh and Jubail. The following table shows the assets to be developed:

Table No. (55): Investment Amounts

ASSETS TO BE DEVELOPED	LOCATION	THE AGE OF THE CURRENT ASSET	COMBINED DEPRECIATION RATIO	NET ASSET	EXPECTED DURATION	ESTIMATED COSTS	EXPECTED DATE TO START THE RENEWAL	EXPECTED COMPLETION DATE OF THE RENEWAL	EXPECTED DATE OF OPERATION	DESCRIPTION
Packaging line development	Riyadh	11	6.70%	4,800,000	6 Months	6.7 million	Q1, 2022G	Q2, 2022G	Q3, 2022G	Due to the obsolescence of the packaging line and its exposure to malfunctions and stoppage of machines, it follows that the packaging line shall be developed to meet



										the requirements of Aramco. Test laboratories are considered a mainstay in the process of supplying products to Aramco, so they shall be developed due to obsolescence.
Development for the production of drill pipes and accessories	Riyadh	13	6.70%	8,156,000	6 Months	6.8 million	Q3, 2022G	Q4, 2022G	Q1, 2023G	The company owns a line for the production of welded pipes from 6 inches to 20 inches in size, and due to Aramco's purchase of large quantities of drill pipes to cover the increasing demand for oil in the global market, the company wishes to develop its production of drilling pipes and accessories according to Aramco specifications to meet market requirements
Development for the production of small threaded drill pipes	Riyadh	3	6.70%	18,000,00	6 Months	3.2 million	Q1, 2023G	Q2, 2023G	Q3, 2023G	The company owns a threading line for drill pipes with a length of 12 meters for the pipe. Due to Aramco's requirements for small length drill pipes, the company decided to add a threading machine for small length pipes to meet the market requirements.
Development of a pipe production line in Riyadh	Riyadh	13	6.70%	8,156,000	18 Months	18.8 million	Q1, 2022G	Q2, 2023G	Q2, 2023G	Due to the outdated technology of the current production line and the continuous modernization in the welded pipe industry, the company wishes to develop the line through developing the production line and developing buildings for the following: 1- Improving the quality of welding. 2- Heat treatment. 3- Complete electronic control of the production process 4- Improving other production processes In order to raise the production efficiency of the factory, reduce the duration of breakdowns and downtime, and meet environmental requirements and safety and security standards.
Development of a pipe production line in Jubail	Jubail	10	4%	237,804,000	12 Months	24.5 Million	Q2, 2022G	Q2, 2023G	Q3, 2023G	Due to the outdated technology of the current production line and the continuous modernization of the welded pipe industry, the company wishes to develop the line by developing the production line and developing administrative buildings and workers housing for the following purposes: 1. Improving the shaping process. 2. Complete electronic control of the production process 3. Improving other productive processes. 4. Development of testing lab for destructive testing In order to raise the production efficiency of the factory, reduce the duration of breakdowns and downtime, and meet environmental requirements and safety and security standards. Ensuring the quality of the product and its compliance with the required specifications

Source: The Company



- 3) **Payment of suppliers and banks:** The Company will use an amount of (150) million Saudi riyals to pay suppliers and bank loans owed by the company as follows:

Party	Amount
Payment to local banks	60,000,000 SAR
Payment to external and internal suppliers	90,000,000 SAR

Source: The Company

The following table shows the use of the offering proceeds:

Table No. (56): Expected Use of Proceeds

* Value in thousands SAR Description of Use	2022G				2023G		Total	%
	Q1	Q2	Q3	Q4	Q1	Q2		
Working capital	15,000	25,000	25,000	20,000	-	-	85,000	28.33%
Investment amounts	15,500	12,000	9,800	7,000	9,200	6,500	60,000	20.00%
Paying suppliers and banks	98,000	52,000	-	-	-	-	150,000	50.00%
<b>Net Proceeds</b>	<b>128,500</b>	<b>89,000</b>	<b>34,800</b>	<b>27,000</b>	<b>9,200</b>	<b>6,500</b>	<b>295,000</b>	<b>98.33%</b>
Offering Costs	5,000						5,000	1.67%
<b>Total proceeds of the Offering</b>	<b>133,500</b>	<b>89,000</b>	<b>34,800</b>	<b>27,000</b>	<b>9,200</b>	<b>6,500</b>	<b>300,000</b>	<b>100.00%</b>

Source: The Company

It should be noted that the above-mentioned projects will be financed exclusively from the proceeds of the offering.



## 8. Statements by experts

Written approval has been obtained from all the advisors and auditors set forth in pages (F) and (G) to include their names, logos, and statements in the form mentioned in this Prospectus, and such approvals have not been withdrawn as of the date of this Prospectus.

None of the above advisers -among the team providing the Company's services - or their employees or any of their relatives has any shareholding or interest of any kind in the Company up to the date of this Prospectus that may jeopardize their independence.

## 9. Declarations

Up to the date of this prospectus, the members of the Board of Directors acknowledge the following:

1. There has been no interruption in the company's business that may impact or may have had a noticeable impact on the financial position during the last (12) months.
2. No commissions, discounts, brokerage fees or any non-cash compensation were granted by the company during the three years preceding the date of submitting the application for registration and offering of securities in connection with the issuance or offering of any securities.
3. Other than what was disclosed in Risk No. (2.1.7) "Risks of Accumulated Loss" in Section (2) "Risk Factors" in this Prospectus, there has been no material negative change in the financial and commercial position of the company during the three years 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 prospectus is approved.
4. Other than what is stated in Risk No. (2.1.27) "Risks of Related Parties" in Section (2) "Risk Factors" in this Prospectus, the members of the Board of Directors or any of their relatives have no shares or interest of any kind in the company.
5. The company did not keep treasury shares, and the extraordinary general assembly of the company did not approve the purchase of the company's shares.
6. The company incurred financial losses during the fiscal years ending on December 31, 2018G and 2020G and the financial period ending on June 30, 2021G and with the exception of what was disclosed in this prospectus, the company has not had any material negative change in the financial and commercial position during the three years preceding the date of submission the application for registration and offering the rights subject to this prospectus, in addition to the end of the period covered by the chartered accountant's report until the prospectus is approved.

## 10. Legal Information

### 10.1 The Company

The Arabian Pipes Company is a Saudi public joint stock company established under Commercial Registration Certificate No. (1010085734) dated 14/02/1412H (corresponding to 25/08/1991G) and which expires on 13/02/1445H (corresponding to 29/08/2023G).

The company was registered in the commercial register of joint stock companies in Riyadh under the trade name "Arabian Pipes Company", which is the current trade name of the company, and there was no change in the name after that until the date of preparing this prospectus.

### 10.2 History of the Company and the Stages of Capital Development

- The Arabian Pipes Company was initially established as a closed joint stock company under Ministerial Resolution No. (922) dated 18/11/1411H (corresponding to 01/06/1991G) approving the announcement of the company's incorporation, and in accordance with the articles of incorporation documented by the Notary Public in Riyadh in the newspaper (38/39/40/41) of Volume (Third) No. (980) for the year 1411H and the date of 13/11/1411H (corresponding to 27/05/1991G), and it was registered in the Commercial Registry in Riyadh with the number (1010085734) dated 14/02/1412H. (corresponding to 25/08/1991G) and under the trade name "Arabian Pipes Company". The number of shareholders upon incorporation reached (13) all of whom are Saudi companies and individuals. With a capital of seventy million SAR (70,000,000) divided into seven hundred thousand (700,000) shares of equal value, the nominal value of each is one hundred (100) riyals, all of which are ordinary cash shares, and a board of directors consisting of seven (7) members. On 26/06/1413H (corresponding to 21/12/1992G), the company was listed on the Saudi market - Tadawul - and began trading its shares after obtaining the approval of the Ministry of Commerce and the Saudi Arabian Monetary Agency (the competent authority at that time - the Saudi Central Bank now) and that was before 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 (the Saudi Central Bank).
- On 05/07/1419H (corresponding to 25/10/1998G), the Extraordinary General Assembly approved the increase in the company's capital from seventy million SAR (70,000,000) to one hundred and forty million SAR (140,000,000) through the rights issue with the value of seventy million SAR (70,000,000), with the increase of (100%) of the company's capital, based on the recommendation of the Company's board of directors issued on 11/12/1418H (corresponding to 08/04/1998G).
- On 24/12/1424H (corresponding to 26/01/2004G), the company's third extraordinary general assembly agreed to increase the company's capital from one hundred and forty million SAR (140,000,000) to two hundred and ten million SAR (210,000,000) through the offering of rights shares with a number of one million four hundred thousand (1,400,000) new shares with a nominal value of fifty (50) riyals per share to be paid in full and with a total value of seventy million SAR (70,000,000), thus increasing the company's shares from two million and eight hundred thousand (2,800,000) shares to four million and two hundred thousand (4,200,000) shares. This increase was offered to the shareholders of the company only, as the subscription for the capital increase was limited to the shareholders of the company who are registered in the company's records at the end of the working day on Sunday 03/12/1424H (corresponding to 25/01/2004G) at the rate of one share for every two shares, in accordance with the recommendation of the Board of Directors to increase the company's capital issued on 29/08/1424H (corresponding to 25/10/2003G) and amend Article (7) of the Articles of Association accordingly.
- On 28/08/1425H (corresponding to 12/10/2004G), the Extraordinary General Assembly approved increasing the company's capital from two hundred and ten million SAR (210,000,000) to three hundred and fifteen million SAR (315,000,000), by offering rights issue of two million and one hundred thousand (2,100,000) shares, with a total value of one hundred and five million SAR (105,000,000), thus increasing the company's shares from four million and two hundred thousand (4,200,000) shares to six million three hundred (6,300,000) shares, with a nominal value of one share (50) riyals, where the subscription for the capital increase was limited to the company's shareholders who are

registered in the company's records and trading records at the end of trading on the day of the meeting, at the rate of one (1) share for every two (2) shares. This was based on the recommendation of the Board of Directors on 24/06/1425H (corresponding to 10/08/2004G).

- On 26/01/1433H (corresponding to 21/12/2011G), the Board of Directors recommended increasing the company's capital from three hundred and fifteen million SAR (315,000,000) to four hundred million SAR (400,000,000) at the increase of (27%) through distributing bonus shares at a rate of (1,079) shares for each shareholder who owns four (4) shares, and the nominal value of each share is modified from fifty (50) riyals to ten (10) riyals, conditional on obtaining all the necessary regulatory approvals and the approval of the General Assembly of Shareholders (Extraordinary).
- On 21/07/1433H (corresponding to 11/06/2012G), the (Extraordinary) General Assembly of Shareholders approved the Board of Directors' recommendation issued on 21/12/2011G to increase the company's capital from three hundred and fifteen million SAR (315,000,000) to four hundred million SAR (400,000,000) with the increase of (27%) of the capital, through the issuance of eight million five hundred thousand (8,500,000) shares with a value of eighty-five million SAR (85,000,000), thus increasing the number of company shares from thirty-one million five hundred thousand (31,500,000) shares to forty million (40,000,000) nominal shares, each with a nominal value of ten (10) riyals, by granting bonus share for every (3,7058) shares owned by the shareholders registered in the shareholders' register at the end of trading on the day of the assembly meeting. The increase was covered from the retained earnings item as on 31/12/2011G, by granting the correct number of shares to each eligible person, aggregating the fractional shares in a single portfolio for all shareholders and selling them at the market price, then distributing their value to the shareholders on the eligibility date, each according to its share on the basis of the average selling price per share within a period not exceeding 30 days from the date of distributing the integer numbers to their beneficiaries, and amending Article (7) and (8) of the Articles of Association accordingly. In addition, the General Assembly agreed to amend some articles of the Articles of Association; Article (3) relating to the company's purposes, Article (12) relating to the trading of shares, Article (13) relating to share certificates, Article (17) relating to the shares of members of the Board of Directors, Article (19) relating to the powers of the Board of Directors, Article (20) relating to the remuneration of the Board of Directors, Article (21) regarding the powers of the chairman and its deputy, Article (26) regarding attendance of assemblies, Article (34) regarding voting in assemblies, adding the cumulative voting method when electing members of the Board of Directors, and Article (42) relating to the distribution of profits.
- On 29/10/1438H (corresponding to 23/07/2017G), the Extraordinary General Assembly approved the amendment of the Articles of Association in accordance with the new Companies Law.
- On 27/10/1442H (corresponding to 08/06/2021G), the Board of Directors recommended to the (Extraordinary) General Assembly of Shareholders to reduce the company's capital from four hundred million (400,000,000) riyals to become one hundred (100,000,000) Saudi riyals, at a rate of (75 %) so that the number of shares becomes (10,000,000) shares in order to restructure the company's capital to extinguish the accumulated losses, by canceling thirty million (30,000,000) shares. The company's board of directors also recommended, at the same meeting of the extraordinary general assembly, and after completing the capital reduction process, to increase the company's capital by (300)% through offering rights shares of thirty million (30,000,000) riyals, with a value of three hundred million (300,000,000) riyals, so the capital become, after the increase, four hundred million (400,000,000) riyals, and the number of shares after the increase becomes forty million (40,000,000) shares in order to support the working capital, enhance the company's financial solvency, reduce the borrowing rate, develop and modernize the company's factories in Riyadh and Jubail, and expand a number of supporting products for pipe services within the company's business. Conditional on the company obtaining the approvals of the competent regulatory authorities (the Capital Market Authority "The Authority", the Capital Market Company "Tadawul" and the Ministry of Commerce) and the shareholders in the (extraordinary) general assembly. Note that the approval of the (extraordinary) general assembly shall be obtained within (6) six months from the date of the approval of the authority, and if the company is unable to obtain the approval of the (extraordinary) general assembly during that period, the approval of the authority is considered canceled, and the company shall resubmit the application if it wanted to



increase its capital. The accumulated losses of the company as on 30/06/2021G amounted to (323,118,000) riyals, which represents (80.7%) of the company's capital after it amounted to (311,012,000) riyals as at the end of the year 2020.

- On 19/07/1443H (corresponding to 20/02/2022G), EGM approved reducing the Company's capital by (75%) from four hundred million (SAR 400,000,000) Saudi Riyals to one hundred million (SAR 100,000,000) Saudi Riyals and hence reduce the number of shares from forty million (40,000,000) shares to ten million (10,000,000) shares by way of writing off thirty million (30,000,000) shares. i.e., to reduce (3) shares per (4) shares with the purpose to restructure the Company's capital and amortize accumulated losses.

### 10.3 Purposes of the Company

- According to Article Three (3) of the Articles of Association, the purposes of the company are defined in ("Production and marketing of longitudinally welded and spiral steel pipes and non-metallic pipes for pipelines and for construction and commercial purposes and their marketing - erecting metal industries - bending, forming and threading pipes - wrapping pipes from outside and inside - carrying out business of buying and selling pipes and their accessories and supplies - execution of pipelines extension works - purchase of lands to construct buildings on them and investing them for sale or rent for the benefit of the company - contracting for maintenance, cleaning, operation and catering.")
- According to the commercial registration certificate, the company may carry out the following activities: ("Manufacture of pipes, hoses, plastic tubes, fittings, and manufacture of pipes, tubes and hollow shapes of iron and steel". The company carries out its activities through its head office and its branches, which the company 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 Subsection (10.8) "Licenses and Permits Obtained by the Company" of this section).
- According to the industrial license, the company may produce and manufacture base iron and steel, which includes "manufacture of steel pipes, tubes and hollow shapes, and manufacture of pipes, hoses, plastic tubes and fittings."

#### Principal Shareholder

The number of principal shareholders at the time of listing was ten shareholders. As at the date of publication of this prospectus, there is no principal shareholder of more than 5% of the company's shares.

#### Head Office

The head office of the company is located in Riyadh - the second industrial city, the third stage - P.O. Box: (42734) Code (11551) - Tel: (4985824). According to Article (5) of the Articles of Association, the company may establish and open branches, offices or agencies inside or outside the Kingdom by a decision of the Board of Directors (for more information, please see Subsection (10.9) "Company Branches" of this section).

### 10.4 Duration of the Company

Article (6) Six of the Articles of Association stipulates that the term of the company shall be (99) ninety-nine calendar years starting from the date of the decision of the Minister of Commerce announcing its establishment on 18/11/1411H (corresponding to 01/06/1991G). The duration of the company may be extended by the decision issued by the Extraordinary General Assembly at least one year before the expiry of its term. The commercial registry data indicates the expiry of the company's term on 28/02/1514H (corresponding to 25/08/2090G).

## Articles of Association

- The current version of the company's Articles of Association was issued based on the resolution of the Extraordinary General Assembly on 17/08/1442H (corresponding to 30/03/2021G). The articles of association have been amended several times according to the following:
  - 1) **Capital Increase:** On 05/07/1419H (corresponding to 25/10/1998G) the Extraordinary General Assembly agreed to increase the company's capital from seventy million (70,000,000) riyals to one hundred and forty million SAR (140,000,000) by offering rights shares with the value of seventy million (70,000,000) Saudi riyals, with the increase of (100%).
  - 2) **Capital Increase:** On 24/12/1424H (corresponding to 26/01/2004G), the company's third (extraordinary) general assembly agreed to increase the company's capital from one hundred and forty million SAR (140,000,000) to two hundred and ten million (210,000,000) million SAR by offering rights shares of one million four hundred thousand (1,400,000) new shares with a nominal value of fifty (50) riyals per share, thus increasing the company's shares from two million and eight hundred thousand (2,800,000) shares to four million and two hundred thousand (4,200,000) shares and amending the article (7) of the articles of association accordingly.
  - 3) **Capital Increase:** On 05/08/1425H (corresponding to 12/10/2004G), the (Extraordinary) General Assembly of Shareholders approved the increase in the company's capital from two hundred and ten million (210,000,000) to three hundred and fifteen million (315,000,000) riyals divided to (6,300,000) nominal shares, the value of each of which is fifty (50) riyals, and the amendment of Article (7) of the Articles of Association relating to the capital. Accordingly, the capital increase on 21/07/1433H (corresponding to 11/06/2012G), the (Extraordinary) General Assembly of shareholders approved to increase the company's capital from three hundred and fifteen million (315,000,000) riyals to four hundred million (400,000,000) riyals, with the increase of (27%) by issuing (8,500,000) shares with a value of (85) million riyals, thus increasing the number of shares of the company from thirty-one million five hundred thousand (31,500,000) shares to forty million (40,000,000) nominal shares, each of which has a nominal value of ten (10) riyals, by granting bonus share for every (3,7058) outstanding shares owned by shareholders registered in the shareholders' register at the end of trading on the day of the assembly meeting, the increase was covered by the item retained earnings as on December 31, 2011. Article (7) related to capital and Article (8) regarding subscription to shares have been amended accordingly. In addition, the General Assembly agreed to amend some articles of the Articles of Association; Article Three (3) relating to the company's purposes, Article (12) relating to the trading of shares, Article (13) relating to share certificates, Article (17) relating to the shares of members of the Board of Directors, Article (19) relating to the powers of the Board of Directors, Article (20) relating to the remuneration of the Board of Directors, and Article (21) regarding the powers of the chairman and its deputy, Article (26) regarding attendance of assemblies, Article (34) regarding voting in assemblies, adding the cumulative voting method when electing members of the board of directors, and Article (42) relating to the distribution of profits.
  - 4) On 29/10/1438H (corresponding to 23/07/2017G), the (Extraordinary) General Assembly of Shareholders approved the amendment of the company's articles of association in accordance with the new corporate law.
  - 5) On 08/04/1442H (corresponding to 23/11/2020G), the (Extraordinary) General Assembly of Shareholders approved the amendment of Article Three (3) of the Articles of Association related to the purposes of the company, Article Four (4) relating to participation and ownership in companies, and Article Nine (9) relating to the sale of unpaid shares, and articles (11, 13, 14, 17, 19, 26, 30, 38, 39, 40, 42, 43) of the articles of association.

On 17/08/1442H (corresponding to 30/03/2021G), the (Extraordinary) General Assembly of Shareholders approved the amendment of Article Six of the Articles of Association relating to the purposes of the company, Article Fifteen related to capital increase, and Article Sixteen related to capital reduction, Article twenty relating to the powers and responsibilities of the board of directors, Article twenty-first relating to the remuneration of members of the board of directors, Article twenty-two relating to the powers of the chairman, deputy and secretary, Article



twenty-three relating to board meetings, Article twenty-four relating to the quorum of board meetings, and Article twenty-seven relating to the attendance of assemblies and Article Seven and forty related to the expiration of the company.

## 10.5 Board of Directors

According to Article (17) of the Articles of Association, the company is managed by a board of directors consisting of eight (8) members elected by the ordinary general assembly of shareholders for a period not exceeding (3) three years.

### 10.5.1 Composition of the Board of Directors

On 15/09/1442H (corresponding to 27/04/2021G) the (Ordinary) General Assembly of Shareholders elected the members of the Board of Directors for a new term starting on 10/10/1442H (corresponding to 22/05/2021G) and for a period of three years ending on 13/11/1445H (corresponding to 21/05/2024G), and the Board of Directors for the mentioned session was formed from the gentlemen whose names are shown on page (8) of this prospectus.

Table No. (57): Board Positions

Name	Position	Nationality	Age	Membership Status	Membership date	Representing/ Representative Name	Shares			
							Direct	Indirect	Total	%



Youssef Saleh Mansour Abalkhail	Chairman	Saudi	64	Non-executive	22/05/2021G	Himself	4000	0	4000	0.01
Khalid Abdullah Rashid Abunayyan	Vice-Chairman	Saudi	64	Non-executive	22/05/2021G	Himself	0	0	0	0
Azzam Saud Suleiman Al- Mudaihim	Member	Saudi	51	Non-executive	22/05/2021G	Himself	1269	0	1269	0.003
Saad Falah Murie Al-Qahtani	Member	Saudi	53	Independent	22/05/2021G	Himself	500	0	500	0.001
Ahmed bin Ali Al- Luhaidan	Board Member and CEO	Saudi	58	Executive	22/05/2021G	Himself	0	0	0	0
Musa Abdullah Bard Al-Ruwaili	Member	Saudi	48	Independent	22/05/2021G	Himself	50	0	50	0.0001
Abdullah Mohammed Hilal Al-Harbi	Member	Saudi	32	Non- Independent	22/05/2021G	Himself	0	0	0	0
Faisal Mohammed Hilal Al-Harbi	Member	Saudi	39	Non-executive	22/05/2021G	Himself	0	0	0	0

Source: The Company

The company is committed to the Companies Law and the Corporate Governance Regulations, as it was found that the number of board members is not less than three (3) and not more than eleven (11). It also shows the company's commitment to Article Sixteen (16) of the Corporate Governance Regulations, which oblige listed companies to have the majority of the board's members from non-executive members and that the number of independent members shall not be less than two members or one third of the board members (whichever is more). Seven (7) non-executive members have been appointed, including three (3) independent members and (4) four non-independent members.

(For more information on the extent of the company's compliance with the corporate governance regulations, please see Subsection (10.11.5) "Continuing Obligations according to the requirements of the Capital Market Authority" of this section).

### 10.5.2 Appointment to mandatory positions (Chairman of the Board, Vice-Chairman, Secretary and Chief Executive Officer)

- In accordance with Article Twenty-Second (22) of the company's articles of association, the board of directors appoints from among its members a chairman and a vice-chairman and may appoint a managing member, and it is not permissible to combine the position of the chairman of the board with any executive position in the company. The board of directors appoints a secretary to be chosen from among its members or from others.
- The company is committed to the Articles of Association and the Corporate Governance Regulations in terms of mandatory appointment in these positions:

Table No. (58): Mandatory Positions at the Company

Name of the assigned person	Position	Date of the Board's decision to appoint
Mr. Youssef Saleh Mansour Abalkhail	Chairman Board of Directors	Minutes of the Board of Directors meeting on 13/10/1442H (corresponding to 25/05/2021G)
Mr. Khalid Abdullah Rashid Abunayyan	Vice Chairman Board of Directors	Minutes of the Board of Directors meeting on 13/10/1442H (corresponding to 25/05/2021G)
Mr. Ahmed Ali Abdul Karim Al-Luhaidan	Chief Executive Officer (CEO)	Minutes of the Board of Directors meeting on 29/10/1438H (corresponding to 23/07/2017G)
Mr. Al-Bara Abdullah Al-Salama	Secretary of the Board of Directors	Board of Directors meeting minutes No. (1/10) on 13/10/1442H (corresponding to 25/05/2021G)

Source: The Company

The powers of the board of directors are specified in Article Twenty (20) of the company's articles of association, and the powers of the chairman, its deputy, managing director and secretary are detailed in Article twenty-two (22) of the company's articles of association. The Secretary of the Board of Directors shall write down the facts and decisions of the Board of Directors and record them in a special register prepared for this purpose.

### 10.5.3 Board Remunerations

- As stipulated in Article Twenty-first (21) of the Articles of Association, the remuneration of the Board of Directors consists of a lump sum in return for its membership in the Board and its membership in the committees emanating from it, in addition to the attendance allowance for each session attended by the member in person or through any of the features of remote communication of the meetings of the Board of Directors or its committees, in addition to travel, transportation and accommodation expenses, in accordance with the policies of remuneration and nominations, in addition to the remuneration allocated to members of the Board of Directors not exceeding (5%) of the remaining profits in the event of dividends being distributed according to the text of Article (43) of the Articles of Association, amounting of (500,000) Saudi riyals in one fiscal year.
- The report of the Board of Directors to the Ordinary General Assembly shall include a comprehensive statement of all that the members of the Board of Directors received during the fiscal year in terms of salaries, share of profits, attendance allowance, expenses and other benefits. It shall also include a statement of what the Board members received in their capacity as workers or administrators, or what they received in return for technical or administrative work or consultancy. It shall also include a statement of the number of Board sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly.
- It should be noted that Article (76) of the Companies Law stipulates that if the remuneration is a certain percentage of the company's profits, it may not exceed (10%) of the net profits, after deducting the reserves decided by the General Assembly in application of the provisions of the Companies Law and the Articles of Association, and after distributing a profit to shareholders of no less than (5%) of the company's paid-up capital, provided that the entitlement to this remuneration is proportional to the number of sessions attended by the member.

The report of the Board of Directors for the fiscal year ending on December 31, 2020, which was approved by the Ordinary General Assembly on the date of 24/12/1442H (corresponding to 03/08/2021G), was disclosed about the criteria adopted by the company in the payment of bonuses to the Board of Directors. It also included: A comprehensive statement of all that the members of the board of directors receive during the fiscal year, including salaries, share in profits, attendance allowance, expenses and other benefits; The aforementioned report also included details and the amount of bonuses received by the members of the Board of Directors during the year 2020G, and a statement of what they received as employees or administrators or in return for technical, administrative or advisory work. The value of the remunerations for the members of the Board of Directors for the fiscal year ending on December 31, 2020G amounted to (1,221,000) Saudi riyals.

(For more information, please see Subsection (4.5) "Compensation and Remuneration of Board Members and Senior Executives" of Section (4) "The Organizational Structure of the Company" of this Prospectus).

#### 10.5.4 Board Meetings

- According to Article Twenty-three (23) of the company's articles of association, the board of directors meets four times annually at the invitation of the chairman of the board of directors, and the invitation is accompanied by an agenda. The chairman of the board shall call the board to a meeting whenever two members request it.
- The company is committed to the minimum number of board meetings, and it was found that the number of board meetings amounted to four (4) meetings during the year 2018, and four (4) meetings in the year 2019G, and four (4) meetings during the year 2020G and six (6) meetings during the year 2021G until the date of publication of this prospectus.

### 10.6 Company Committees

The Board of Directors has four committees that assist it in the performance of its duties as follows:

#### 10.6.1 Audit Committee

- In accordance with Article Thirty-eighth (38) of the Company's Articles of Association, the Audit Committee is formed by a decision of the Ordinary General Assembly from non-executive members of the Board of Directors, and the number of members of the Committee shall not be less than three (3) members and not more than five (5) members.
- The number of the current members of the Committee is four (4) members, and the members of the Audit Committee were appointed by the Ordinary General Assembly held on 24/12/1442H (corresponding to 03/08/2021G) and ends at the end of the current Board of Directors session on 13/11/1445H (corresponding to 21/05/2024G), and it consists of the following members:

Table No. (59): Audit Committee Members

Name	Position	Other positions the member currently occupies
Saad Falah Murie Al-Qahtani	Chairman	Member of the Board of Directors - Blom Alnoor RE fund - Member of the Board of Directors of INMAIA Real Estate Company Deputy CEO of Finance and Investment at Thakher Investment and Real Estate Development Company Member of the Board of Directors of the ARABIAN PIPES COMPANY
Abdullah Mohammed Hilal Al-Harbi	Member	Member of the Board of Directors of the ARABIAN PIPES COMPANY
Saleh Abdullah Saleh Al Yahya	Member	Non-Board Member
Khaled Saleh Hammoud Al-Tarifi	Member	Non-Board Member

Source: The Company

- It is worth noting that, as on the date of this prospectus, the two members, Mr. Saleh Abdullah Saleh Al Yahya and Mr. Khaled Saleh Hammoud Al-Tarifi, do not occupy any other positions in the company except for the Chairman of the Committee, Saad Falah Murie Al-Qahtani and Mr. Abdullah Mohammed Hilal Al-Harbi, who occupy the position of an independent board member in the company.
- The work regulation of the Audit Committee was approved by the Ordinary Shareholders General Assembly (Twenty-first) held on 15/07/1434H (corresponding to 25/05/2013G). The regulation has been amended by the (ordinary) general assembly of shareholders held on 17/10/1440H (corresponding to 20/06/2019G), (please see Subsection (4.3.1) "Audit Committee" of Subsection (4.3) "Company Committees" from Section (4) "The Company's Organizational Structure).
- The committee meets four times during the year and periodically every (3) months. The Committee held five (5) meetings during the fiscal year ending on December 31, 2018, four (4) meetings during the fiscal year ending on December 31, 2019, and four (4) meetings during the year ending on December 31, 2020, seven (7) meetings during the year 2021 until the date of publication of this prospectus. The committee exceeded the minimum number of its meetings during the year 2021G due to emergency works.

Table No. (60): Number of Audit Committee meetings during the last three years

Audit Committee	Year (2018)	Year (2019)	Year (2020)	Year (2021) *
	5	4	4	7

\* Until the date of publication of this prospectus

#### 10.6.2 Nomination and Remuneration Committee

- The Nomination and Remuneration Committee consists of three (3) members. The Nomination and Remuneration Committee was formed at the Board of Directors meeting held on 13/10/1442H (corresponding to 25/05/2021G) and for a period of three (3) years ending at the end of the current Board of Directors session on 13/11/1445H (corresponding to 21/05/2024G). It consists of the following members:

Table No. (61): Nomination and Remuneration Committee Members

Name	Position	Other positions the member currently occupies
Musa Abdullah Bard Al-Ruwaili	Chairman	Member of the Board of Directors of the Arabian Pipes Company. Member of the Executive Committee of the Arabian Pipes Company.
Azzam Saud Suleiman Al-Mudaihim	Member	Board member in the following companies: - Al Hassan Ghazi Ibrahim Shaker Company. - Communication Solutions Company. - Modern Vision Company in Jordan. - Energy Management Services-Emirates. Member of the Board of Directors of the Arabian Pipes Company. Member of the Governance Committee of the Arabian Pipes Company.
Faisal Mohammed Hilal Al-Harbi	Member	Member of the Board of Directors of the Arabian Pipes Company. Member of the Governance Committee of the Arabian Pipes Company.

Source: The Company

- The company has a work list for the Nomination and Remuneration Committee that has been updated and approved by the (Ordinary) General Assembly of Shareholders on 17/10/1440H (corresponding to 20/06/2019G).

- The committee meets once (1) a year at the invitation of its chairman, one of its members, or the chief executive. The committee held two (2) meetings during the fiscal year ending on December 31, 2018, two (2) meetings during the fiscal year ending on December 31, 2019, two (2) meetings during the fiscal year ending on December 31, 2020, and one meeting during the year 2021 until the date of publication of this prospectus. The committee has exceeded the minimum number of its meetings during the past three years due to emergency works.
- The company's Board of Directors decided to re-form the Nomination and Remuneration Committee and appoint Mr. Musa Abdullah Bard Al-Ruwaili as the Chairman of the Nomination and Remuneration Committee, instead of Mr. Azzam Saud Suleiman Al-Mudaihimi.

Table No. (62): Number of Nomination and Remuneration Committee meetings during the last three years

Nomination and Remuneration Committee	Year (2018)	Year (2019)	Year (2020)	Year (2021) *
	2	2	2	1

\* Until the date of publication of this prospectus

### 10.6.3 Executive Committee

- The Executive Committee consists of four (4) members, and the Executive Committee was formed at the Board of Directors meeting held on 13/10/1442H (corresponding to 25/05/2021G). It ends at the end of the current Board of Directors session on 13/11/1445H (corresponding to 21/05/2024G). It consists of the following members:

Table No. (63): Executive Committee Members

Name	Position	Other positions the member currently occupies
Khalid Abdullah Rashid Abunayyan	Chairman	Board member in the following companies: - Lavata Company. - Abunayyan Holding Company. - Toray Membrane Company In Middle East. - Water and Environment Technology Co. Ltd. - Vision Invest, (previously known as Acwa Holding). - KSB Pumps Arabia Limited Vice Chairman of the Board of Directors of the Arabian Pipes Company.
Youssef Saleh Mansour Abalkhail	Member	Chairman of the Board of Directors of AXA Cooperative Insurance Company. Chairman of the Board of Directors of the Saudi Ceramic Company. Member of the Board of Directors of the Arabian Cement Company. Chairman of the Board of Directors of the Arabian Pipes Company.
Musa Abdullah Bard Al-Ruwaili	Member	Member of the Board of Directors of the Arabian Pipes Company. Chairman of the Nominations and Remunerations Committee of the Arabian Pipes Company.
Ahmed Ali Abdul Karim Al-Luhaidan	Member	Member of the Board of Directors of the Arabian Pipes Company. CEO of the Arabian Pipes Company.

Source: The Company

- It is worth noting that, as on the date of this prospectus, the Chairman of the Committee, Khalid Abdullah Rashid Abunayyan, holds the position of a non-executive board member, and the committee member, Mr. Youssef Saleh Mansour Abalkhail, holds the position of a non-executive Chairman of the Board, and Mr. Musa Abdullah Bard Al-Ruwaili, holds the position of an independent board member and Mr. Ahmed Ali Abdul Karim Al-Luhaidan, holds the position of an Executive Board Member.

- The company has a work regulation for the Executive Committee that was approved by the Board of Directors at its meeting No. (7/9) on 24/07/1440H (corresponding to 31/03/2019).
- The Committee holds its meetings at the invitation of its chairman. The Committee held three (3) meetings during the fiscal year ending on December 31, 2018, four (4) meetings during the fiscal year ending on December 31, 2019, and four (4) meetings during the fiscal year ending on December 31, 2020, and two meetings during the year 2021 until the date of publication of this prospectus.

Table No. (64): Number of Executive Committee meetings during the last three years

Executive Committee	Year (2018)	Year (2019)	Year (2020)	Year (2021) *
	3	4	4	2

\* Until the date of publication of this prospectus

#### 10.6.4 Governance Committee:

- The committee consists of three (3) members, and the committee was formed in the meeting of the Board of Directors held on 13/10/1442H (corresponding to 25/05/2021G). It consists of the following members:

Table No. (65): Governance Committee Members

Name	Position	Other positions the member currently occupies
Abdullah Mohammed Hilal Al-Harbi	Chairman	Member of the Board of Directors of the Arabian Pipes Company. Member of the Audit Committee of the Arabian Pipes Company.
Azzam Saud Suleiman Al-Mudaihim	Member	Member of the Board of Directors of the Arabian Pipes Company. Member of the Nomination and Remuneration Committee of the Arabian Pipes Company.
Faisal Mohammed Hilal Al-Harbi	Member	Member of the Board of Directors of the Arabian Pipes Company. Member of the Nomination and Remuneration Committee of the Arabian Pipes Company.

Source: The Company

A meeting was held for it on 14/02/1443H (corresponding to 21/03/2021G).

### 10.7 Executive Management

- The current executive management is headed by the CEO, Mr. Ahmed Ali Abdul Karim Al-Luhaidan, as of 01/11/1438H (corresponding to 24/07/2017G), and the following table shows the details of the company's executive management:

Table No. (66): Executive Management

Name	Position	Nationality	Age	Date of appointment	Shares			
					Direct		Indirect	
					Number	%	Number	%
Ahmed bin Ali Al-Luhaidan	Chief Executive Officer (CEO)	Saudi	58	24/07/2017G	0	0	0	0
Hamoud bin Ali Al-Hamza	CFO	Saudi	39	25/02/2018G	0	0	0	0
Dakhil bin Naqi Al-Mutairi	HR and Administrative Affairs Manager	Saudi	34	15/07/2008G	0	0	0	0
Fawzi bin Ibrahim Al Hussein	VP for Supply Chain	Saudi	48	25/03/2014G	0	0	0	0
Orans Zayed Al-Otaibi	VP for Commercial Affairs (Acting)	Saudi	44	01/12/2008G	0	0	0	0
Amr bin Muhammad Al-Hattab	VP for Operations	Egyptian	46	02/08/2007G	0	0	0	0

Amer Farhan	IT Manager	Indian	47	27/09/1999G	0	0	0	0
Ramy Hassan Al-Nawawi	Internal Audit Supervisor	Egyptian	46	27/10/2020G	0	0	0	0

Source: The Company

- The company has committed to disclosing the elements of the senior executives' remunerations in total in accordance with the requirements of the corporate governance regulations, especially paragraph (4) of Article (93). The total remunerations received by five senior executives, including the CEO and CFO, for the year 2020, amounted to (4,672,000) riyals.

## 10.8 Licenses and Permits Obtained by the Company

### 10.8.1 Licenses, Certificates and Approvals Related to Headquarter

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 regulations in force in the Kingdom of Saudi Arabia, and these licenses are renewed periodically.

The following table shows the current licenses and approvals obtained by the company in relation to its main registry.

Table No. (67): Approvals, Licenses, Certificates and Permits obtained by the Company

Type of license	Purpose	License holder	License No.	Issue/Renewal Date	Expiry Date	licensing Authority	Note:
Commercial Register	Registration of the company in the Commercial Companies Register (Shareholding Company)	Arabian Pipes Company	1010085734	14/02/1412H (corresponding to 25/08/1991G).	13/02/1445H (Corresponding to 29/08/2023G)	Ministry of Commerce, Commercial Registry Office in Riyadh	
Chamber of Commerce and Industry membership certificate	The company's commitment to the commercial registry law, which requires the company to subscribe to the Chamber of Commerce and Industry	Arabian Pipes Company	43107	26/02/1413H corresponding to 25/08/1992G	13/02/1445H (Corresponding to 29/08/2023G)	Chamber of Commerce and Industry "Riyadh Chamber"	
Certificate of Zakat and Income*	To indicate that the company submitted its annual declaration and committed to paying zakat	Arabian Pipes Company	1110722933	17/09/1442H corresponding to 29/04/2021G	29/09/1443H (Corresponding to 30/04/2022G)	Zakat, Tax and Customs Authority (ZATCA)	
VAT registration certificate	To indicate that the company is registered with the value added tax	Arabian Pipes Company	3000506951	01/12/1438H (Corresponding to 23/08/2017G)	None	Zakat, Tax and Customs Authority (ZATCA)	
Company Entity Evaluation Certificate	Evaluation of the company's entity according to the Nitaqat program, which indicates that the company is in the (platinum) domain.	Arabian Pipes Company	None	17/01/1443H (Corresponding to 25/08/2021G)	None	E-Services Department, Ministry of Human Resources and Social Development**	
Saudization certificate**	To indicate that the company is committed to the percentage of Saudization required of	Arabian Pipes Company	20002109015979	19/02/1443H (Corresponding to 26/09/2021G)	22/05/1443H (Corresponding to 26/12/2021G)	E-Services Department, Ministry of Human Resources and Social Development	

	it according to the Nitaqat program						
Social insurance Certificate***	The company's commitment to the regulations of the General Organization for Social Insurance	Arabian Pipes Company	41886628	26/03/1443H (Corresponding to 01/11/2021G)	26/04/1443H (Corresponding to 01/12/2021G)	General Organization for Social Insurance	
Wage Protection Certificate****	n compliance with the wage protection law	Arabian Pipes Company	20012111022568	12/04/1443H (corresponding to 17/11/2021G)	12/06/1443H (corresponding to 15/01/2022G)	Ministry of Human Resources and Social Development (Labour Office - Electronic Services)	
Industrial Facility License	Granting the facility an industrial license to practice its industrial activity	Arabian Pipes Company	421102107561	02/03/1442H (corresponding to 19/10/2020G)	01/03/1445H (Corresponding to 16/09/2023G)	Ministry of Industry and Mineral Resources	
Operating License	Granting permission to operate the facility	Arabian Pipes Company	5781442819017218	-	29/08/1443H (corresponding to 01/04/2022G)	Saudi Authority for Industrial Cities and Technology Zones	
Environmental Permit to Operate*****	Granting the facility an environmental license to operate an industrial facility	Arabian Pipes Company	10118	06/04/1441H (corresponding to 03/12/2019G)	05/04/1443H (corresponding to 10/11/2021G)	General Authority of Meteorology and Environmental Protection	
Commercial Activity License - Municipality*****	n compliance with the municipal law and licensing to practice commercial activity	Arabian Pipes Company	--	--	--	Ministry of Municipal and Rural Affairs and Housing ***** - Riyadh Municipality.	The company's offices in Sulaymaniyah
Safety Certificate*****	n compliance with the civil defense field safety standards and conditions	Arabian Pipes Company	--	--	--	General Directorate of Civil Defense	The company's offices in Sulaymaniyah

Source: The Company

\* The title of "General Authority for Zakat and Income Tax" has been modified to become "Zakat, Tax and Customs Authority"

\*\* 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 period of one month and is renewable electronically upon request

\*\*\*\* A commitment certificate with a maximum validity of 60 days and is electronically renewable upon request.

\*\*\*\*\* The title of "Ministry of Municipal and Rural Affairs" has been modified to become "Ministry of Municipal and Rural Affairs and Housing".

\*\*\*\*\* Renewal is in progress.

## 10.9 Company Branches

- Article Five (5) of the company's articles of association stipulates that the company may establish branches, offices or agencies inside or outside the Kingdom of Saudi Arabia by a decision of the board of directors.
- As on the date of publishing the prospectus, the company has established one (1) branch inside the Kingdom as follows:

Table No. (68): List of branches (regional divisions) and related commercial records

No.	Company Branches	Rgistration No.	Location	Activity	Issue Date	Expiry Date	Branch Manager	Chamber of Commerce Subscription
1	Jubail Factory	2055007048	Jubail Industrial -	Manufacture of pipes and hoses,	21/04/1426H (Corresponding to	20/04/1446H (Corresponding to	Ahmed Ali Abdul	95454





			Secondary Industries Area	plastic tubes, and fittings, manufacture of iron and steel tubes, pipes and hollow shapes	29/05/2005G)	23/10/2024G)	Karim Al-Luhaidan	
--	--	--	---------------------------	---	--------------	--------------	-------------------	--

Source: The Company

Table No. (69): Approvals, Licenses, Certificates and Permits obtained by the branch

Type of license	Purpose	License holder	License No.	Issue/Renewal Date	Expiry Date	licensing Authority
Commercial Register	Registration of the company's branch in the Commercial Companies Register in Yanbu	Arabian Pipes Company	2055007048	21/04/1426H (corresponding to 29/05/2005G)	20/04/1446H (corresponding to 23/10/2024G)	Ministry of Commerce - Commercial Registry Office in Jubail
Chamber of Commerce Membership Certificate	In compliance with the provisions of the Commercial Register Law, the company obtained a first-class membership certificate	Arabian Pipes Company Branch	95454	06/04/1441H (corresponding to 03/12/2019G)	20/04/1446H (corresponding to 23/10/2024G)	Asharqia Chamber
Saudization certificate	To indicate that the company is committed to the percentage of Saudization required of it according to the Nitaqat program	Arabian Pipes Company	20002111002282	28/03/1443H (corresponding to 03/11/2021G)	02/07/1443H (Corresponding to 03/02/2022G)	Ministry of Human Resources and Social Development
Company Entity Evaluation Certificate – Nitaqat	Evaluation of the company's entity according to the Nitaqat program, which indicates that the company is in the (platinum) domain.	Arabian Pipes Company Factory	None	02/09/2021G	None	Ministry of Human Resources and Social Development (Labour Office - Electronic Services)
Certificate of participation in social insurance	In compliance with the social insurance law	Arabian Pipes Company Branch	41910923	27/03/1443H (Corresponding to 02/11/2021G)	27/04/1443H (Corresponding to 02/12/2021G)	General Organization for Social Insurance

Wage Protection Certificate*	In compliance with the wage protection law	Arabian Pipes Company Branch	20062111000745	13/04/1443H (corresponding to 18/11/2021G)	13/06/1443H (corresponding to 16/01/2022G)	Ministry of Human Resources and Social Development (Labour Office - Electronic Services)
Industrial facility license	Granting the facility an industrial license to practice its industrial activity	Arabian Pipes Company Factory	11	14/04/1441H (corresponding to 11/12/2019G)	14/04/1444H (Corresponding to 08/11/2022G)	Ministry of Industry and Mineral Resources
Environmental license to operate	Granting the facility an environmental license to operate an industrial facility	Arabian Pipes Company Factory	EPO 3/54 -212.2	25/12/1440H (corresponding to 26/08/2019G)	19/02/1446H (corresponding to 25/08/2024G)	General Administration of the Royal Commission for Jubail and Yanbu - Department of Environmental Protection and Control.

Source: The Company

\* A commitment certificate that is valid for a maximum of 60 days and is electronically renewable upon request.

## 10.10 Subsidiaries

- According to Article (4) of the Articles of Association, the company may establish its own companies with limited liability or closed joint stock, and 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. The company may also dispose of these shares, provided that this does not include mediation in their trading. As on the date of publication of this prospectus, the company does not have any subsidiary, whether inside or outside the Kingdom.

## 10.11 Continuing obligations imposed by government authorities as the “license holder”

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

### 10.11.1 Continuing obligations according to the requirements of the Ministry of Commerce

- The company is committed to the commercial registry law in terms of registration with the Commercial Registry Department in Riyadh, where the main headquarter is under Certificate No. (1010085734) dated 14/02/1412H (corresponding to 25/08/1991G), which expires on 13/02/1445H (corresponding to 29/08/2023G).
- The company is also committed to the Companies Law in terms of adopting the company’s articles of association 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 draft of articles of association and the approval of the shareholders in the (extraordinary) general assembly meeting on 17/08/1442H (corresponding to 30/03/2021G) and the articles

of association were approved by the Corporate Governance Department (Ministry of Commerce) on 24/09/1442H (corresponding to 06/05/2021G). The company complied with the requirements of the Saudi Stock Exchange and Capital Market Authority (Tadawul) in terms of downloading a copy of the articles of association on the Tadawul website on the company's page, but it did not download the latest version of the articles of association.

- The company is also committed to the commercial registry law in terms of obtaining a membership certificate in the Chamber of Commerce and Industry under Certificate No. (43107) dated 26/02/1413H (corresponding to 25/08/1992G) and expires on 13/02/1445H (corresponding to 29/08/2023G).
- The company is also committed to completing the procedures for establishing its branches and is committed to the commercial registry law in terms of registration with the Commercial Registry Department and the issuance of a membership certificate in the Chamber of Commerce and Industry for each branch (for more details about the company's branches, please see sub-paragraph (10.9) of this section).
- The company is committed to Article (129) of the Companies Law in terms of setting aside (10%) annually of the net profits to form the statutory reserve. The value of the statutory reserve set aside amounted to one hundred and twenty thousand (120,000) riyals as on 30/06/2021G.
- The company is also committed to the text of Article (150) of the Companies Law, which obliges any official of the company or the auditor, as soon as it learns that the losses have reached half of the paid-up capital, to inform the Chairman of the Board of Directors, who shall inform the members and call the extraordinary general assembly within (15) days of its knowledge. Thus, to meet within (45) days from the date of its knowledge of the losses to decide either to increase or decrease the capital, to the extent that the percentage of losses decreases to less than half of the paid-up capital, or to dissolve the company before its renewed term in the articles of association. On 27/10/1442H (corresponding to 08/06/2021G), the Board of Directors recommended to the (Extraordinary) General Assembly of Shareholders to reduce the company's capital from four hundred million (400,000,000) riyals to become one hundred (100,000,000) Saudi riyals, i.e. (75%) and the number of shares becomes (10,000,000) shares, by canceling thirty million (30,000,000) shares. In order to extinguish the accumulated losses, which amounted to (80.7%) of the capital on 30/06/2021G. This is after the company obtained the approvals of the competent regulatory authorities (the Capital Market Authority "The Authority", the Capital Market Company "Tadawul", the Ministry of Commerce and the shareholders in the (extraordinary) general assembly).

Except for what was mentioned above and in Subsection (2.1.9) ("Risks of Company's Articles of Association") of Section (2) ("Risk Factors") of this Prospectus, the Company is bound by the rules and regulations of the Ministry of Commerce.

#### **10.11.2 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 distinguished tax number (300502951), and the company submitted its zakat declaration for the fiscal year ending on December 31, 2020G and obtained a zakat certificate from the Zakat, Tax and Customs Authority with the number (1110722933) dated 17/09/1442H (corresponding to 29/04/ 2021G) and it is valid until 29/09/1443H (corresponding to 30/04/2022G). It should be noted that the zakat paid to the Zakat, Tax and Customs Authority for the fiscal year ending on December 31, 2020, amounted to an amount of four thousand six hundred and seven (4,607) Saudi riyals.
- The company is committed to the value-added tax law and its executive regulations and is registered with the Zakat, Tax and Customs Authority under the tax number (300050695100003) under a certificate issued on 1/12/1438H (corresponding to 23/08/2017 G), noting that the company has been registered since 23/08/2017G.
- In compliance with Zakat Law, Tax and Customs Authority, the company's branch in Jubail was added to the list of taxpayer branches (Arabian Pipes Company).



- The company submitted its zakat returns for all financial years from the beginning of the activity until the financial year ended on December 31, 2020G and paid the due zakat according to those returns and obtained a zakat certificate valid until April 30, 2022G.
- During the year 2018, the Zakat, Tax and Customs Authority issued the zakat assessment for the fiscal year 2015, the company submitted an objection to the Zakat Authority (Riyadh branch) on the zakat due for the year (2015). The objection was accepted, and the declarations were referred to the Examination and Assessment Department to conduct a comprehensive examination of the company's accounts. This Zakat assessment resulted in an additional zakat amounting to (2,900,000) Saudi riyals against which the company submitted an appeal that was initially approved by the Authority on 21/11/2018G. The company also created a provision for that in the company's books of the same value.

Except for what was mentioned above and in Subsection (2.1.21) ("Risks of Potential Zakat Dues and Additional Claims") of Section (2) ("Risk Factors") of this Prospectus, the Company is committed to the rules and regulations of the Zakat and Tax Authority and customs.

### **10.11.3 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 (1-1429) according to the Saudization certificate. As on the date of publishing this prospectus, the company benefits from the electronic services of the Ministry of Human Resources and Social Development, and a Saudization certificate has been issued to indicate that the company is committed to the percentage of Saudization required of it according to the Nitaqat program, which is 35.27 percent and is located in the platinum range (Medium Category C).
- As on the date of publishing this prospectus, the company does not have an internal work organization regulation approved by the Ministry of Human Resources and Social Development (Labour Office), and the company's management has stated that a request has been submitted to approve the regulation from the Labor Office and it is still under procedure as on the date of publishing this prospectus.
- The company has a list of human resources that was prepared by the Department of Human Resources and Administrative Affairs and approved by the CEO. It was issued in its current modified version on 14/04/1439H (corresponding to 01/01/2018G).
- The company is committed to the wage protection law and the regular raising of the wages of its employees, according to a commitment certificate No. (20012111022568) dated 12/04/1443H (corresponding to 17/11/2021G). This certificate is valid for a period of (60) days from the date of its issuance and ends on 12/06/1443H (corresponding to 15/01/2022G) and according to a report issued by the (Madad) platform, it reached (96) % as on 17/01/1443H (corresponding to 25/08/2021G).
- The company is also committed to documenting the work contracts of its employees electronically, and the commitment rate reached (100%) as in October 2021G, according to the report issued by the (Madad) platform on 17/11/2021G.
- The company is committed to the required Saudization percentage according to the Nitaqat program and has obtained a Saudization certificate from the Ministry of Human Resources and Social Development with the number (20002109015979) dated 19/02/1443H (corresponding to 26/09/2021G), is valid until 22/05/1443H (corresponding to 26/12/2021G).
- According to the Nitaqat certificate that the company provided us with, the company's factory in Jubail is committed to achieving the required Saudization percentage, which is located in the (platinum)-medium category (B), and the Saudization percentage as on 17/11/2021G was (36.76%).
- The company's branch in Jubail region is committed to the wage protection law, according to a compliance certificate No. (20062111000745) dated 13/04/1443H (corresponding to 15/09/2021G), is valid until 13/06/1443H (corresponding to 16/01/2021G).

- The company's branch in Jubail region is committed to the percentage of Saudization required of it according to the Nitaqat program and has obtained a Saudization certificate from the Ministry of Human Resources and Social Development with the number (20002111002282) dated 28/03/1443H (corresponding to 03/11/2021G), is valid until 02/07/1443H (corresponding to 03/02/2022G).

## Employees and Saudization

Table No. (70): Number of company's employees according to different government authorities

Notes	Total	Non-Saudi employees	Saudi employees	Document type	Authority
As on 01/11/2021G	227	151	76	Social Insurance Certificate	GOSI
As on 17/11/2021G	201	126	75	Nitaqat Certificate	Labour Office
As on 25/08/2021G	163	163	N/A	an extract from Muqem	Passports - Muqem

Source: The Company

Table No. (71): Number of branche's employees according to different government authorities

Notes	Total	Non-Saudi employees	Saudi employees	Document type	Authority
As on 02/11/2021G	115	63	52	Social Insurance Certificate	GOSI
As on 17/11/2021G	136	86	50	Nitaqat Certificate	Labour Office
As on 25/08/2021G	69	69	N/A	an Extract from Muqem	Passports - Muqem

Source: The Company

Except as mentioned in Subsection (2.1.17) ("Risks of non-compliance with Saudization requirements") of Section (2) ("Risk Factors") of this Prospectus, the Company is committed to the required Saudization percentage in accordance with the requirements of the Ministry of Human Resources and Social Development.

### 10.11.4 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 (13230153), and it is subscribed to the pension and occupational hazards branches for Saudi contributors, and for non-Saudis, participation in the Occupational Hazards Branch is in accordance with the Social Insurance Certificate No. (41886628) dated 26/03/1443H (corresponding to 01/11/2021G). The total number of those registered in the social insurance law reached (227) employees, including (76) Saudi employees and (151) non-Saudis. The value of the contributions paid for the year 2020G amounted to two million eight hundred and six thousand SAR (2,806,000).

Table No. (72): Number of Company's Saudi and non-Saudi employees registered at GOSI

Number of Saudi and Non-Saudi Employees				
Authority	Reference*	Number of Saudi employees	Number of non-Saudi employees	Total
GOSI	Social Insurance Certificate	76	151	227

Source: The Company

\*As of November, 2021G,

- The branch of the Arabian Pipes Company in Jubail is committed to the social insurance law, where a file was opened for the branch under the subscription number (510823109). It is subscribed to the two branches of pensions and occupational hazards for Saudi contributors, and for non-Saudis, participation in the occupational hazards branch, according to the Social Insurance Certificate No. (41910923) dated 27/03/1443H (corresponding to 02/11/2021G), and the total number of registered persons in the Social Insurance Law is (115 employees, including (52) Saudi employees and (63) non-Saudis.

Table No. (73): Number of Jubail branch's Saudi and non-Saudi employees registered at GOSI

Number of Saudi and Non-Saudi Employees				
Authority	Reference*	Number of Saudi employees	Number of non-Saudi employees	Total
GOSI	Social Insurance Certificate	52	63	115

Source: The Company

\*As of November, 2021G,

#### ■ Unemployment Insurance (SANED)

It is a law aims to achieve social solidarity issued by the General Organization for Social Insurance and aims to insure against unemployment and protect (Saudi) subscribers who lost their jobs due to circumstances beyond their control and as a remedy for the deterioration of the social conditions of unemployed persons and as compensation for unemployment. It was issued by Royal Decree No. (18/m) dated 12/03/1435H (corresponding to 14/01/2014G) approving the unemployment insurance law "SANED System". According to this system, the employer pays 1% of the salary per month, and the contributor pays 1% as well. Compensation is paid between 2000 and 9000 riyals. Compensation is disbursed at 60% of the average monthly wages for the last two years for each month of the first three months, with a maximum limit of 9000 riyals for the amount of compensation, and 50% of this average for each month in excess of that. This program is obligatory for all companies and they shall register all Saudi contributors in the pension branch and bear the percentage stipulated in the system. Failure to comply and violation of any provision of the unemployment insurance law and the regulations expose the employer to a fine not exceeding (10,000) ten thousand riyals, and this limit shall be doubled in the event of repetition, and the fine shall be multiplied by the number of the participating workers in respect of whom the employer committed one or more violations. According to the insurance certificate, the company is committed to the provisions of the law in terms of registering Saudi workers in the pension branch.

After the spread of the COVID-19 pandemic, and in order to mitigate the effects of the pandemic on private sector companies, a generous royal order was issued to support Saudi workers in private sector facilities affected by the repercussions of the emerging Corona virus through the unemployment insurance system (SANED), and in accordance with the honorable royal order to extend the support period for a period An additional three months, provided that the support percentage is a maximum of 70% of Saudi workers in the facilities most affected by the pandemic, and a maximum of 50% of Saudi workers in the least affected facilities 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.

Based on the above, the company is committed to the rules and regulations of the General Organization for Social Insurance.

#### 10.11.5 Continuing obligations according to the requirements of the Capital Market Authority

- The Authority obliges listed companies to abide by the rules of offering securities, continuing obligations, and special instructions issued by the Authority, especially the obligation to periodically disclose material and financial developments and the report of the Board of Directors. According to the Continuing Obligations Guide for Listed Companies, the annual financial results announced on the (Tadawul) website shall 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 announcement forms included in the instructions for companies' announcements of their financial results shall be adhered to, and the company shall also provide a statement of all the reasons and influences for the change in the financial results for the current financial year with the comparison period so that the reasons include all items of the announcing the financial results.
- The Authority also obligated the companies listed in the financial market to disclose the stages of their compliance with the transition to the International Financial Reporting Standards (IFRS). On 28/04/1438H (corresponding to 26/01/2017G), the company announced on the Tadawul website that it is committed to this and has started applying this standard as of 01/01/2017G. The company's financial statements for the fiscal year ending on December 31, 2020 have also been prepared in accordance with international standards approved in the Kingdom of Saudi Arabia.
- The Authority also obligated the companies listed in the financial market to follow the list of instructions for the announcements of joint stock companies whose shares are listed in the financial market issued by the Authority's Board Resolution No. (1-199-2006) dated 18/07/1427H (corresponding to 12/08/2006G) and amended by Resolution No. (1-104-2019) dated 01/02/1441H (corresponding to 30/09/2019G).
- The Authority obligated the companies listed in the financial 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 committed to this, as the Board of Directors appointed by its resolution dated 13/10/1442H (corresponding to 25/05/2021G) Mr. Saad Al-Qahtani (Board Member) and Mr. Ahmed Ali Abdul Karim Al-Luhaidan (Senior Executives - Chief Executive Officer).
- On 23/01/438H (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 whose accumulated losses amounted to 50% or more of their capital in light of the new companies law, whose name has been modified to become "Procedures and instructions for companies whose shares are listed in the market, whose accumulated losses amounted to (20%) or more of their capital", and amended by the decision of the Board of the Capital Market Authority No. (1-77-2018) dated 05/11/1439H (18/07/2018G). On 11/01/1443H (corresponding to 19/08/2021G), the company announced that its accumulated losses had reached (80.7%) of the capital.
- The number of board members shall not be less than three (3) and not more than eleven (11). It also shows the company's commitment to Article Sixteen (16) of the Corporate Governance Regulations, in part, which obliges listed companies to have the majority of the board's members from non-executive members and that the number of independent members shall not be less than two members or one-third of the board members (whichever is more). Seven (7) non-executive members were appointed, including three (3) independent members and (4) four non-independent members, and since the Board of Directors consists of 8 members, as the member of the Board of Directors, Mr. Abdullah Mohammed Hilal Al-Harbi is classified as independent, while It has one of the objections of independence, which is the kinship relationship with another member, which is Mr. / Faisal Mohammed Hilal Al-Harbi, and therefore he became not independent and therefore the number of independent members is (2).
- As for corporate governance, the table below includes a summary of the company's compliance with the corporate governance regulations issued by the Capital Market Authority.

Table No. (74): Summary of the most important provisions of Corporate Governance Regulation complied by the Company

Article	Details	Responsible Party	Comment
9/B	The board of directors shall set a clear policy regarding the distribution of dividends in a way that achieves the interests of	Board of Directors	Compliant - there is no independent written policy, and the provisions of the company's

	the shareholders and the company in accordance with the company's articles of association.		corporate governance regulations and the company's articles of association are based on.
8/A	Providing a copy of the information about the candidates for membership of the Board of Directors on the company's website	Board of Directors	Compliant - the company's website only shows the pictures and names of the board members without any information about them.
12/5 F54	Formation of the review committee	General Assembly of Shareholders	Compliant - Appointed by the Extraordinary General Assembly held on 24/12/1442H (corresponding to 03/08/2021G)
54/C	The company's general assembly, based on a proposal from the board of directors, issues a regulation for the work of the audit committee, provided that this regulation includes the rules and procedures for the work of the committee, its tasks, the rules for selecting its members, how to nominate them, the duration of their membership, their remuneration, and the mechanism for temporarily appointing its members in the event that one of the seats becomes vacant.	General Assembly of Shareholders	Compliant - The update of the work regulations of the Audit Committee was approved by the Ordinary General Assembly on 17/10/1440H (corresponding to 20/06/2019G).
6/12	Approval of the financial statements for the year 2020G	General Assembly of Shareholders	Compliant - The financial statements for the fiscal year 2020 were approved by the Ordinary General Assembly held on 24/12/1442H (corresponding to 03/08/2021G).
7/12	Approval of the annual report of the Board of Directors for the year 2020G	General Assembly of Shareholders	Compliant - The Board of Directors' report for the fiscal year 2020 was approved by the Ordinary General Assembly held on 24/12/1442H (corresponding to 03/08/2021G).
12/9 F81	Appointing the company's auditors, determining their remuneration, re-appointing and changing them, and approving their reports.	General Assembly of Shareholders	Compliant - The Ordinary General Assembly held on 15/09/1442H (corresponding to 27/04/2021G) voted to appoint (Ibrahim Al-Bassam & Co.) as an auditor for a company, in order to examine, review and audit the financial statements for the second, third and annual quarters of the fiscal year 2021G and the first quarter of 2022G and determine its fees.
13/D	Publishing the announcement of the date, place and agenda of the general assembly meeting at least twenty-one days before the date on the company's website.	Board of Directors	Compliant - through the company's website and the Tadawul website
14/C	Providing shareholders, through the company's website- when publishing the invitation to the meeting of the general assembly- to obtain information related to the agenda items of the general assembly, especially the report of the board of directors, the auditor, the financial statements and the audit committee's report.	Board of Directors	Compliant - through the Tadawul website
2/22	Establishing systems and controls for internal control and general supervision over them, including: Establishing a written policy to address actual and potential cases of "conflict of interest" for each of the members of the Board of Directors, executive management and shareholders, including misuse of	Board of Directors	Compliant - The regulation of conflict of interest and transactions with related parties was approved by the Board of Directors in its meeting held on 16/05/1441H (corresponding to





	company assets and facilities, and misconduct resulting from dealings 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 the risks that the company may face, and to create an environment familiar with the culture of risk management at the company level and to present it transparently with stakeholders and related parties to the company and annual review of the effectiveness of the company's internal control procedures.		December 30, 2020G) and recommended that it be presented to the General Assembly.
3/22	Setting clear and specific policies, standards and procedures for membership in the Board of Directors, and putting them into practice after approval by the General Assembly.	General Assembly of Shareholders	Compliant - Approved by the (Extraordinary) General Assembly of Shareholders on 17/08/1442H (corresponding to 30/03/2021G)
4/22	Developing a written policy regulating the relationship with stakeholders in accordance with the provisions of the Governance Regulations, and it shall specifically cover the following:	Board of Directors	Compliant - The policy was approved by the Board of Directors on 16/05/1441H (corresponding to 30/12/2020G) by the General Assembly.
5/22	Mechanisms for compensating stakeholders in the event of a violation of their rights recognized by regulations and protected by contracts.	Board of Directors	Compliant - there is no independent regulation stipulated in the company's corporate governance regulation
22/13,50,60,60/A,64	Mechanisms for settling complaints or disputes that may arise between the company and stakeholders.	Board of Directors	Compliant - the company has (4) main committees (Audit Committee - Nomination and Remuneration Committee - Executive Committee and Governance Committee) appointed pursuant to a Board resolution dated 13/10/1442H (corresponding to 25/05/2021G).
1/23	Appropriate mechanisms to establish good relations with customers and suppliers, and to maintain the confidentiality of information related to them.	Board of Directors	Compliant - there is an approved policy on 03/01/2021G by CEO
2/23	Developing policies and procedures that ensure the company's compliance with the rules and regulations and its commitment to disclosing material information to shareholders and stakeholders and ensuring compliance by the executive management with them.	Board of Directors	- There is no independent written policy, and the provisions of the company's corporate governance regulation and the company's articles of association are based on.
25	CEO Appointment	Board of Directors	Compliant - Eng. Ahmed bin Ali Al-Luhaidan was appointed CEO of the company by the Board of Directors on 29/07/1438H (corresponding to 23/08/2017G).
5/26	Developing the organizational and functional structures of the company and submitting them to the Board of Directors for consideration for approval.	Board of Directors	There is an organizational structure in English that is not approved by the Board of Directors
10/26	Proposing a policy and types of remuneration to be granted to employees, such as fixed bonuses, performance-related bonuses, and bonuses in the form of shares.	Board of Directors	Compliant

43	A written and clear policy for dealing with actual or potential conflict of interest cases that could affect the performance of members of the Board of Directors, executive management or other employees of the company when they deal with the company or with other stakeholders	Board of Directors	Compliant - The policy of conflict of interest and transactions with related parties was approved and the Board of Directors recommended on 16/05/1441H (corresponding to 30/12/2020G) to present this policy to the General Assembly.
55/B/4, 74	Appointing the director of the internal audit unit or department or the internal auditor and suggesting its remuneration.	Board of Directors	Compliant
60/B, 64/B	The company's general assembly, based on a proposal from the Board of Directors, issues a regulation for the work of the Remuneration and Nomination Committee, provided that this regulation includes the controls, procedures and work plan of the committee, its tasks, the rules for selecting its members, how to nominate them, the term of their membership, their remuneration, and the mechanism for temporarily appointing its members in the event of a vacancy in one of the committee seats.	General Assembly of Shareholders	Compliant - The regulation was approved by the Ordinary General Assembly held on 17/10/1440H (corresponding to 20/06/2019G).
1/61	The Remuneration and Nomination Committee shall prepare a clear policy for the remuneration of the members of the Board of Directors, the committees emanating from the Board and the Executive Management, and submit it to the Board of Directors for consideration in preparation for approval by the General Assembly, provided that such policy is taken into account to follow performance-related standards, disclose them, and verify their implementation.	General Assembly of Shareholders	Compliant - Approved by the Extraordinary General Assembly on 08/04/1442H (corresponding to 23/11/2020G).
3/65	Preparing a description of the capabilities and qualifications required for membership in the Board of Directors and occupying executive management positions.	Remuneration and Nomination Committee	Compliant - Approved by the (extraordinary) general assembly of shareholders on 08/04/1442H (corresponding to 23/11/2020G).
68	Publishing the announcement of candidacy for membership of the Board of Directors on the company's website.	Board of Directors	Compliant - announced on the Tadawul website on 14/01/2021G.
84	Policies or procedures for stakeholders to follow in submitting their complaints or reporting infringing practices	Board of Directors	Compliant - there is no independent policy, and this is based on the provisions of the company's corporate governance regulations.
86	A policy of professional conduct and ethical	Board of Directors	There is no independent policy, and this is based on the provisions of the company's corporate governance regulations
89	Written disclosure policies and its supervisory procedures and systems in line with the disclosure requirements contained in the Companies Law and the Capital Market Law	Board of Directors	Compliant - within a conflict-of-interest policy.
91/B	Publication of the audit committee report on the company's website		Compliant
94	Corporate governance rules that do not conflict with mandatory provisions	Board of Directors	Compliant - The Extraordinary General Assembly approved the new governance regulation on 17/08/1442H (corresponding to 30/03/2021G)

Source: The Company

- **Penalties and Sanctions imposed on the company by the legal authorities during the previous three years until the publishing date of this prospectus:**
  - 1) On 09/08/2018G, the Authority's Board issued a decision imposing a penalty amounted (SAR 10,000) Ten Thousand Saudi Riyals on the Arabian Pipes Company for violating the contained instructions in the electronic disclosure form No. (2). This is due to the company's non-compliance with providing the Authority with electronic disclosure form No. (2) for submitting the financial statements within three working days from the date of the company's announcement of its annual financial results ending on 31/12/2017.
  - 2) On 11/12/2018G, the Authority's Board issued a decision imposing a penalty amounted (SAR 20,000) Twenty Thousand Saudi Riyals on the Arabian Pipes Company for violating Paragraph (a) of Article No. (61) of the rules for offering securities and continuing obligations and Sub-paragraph No. (5) from Paragraph (a) of the general instructions for the instructions of the companies' announcements, for having disclosed incorrect information in their announcement published on the website of the Saudi Stock Exchange (Tadawul) on 08/08/2018G regarding its initial financial results for the period ending on 30/06/2018G.
  - 3) On 03/07/2019G, the Authority's Board issued a decision imposing a penalty amounted (SAR 30,000) Thirty Thousand Saudi Riyals on the Arabian Pipes Company, for violating Article No. (65) of the rules for offering securities and continuing obligations, for not providing the Authority and disclosing to shareholders the report of its Board of Directors for the financial year ending on 31/12/2018G during the specified legal period, as the company did not disclose this until 07/04/2019G.
- On 02/05/2021G, trading of the company's shares in the Saudi Stock Exchange (Tadawul) was suspended until the company announced its interim financial statements for the financial period ending on 31/12/2020G. On 01/07/2021G, The Saudi Stock Exchange (Tadawul) announced lifting the suspension of trading the company's shares, starting from Sunday 04/07/2021G, after the company announced its interim financial statements for the financial period ending on 31/03/2021G.

Except for what was mentioned above and in Subsection No. (2.2.3) ("Risks of Companies Law and Corporate Governance Regulations") of Section No. (2) ("Risk Factors") of this Prospectus, the Company shall comply with the Corporate Governance Regulations in accordance with the requirements of the Capital Markets Authority of Saudi Arabia.

#### **10.11.6 Continuing obligations according to the requirements of the Ministry of Municipal and Rural Affairs and Housing ("Ministry of Municipalities")**

- A municipal license shall be obtained for the sites rented by the company in order to be able to operate them, bearing in mind that the municipality or the secretariat requires the following documents: A copy of the commercial register, a copy of the memorandum of association (the articles of association), a copy of the lease contract, and a copy of the building permit for the building or warehouse in which the lease was made, a copy of the real estate office license and a photocopy of the building from a distance, including the plate (with a copy of the plate invoice and the registration of the company's trademark ownership to be used on the facade) in addition to the civil defense license.
- The company has concluded two lease contracts with the Saudi Authority for Industrial Cities and Technology Zones in the second industrial city of Riyadh, one of them is industrial and the other is residential, with the aim of practicing its activity in the pipe industry. The company also leased a plot of land from the Royal Commission for Jubail and Yanbu to establish and operate a factory, and therefore the company is not bound by the requirements of the Ministry of Municipal and Rural Affairs and Housing and is subject to the requirements of the Saudi Authority for Industrial Cities and Technology Zones and the Royal Commission for Jubail and Yanbu. (For more information, please see paragraphs (9.4.8) and (9.4.10) of this section).

- The company has a number of (3) leased sites outside the scope of the Industrial Cities Authority and the Royal Commission for Jubail and Yanbu, two of which are used by administrative offices and a location for housing (for more details, please see sub-paragraph (10.12.2) "Leasing Contracts" of this section). As on the date of publication of this prospectus, the company has not obtained municipal licenses for the leased sites (the company's offices in Riyadh and Khobar).

Except for what was mentioned above and in Subsection (2.1.8) ("Risks of failure to obtain and renew required licenses, permits and certificates") of Section (2) ("Risk Factors") of this Prospectus, the Company is in compliance with the regulations of the Ministry of Municipal, Rural Affairs and Housing, implementing regulations and related instructions.

#### 10.11.7 Ongoing obligations subject to the requirements of the Ministry of Industry and Mineral Resources:

- The Company and the branch thereof have industrial licenses issued by the Ministry of Industry and Mineral Resources. As for the ongoing obligations pursuant to the requirements of the Ministry of Industry and Mineral Resources, the Ministry shall oblige the licensed authorities to abide by the following conditions in order to maintain the license:
  1. The Articles of the Common Industrial Organization Law of the GCC Countries and the Executive Regulations thereof shall be complied therewith.
  2. No expansion or modification shall be made to the products before obtaining the approval of the Ministry.
  3. The factory data shall be updated every six months through the Ministry's website.
  4. The products shall meet the approved specifications and standards or the specifications adopted by the Saudi Standards, Metrology and Quality Organization (SASO).
  5. The articles of the General Environmental Regulation and the Executive Regulations thereof shall be complied therewith to preserve the environment from pollution.
  6. The regulations, instructions and regulations of safety, industrial security and public health shall be complied therewith.
  7. The accounts of the industrial enterprise shall be in line with the applicable accounting principles and the legal rules, and the Ministry shall be provided with a balance sheet certified by a chartered auditor for each fiscal year.
  8. The benefits granted to the enterprise shall not be misused.
  9. The Ministry shall be provided with complete and correct particulars on the enterprise as the Ministry may require.
  10. The Ministry's employees shall be permitted to enter the industrial entries, to review records, documents and accounts, and to monitor the production process and other enterprise activities.
  11. No industrial enterprise shall be established, expanded, developed, or change its products, or merged with another industrial enterprise.

Table No. (75): Industrial licenses

No.	Branch	Industrial Licenses No.	Location	Industrial Activity	Date of Issue	Date of Expiry
1	Factory of Arabian Pipes Company	11	Eastern Province - Jubail	Base iron and steel industry	14/04/1441H (corresponding to 11/12/2019G)	14/04/1444H (corresponding to 11/12/2022G)
2	Arabian Pipes Company	421102107561	Riyadh - Second Industrial City	Base iron and steel industry	02/03/1442H (corresponding to 19/10/2020G)	01/03/1445H (corresponding to 16/09/2023G)

Source: The Company

Subject to the above, the Company complies with the regulations of the Ministry of Industry and Mineral Resources and the relevant Executive Regulations and Instructions

#### 10.11.8 Ongoing obligations subject to the requirements of the Saudi Authority for Industrial Cities and Technology Zones

##### ("MODON"):

- The Company has an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones. As for the ongoing obligations pursuant to the requirements of MODON, MODON shall oblige the licensed authorities to abide by the following conditions in order to maintain the license:
  1. The license shall give a permission to operate the facility and that the licensee operating such facility is the real operator subject to the licensee's legal entity, licenses and records. The Owner of the facility shall not be entitled to assign all or part of the operation and license to other parties.
  2. The licensee shall abide by the conditions and obligations and all laws, regulations, conditions, and instructions issued by "MODON." All other matters not stated in the regulations of MODON shall be referred to the applicable laws and regulations of the Kingdom of Saudi Arabia.
  3. The licensee shall renew this license within no more than 15 days after the expiry thereof.
  4. An agreement shall be entered into with an authority approved by the Civil Defense in order to carry out the periodic maintenance of firefighting/safety systems.
  5. The effectiveness of the firefighting/safety control system and their connection to a main control panel shall be ensured.
  6. The firefighting systems shall meet the approved plans of the factory.
  7. The emergency exits shall be ensured that they are sufficient and meet specifications.
  8. Safety requirements shall be applied during storage and transportation of dangerous chemicals and gases.

Table No. (76): Operating licenses

No.	Branch	Industrial License No.	Date of Issue	Date of Expiry	Agreement No. (MODON)
1	Factory of Arabian Pipes Company	5781442819017218	N/A	29/08/1443H (corresponding to 01/04/2022G)	806537

Source: the company

Subject to the above, the Company complies with the regulations of the Saudi Authority for Industrial Cities and Technology Zones and the relevant instructions.

#### 10.11.9 Ongoing obligations subject to the requirements of the General Authority for Meteorology and Environmental Protection ("Meteorological Authority")

- The activities licensed for the Company to carry out may have a negative impact on the environment. Therefore, the Company must comply with the following requirements and standards:
  1. The measurements, requirements and standards issued by the General Authority for Meteorology and Environmental Protection shall be complied therewith. An environmental compliance report shall be submitted every six months to the Authority and a copy of it shall be kept in the Company's environmental record.
  2. Technicians and specialists shall be permitted to enter the facility at any time.

3. In the event of any change or modification to the activity, the Facility's functions, the quality of the raw material or the production, or when any expansion or addition is made to the enterprise without informing the Meteorological Authority in advance, the environmental approval shall be null and void.
4. In case, there is a desire to use or retrieve any industrial waste within the manufacturing process, the Meteorological Authority must be notified in advance and the Authority's specialists shall review the technology and method used in this regard.
5. The General Authority for Meteorology and Environmental Protection shall have the right to cancel the license in the event that the facility does not comply with the General Environmental Law and the environmental requirements and standards.
6. The approval of the Meteorological Authority shall be specific to a certain site, and in the event of changing the site, an environmental approval for the new site shall be required.
7. Disposal of waste shall be made under agreement entered into with a competent authority and the completion bonds showing and recording the quantity of wastes in the environmental record shall be attached therewith.
8. Workers shall abide by occupational health and safety requirements.
9. Approval of the relevant authorities on the site shall be obtained to carry out the activity

\* The General Authority for Meteorology and Environmental Protection has been canceled and the roles thereof have been transferred to the National Center for Monitoring Environmental Compliance, in accordance with the decision of the Council of Ministers on 26/03/2019G.

Table No. (77): Environmental licenses

No.	Branch	Industrial License No.	Date of Issue	Date of Expiry **
1	Arabian Pipes Company	10118	06/04/1441H (Corresponding to 03/12/2019G)	05/04/1443H (Corresponding to 10/11/2021G)

Source: the company

\*\* Renewal of the license is under processing, and a request has been submitted to the National Center for Environmental Compliance under No. (7993/1443) dated 01/01/1443H (corresponding to 09/08/2021G) and is still under procedure as of the date of publication of this Prospectus.

**Except for the foregoing in Section (2) ("Risk Factors") of this Prospectus, the Company complies with the regulations of the General Authority for Meteorology and Environmental Protection.**

#### **10.11.10 Ongoing obligations as required by the Royal Commission for Jubail and Yanbu (the "Royal Commission")**

The company is licensed to operate an industrial facility within the scope of the Royal Commission for Jubail and Yanbu in accordance with the Environmental Standards Regulations and the requirements of the Royal Commission, requiring the company to comply with the following environmental conditions and standards in order to maintain the license:

##### **(a) General Conditions:**

- This environmental operating license is specific for Arc-Welded Steel Pipes, producing 300,000 meters of steel pipes annually.
- The design, operational practices, emissions, effluents and pollution control techniques described in the license application and related correspondence are conditions for this license.
- All environmental laws and regulations and subsequent updates issued by the Royal Commission shall apply to the enterprise.
- All pollution control equipment must be activated during operations.
- The Arabian Pipes Company shall be responsible for the repair works in the event of any chemical / oil spills, soil pollution and any similar incidents, provided that the same shall result from the Company's Work.

**(b) Aquatic Environment:**

• **Industrial Wastewater**

- The Arabian Pipes Company shall drain 30 cubic meters (120 cubic meters maximum) of industrial wastewater resulting from welded steel pipes to a Marafiq plant. Wastewater must comply with the criteria for pretreatment of wastewater (Table 3B).
- The Arabian Pipes Company shall install, operate and maintain an online monitoring system to monitor the industrial wastewater flow rate, temperature, pH, and conductivity. Until the online system is installed and run, the facility shall continue to submit monthly reports to the "RC." The flow rates, ammonia, oils and greases, pH, total phosphorous, temperature extractor, total dissolved solids, total organic carbon and suspended solids must also be monitored and reported on a monthly basis. The results are submitted to the Royal Commission on a monthly basis.

• **Seawater Cooling**

No direct seawater cooling discharge is existed from this factory into a channel for seawater cooling facilities.

• **Change in Currents**

No change in currents will be discharged from this factory.

**(c) Waste Management:**

- The Arabian Pipes Company shall submit a summary report on the waste generated from this station to the Royal Commission every (6) months. The report must detail the generated waste, as disposed of, the waste carrier, and the waste disposal facility used for the same.
- The Arabian Pipes Company shall submit a waste reduction plan at the time of renewal of the environmental license to show the particulars of the reduction of the current amount of waste.

**(d) Noise:**

The Arabian Pipes Company must submit an annual report to monitor border noise.

Table No. (78): Environmental Operating Licenses

No.	Branch	Industrial Licenses No.	Location	Date of Issue	Date of Expiry
1	Factory of Arabian Pipes Company	EPO 3/54 -212.2	Jubail	25/12/1440H (corresponding to 26/08/2019G)	19/02/1446H (corresponding to 25/08/2024G)

Source: The Company

Subject to the above, the Company complies with the regulations of the Royal Commission for Jubail and Yanbu.

## 10.12 Significant Agreements

### 10.12.1 Agreements and transactions with related parties

- As on the date of publication of this Prospectus, the Company has no agreements and transactions made with related parties in which there is a direct\indirect interest for Members of the Board of Directors or Senior Executives during the past three years until 30/06/2021G, except for those bonuses, allowances, salaries and incentives paid to Members of the Board of Directors and Key Management Employees.
- The Company has complied with disclosure procedures, ensuring the rights of shareholders. However, no votes are made to such agreements by the Company's General Assembly because they are non-commercial transactions.
- The following table shows the business and agreements that have been carried out in which the direct or indirect interest of the Members of the Board of Directors or Senior Executives during the past three years until 30/06/2021G.

Table No. (79): Agreements and Transactions with Related Parties of 2018G

Related Party (Debited)	Relationship	Nature of Transaction	Transaction value / SAR
Members of Board of Directors and Committees	Management	Bonus and allowances	1,202,000
Senior Executives	Functional	Salaries and other allowances	4,201,000
<b>Total</b>			<b>5,403,000</b>

Source: The Company

Table No. (80): Agreements and Transactions with Related Parties of 2019G

Related Party (Debited)	Relationship	Nature of Transaction	Transaction value / SAR
Members of Board of Directors and Committees	Management	Bonus and allowances	1,157,000
Senior Executives	Functional	Salaries and other allowances	389,000
<b>Total</b>			<b>1,546,000</b>

Source: The Company

Table No. (81): Agreements and Transactions with Related Parties of 2020G

Related Party (Debited)	Relationship	Nature of Transaction	Transaction value / SAR
Members of Board of Directors and Committees	Management	Bonus and allowances	1,293,000
Senior Executives	Functional	Salaries, allowances and incentives	4,498,000
<b>Total</b>			<b>5,791,000</b>
<b>Due to Related Parties</b>			
Board of Directors	Management	Bonus and allowances	1,211,000
Key Management Employees	Functional	Salaries, allowances and incentives	-
<b>Total</b>			<b>1,211,000</b>

Source: The Company



Table No. (82): Agreements and Transactions with Related Parties as on 30/06/2021G

Related Party (Debited)	Relationship	Nature of Transaction	Transaction value / SAR
Members of Board of Directors and Committees	Management	Bonus and allowances	251,000
Senior Executives	Functional	Salaries, allowances and incentives	2,409,000
<b>Total</b>			<b>2,660,000</b>
Due to related parties			
Board of Directors	Management	Bonus and allowances	1,334,000
Key Management Employees	Functional	Salaries, allowances and incentives	-
<b>Total</b>			<b>1,334,000</b>

Source: The Company

### 10.12.2 Lease Agreements

- The Company has entered into six (6) Lease Agreements in its capacity as a Tenant (which are offices, industrial lands and workers accommodations) in order to carry out its activity (including two lease agreements for the investment of industrial lands and one (1) agreement for workers accommodations within the scope of the Saudi Authority for Industrial Cities and Technology Zones and the Royal Commission for Jubail and Yanbu (which do not require the issuance of municipal licenses). Most of these agreements are traditional lease agreements (which stipulate the amount of rent that the company pays to the lessor annually) and are renewable, and considered void if the tenant delayed to pay the rent amount and the tenant is not entitled to sublet the property without taking a written consent of the landlord. The method of using the leased property or the activity may not be changed without the consent of the lessor. The following is a list of the company's sites lease agreements and their most important details:

Table No. (83): List of valid and renewed lease agreements for the sites occupied by the company

#	Lessor	Tenant	Location	Type of Property	Date of the Agreement	Term of the Agreement	Expiry of the Agreement	Value of the Agreement/SAR	Remarks
Lease Agreements executed by the Company in its capacity as a Tenant									
1	the Saudi Authority for Industrial Cities and Technology Zones ("MODON")	Arabian Pipes Company	Riyadh - Second Industrial City	Lease of plot No. (002M00248) with an area of (228167) square meters For the manufacture of shaped metal products, excluding machinery and equipment	23/01/1436H (corresponding to 16/11/2014G)	The Agreement Commences on 23/01/1436H (corresponding to 16/11/2014 G) and expires on 22/01/1456H (corresponding to 12/04/2034G).	22/01/1456H (corresponding to 12/04/2034G).	SAR 912,668 annually.	The operating license of the Agreement No. (5781442819017218) issued by MODON has been reviewed
2	the Saudi Authority for Industrial Cities and Technology Zones ("MODON")	Arabian Pipes Company	Riyadh - Second Industrial City	Lease of a plot No. (0020000355) with an area of (2,495) square meters for the establishment of a residential project	17/11/1439H (corresponding to 30/07/2018G).	20 years starting as of 07/11/1439H (corresponding to 20/07/2018G)	06/11/1459H (corresponding to 13/12/2037G)	SAR (99,800) annually.	



3	Dewan Al Jazira Commercial Building	Arabian Pipes Company	Al Jazeera Mall located in Al Khobar - King Abdullah Road and Prince Hammoud Street	Lease of office No. (105) on floor 1, with an area of (116) square meters, for the purpose of using it as administrative offices.	05/07/1438H (corresponding to 02/04/2017G)	(364) days As of 10/10/1443H (Corresponding to 11/05/2022G)	20/10/1444H (Corresponding to 10/05/2023G)	Total of SAR (60,030)	The Agreement will not be renewed without the consent of both parties and a new agreement (an agreement certified in the Lease platform (EJAR)) is signed.
4	Mr. Awad Majdoa Dhafer Al-Shehri	Factory of Arabian Pipes Company	Jubail - Prince Sultan 7295	Lease of apartments for staff accommodation	22/10/1442H (corresponding to 03/06/2021G).	364 days as of 22/12/1442H (corresponding to 01/08/2021G)	Expires on 02/01/1444H (corresponding to 31/07/2022G).	SAR 400,000 annually	The Agreement shall be automatically renewed for a similar period unless a Party notifies the other party of its desire to terminate the agreement (60) days before the date of the expiry of the lease term. (An agreement certified in the Lease platform (EJAR))
5	Royal Commission for Jubail and Yanbu	Factory of Arabian Pipes Company	Secondary Industries Area	The Authority shall lease plot No. (1), with an area of (212,254) square meters and is located in Section (K) as shown in the plan to establish and operate a factory.	23/03/1430H (corresponding to 20/03/2009G).	24 years as of 23/03/1430H (corresponding to 20/03/2009G).	22/03/1455H (corresponding to 20/06/2033G)	955,147.05	
6	Abanumay Industrial Company	Arabian Pipes Company	Riyadh - Sulaymaniya h District	Office	19/04/1443H (corresponding to 24/11/2021G)	(364) days as of 20/11/1442H (corresponding to 30/06/2021G)	30/11/1443H (corresponding to 29/06/2022G).	108,388	The lease term terminates on the expiry of the Agreement Term. If both Parties wish to renew, a new agreement shall be written and agreed thereupon by both Parties.

Source: The Company

- The legal persons with whom the Company deals in the capacity thereof as a tenant do not have any direct or indirect relationship with the Members of the Board of Directors. It is worth noted that the Council of Ministers' Resolution No. (292) dated 16/05/1438H, stipulating that any lease agreement that is not registered in the online portal shall not be considered valid to produce administrative judicial effects. Whereas an online portal for lease services was launched in cooperation between the Ministry of Justice and the Ministry of Housing on 17/ 05/1439H and whereas the Ministry of Justice issued a circular approving the application of the same to all agreements concluded after 05/05/1440 H. As of the date of publishing this Prospectus, the above lease agreements have not been registered in accordance with the requirements of the circular of His Excellency the Minister of Justice.

### 10.12.3 Supply Agreements

The Company made transactions with local and foreign bodies that supply the raw materials used by the company in its manufactures, and all these transactions take place under short-term agreements and contracts, all of them are expired and have been completed as of the date of publication of this prospectus.

Accordingly, there are no long or short-term agreements and contracts, and all current transactions are made through purchase and sale orders with all Company's clients.

#### ■ Sale and Supply Agreements of Pipelines to Aramco:

Table No. 1: Sale and Supply Agreements to Aramco

#	Supplier/vendor	Purchaser	Purpose of the Agreement	Date of the Agreement	Value of the Agreement	Date of the Expiry
1	Arabian Pipes Company	Saudi Aramco	The vendor supplies iron pipes and undertakes to deliver them on time	07/05/1443H (Corresponding to 11/12/2021G)	As per the attachments of the Agreement	07/05/1443H (Corresponding to 11/12/2021G) Date of Delivery
2	Arabian Pipes Company	Saudi Aramco	The vendor supplies iron pipes and undertakes to deliver them on time	01/11/1443H (Corresponding to 31/05/2022G)	As per the attachments of the Agreement	04/04/1443H (Corresponding to 09/11/2021G) Date of Delivery
3	Arabian Pipes Company	Saudi Aramco	The vendor supplies iron pipes and undertakes to deliver them on time	02/04/1443H (Corresponding to 07/11/2021G)	As per the attachments of the Agreement	03/05/1443H (Corresponding to 07/12/2021G) Date of Delivery

Source: The Company

key conditions of the agreement included the following:

1. Delivery of goods on time is a priority condition for Aramco and failure to comply with the time specified for delivery will jeopardize the agreement relationship between both Parties.
2. No purchase will be made if the Company's zakat certificate is expired
3. The vendor may not disclose or publish any data or information related to the purchaser without its prior written consent

#### 10.12.4 Loans and Credit Facilities

- The Company has multiple agreements of loans and credit facilities aimed to support its activities and projects as detailed below:

Table No. (75): Loans and credit facilities

Payment dated	Paid Amounts (SAR)	Used Amounts (SAR)	Credit Limit (SAR)	Facility Termination Date	Financier
Due date of the last payment of facilities is 17/10/1443H (corresponding to 18/05/2022G)	0	144,662,000 SAR	277,000,000 SAR	12/8/1442H (Corresponding to 4/3/2023G)	Bank of Riyadh**

Due date of the last payment of facilities is 9/10/1443H (corresponding to 10/5/2022G)	56,687,000	131,838,000 SAR	395,000,000 SAR	20/3/1442H (Corresponding to 6/11/2020G)	Al Rahim Bank ***
Due date of the last payment of facilities is 3/7/1443H (corresponding to 4/2/2022G)	25,533,000	64,766,000 SAR	205,000,000		Saudi British Bank ****
Due date of the last payment of facilities is 15/8/1446H (corresponding to 4/2/2025G)	0	78,374,000 SAR	236,549,000 SAR	29/12/1441H (Corresponding to 19/8/2020G)	Saudi Industrial Development Fund ****
Loan shall be repaid within 360 days	--	--	119,881,311	27/5/1443H (corresponding to 31/12/2021G)	Ministry of Finance *****

Source: Company

\* As of 30/06/2021G

**\*\* Major financial and operating warranties and representations given by the Company to the Financier under the Agreement include:**

- Promissory note to Bank of Riyadh in an amount of SAR (277,000,000).
- Non-assignment of this contract or any other rights arising thereunder to third parties without a prior written consent of the Bank.
- A notice shall be served to the Bank of any change to the Company's legal form/ partners/ limits of their liabilities/ capital/ liabilities towards third parties/ eligibility/ capacity/ its legal representative/ limits of their liabilities of otherwise. A notice shall be served to the Bank in case of any such change and relevant registration procedures by way of submitting substantiating regulatory documents to the extent acceptable by the Bank together with immediate signature of documents and submission of any other guarantees as the Bank requires.
- Obtain a prior written consent from the Bank in case of any change to the legal form, ownership structure or department related to the Borrower, its guarantors, sureties, affiliate and/ or sister company or in case of taking any decisions which might affect their obligations with the Bank or have any adverse effect to the Bank guarantees.

**\*\*\* Major financial and operating warranties and representations given by the Company to the Financier under the Agreement include:**

- The facility shall be used to fund contracts of Aramco projects and buy steel from local or international supplier against invoices at a percentage of 100%.
- Submission of annual financial statements to the Bank within (120) days from the end of each year including semiannual and quarterly financial statements, if available.
- The Client shall ensure that no Group member shall issue new shares, change any rights attached to its shares nor pay, distribute or declare dividends without a prior written consent of the Bank.
- Make any change to ownership without a prior written consent of the Bank.

- Provide the Bank with assignment and assignment confirmation by Saudi Aramco in case of funding new projects,
- The Client shall not use facilities for capital expansion and purchase of fixed assets.

**\*\*\*\* Major financial and operating warranties and representations given by the Company to the Financier under the Agreement include:**

- Promissory note to the Bank in an amount of SAR (205,000,000).
- Promissory note to the Bank in an amount of EUR (1,300,000) (which is equivalent to SAR (5,627,354).
- Promissory note to the Bank in an amount of US\$ (1,350,000) (which is equivalent to SAR (5,062,500).
- A notice shall be served to the Bank of any actual or expected changes to the legal position or registered address of it and any changes to the MOA or AOA of the Company as appropriate.
- The Bank reserves the right to amend the terms and conditions of the current facilities by way of seeking further guarantee, claim for payment of outstanding amounts and cancelation of limits or suspend use of the delivered facilities in case of any change to ownership.
- The Borrower shall not assign or transfer any or all of the rights and obligations under this Agreement without a prior written consent of the Bank.

**\*\*\*\*\* Major financial and operating warranties and representations given by the Company to the Financier under the Agreement include:**

- Mortgage bond in favor of the Fund, under which, all such buildings set up or to be set up on the Two Plots in Riyadh Project located at Riyadh Second Industrial City and hired by Saudi Authority for Industrial Cities and Technology Zones "MODON" under the Lease No. (806537) on 23/01/1436H and Jubail Project located at Minor Industries Zone in Jubail, hired by the Royal Commission for Jubail and Yanbu under the Lease No. (3-21-333-Z20) dated 23/03/1430H including all assets, equipment, machinery and accessories of the Project or those to be acquired in relation therefor including, but not limited to, vehicles, office furniture, additions, expansions or accessories to be obtained by the Borrower.
- Signing a promissory note in favor of the Fund.
- The Borrower undertakes that such profits allocated for distribution shall not exceed 25% of paid capital or total Fund loan installments payable during the distribution year, whichever is less.
- Annual capex shall not exceed an amount of SAR (19,500,000).
- Annual rents shall not exceed an amount of SAR (9,750,000).
- All such materials necessary for the Project shall be procured from local factories as per such quotations submitted and approved in Project study.
- Saudi consulting or other offices shall be employed to perform possible necessary technical studies and supervise establishment of the Factory in full or in part.
- A contract shall be entered into with a Saudi chartered auditing office to audit accounts of Industrial Project.
- No later than (90) days after the end of the financial year, the Borrower shall submit its balance sheet as of the end of such year together with profit and loss account of the Borrower for the same year. Within thirty days from the end of each quarter after the date of this contract, temporary financial statements including a statement of making use of all such amounts paid by the Fund shall be submitted. Immediately at the Fund request, further financial information together with any other information and documents related to the Project affairs shall be submitted.
- The Borrower shall give force to further mortgages over such properties covered by mortgage bond in relation to the Project from time to time upon the Fund request.



- At its own expense, the Fund shall enter into an insurance policy of the Project with insurers acceptable to the Fund and as it deems appropriate in terms of sum insured and perils associated with the Project, entries and reservations.
- Unless the Fund approves otherwise, the Borrower shall not enter into merger or acquisition with any person or establishment, sell or hire any or all material part or financial assets of the Project nor acquire or incur any or all material part of the principals of any person or establishment.
- No change shall be made to the legal description of the Borrower or persons who act as the Borrower without a prior written consent of the Fund.
- The Company shall maintain certain financial proportions.

**\*\*\*\*\* Major financial and operating warranties and representations given by the Company to the Financier under the Agreement include:**

- The Borrower undertakes that it has not created any guarantee over any of its current and future assets, rights, covenants, returns or properties.
- The Company shall submit its financial statement as soon as they become available.
- The Company shall not make any material change to the general nature of the Borrower or Group works other than what they practice in execution date of the Agreement.
- The Company shall entrust its board of directors to recommend the allocation of dividends to the General Assembly without a prior written consent of the Borrower.
- The Company shall maintain an insurance policy against risks to the usual levels of the companies which practice similar business activities to a great extent.
- The Borrower shall maintain a "Platinum" level in Nitaqat Program.

#### **10.12.5 Auditor Appointment Contract**

- The Company concluded an agreement with Ibrahim Ahmad Al Bassam & Co. (Chartered Accountant - Al Bassam & Co.) on 02/01/1443H (corresponding to 10/08/2021G). This is to audit the statement of financial position as of December 31, 2021G, statement of profit and loss, statement of comprehensive income, statement of changes to equities and statement of cash flows for the year ending 31/12/2021G and notes to financial statements including summary important accounting policies and inspection of summary initial financial statements. Remuneration allowance was set at SAR (368,000).

#### **10.12.6 Legal Services Provision Contract**

- The Company concluded an agreement for the provision of legal services with Dr. Hasan Al Mulla (Lawyers and Legal Consultant) on 21/10/1413H (corresponding to 14/04/1993G). This is to provide legal services related to all activities of the Second Party in Kingdom of Saudi Arabia in public and private sectors. Agreement term is one year automatically renewable if no notice is served by either party to the other of its intent not to renew before (3) months as of expiry of current term.
- The Company concluded an agreement for the provision of legal services with Al Sinidi Group Lawyers and Legal Consultant on 04/12/1442H (corresponding to 14/07/2021G) in relation to study of documentation, collection of evidences pertaining to the existence of accounting differences in the inventory clause and preparation of the legal opinion regarding such differences and their proposed procedures according to applicable laws and regulations. Agreement term in six (6) months as a maximum.

### 10.12.7 Contracts of Contractors

The Company entered into (6) O&M contracts and clearing services provision contract according to the following table:

Table No. (76): Service Contracts

#	(The First Party:)	(The Second Party)	Purpose of Contract	Date of Contract	Term	Expiry date	Amount	Note
1	Arabian Pipes Co.	Fahad Ali Al Makhles Contracting Company Est.	Operation and maintenance of multiple industrial and service locations of the First Party (inside the facility, Management Building and staff accommodation) by way of provision of technicians, operators and specialists.	29/1/1440H (Corresponding to 9/10/2018G)	Two years (annually renewable)	29/1/1444H (corresponding to 27/8/2022G)	As per the quotation signed by the Parties	Automatically renewable if no notice is served by either party to the other
2	Arabian Pipes Co.	Professionals Craft Contracting Est.	Operation and maintenance of multiple industrial and service locations of the First Party (inside the facility, Management Building and staff accommodation) by way of provision of technicians, operators and specialists.	26/10/1442H (corresponding to 7/6/2021G)	Three years (annually renewable)	16/10/1445H (corresponding to 25/4/2024G)	As per the quotation signed by the Parties	Automatically renewable if no notice is served by either party to the other
3	Arabian Pipes Co.	Fares Al Reem Contracting Est.	Operation and maintenance of multiple industrial and service locations of the First Party (inside the facility, Management Building and staff accommodation) by way of provision of technicians, operators and specialists.	23/10/1437H (corresponding to 28/7/2016G)	Three years (annually renewable)	23/10/1443H (corresponding to 24/5/2024G)	As per the quotation signed by the Parties	Automatically renewable if no notice is served by either party to the other
4	Arabian Pipes Co.	Zagil Al-Khalig Contracting, Maintenance,	Operation of cleaning services in the office of Arabian Pipes Co., Al	24/2/1441H (corresponding to 23/10/2019G)	Three years (annually renewable)	24/2/1444H (corresponding to 20/9/2022G)	SAR (3,500) per worker monthly	Automatically renewable if no notice is served by

		Cleaning and Operation Est.	Khobar by way of provision of cleaning technicians.					either party to the other
5	Arabian Pipes Co.	Special Units Co,	Operation and maintenance of multiple industrial and service locations of the First Party (inside the facility, Management Building and staff accommodation) by way of provision of technicians, operators and specialists.	6/5/1441H (corresponding to 1/1/2020G)	Three years (annually renewable)	6/5/1444H (corresponding to 30/11/2022G)	As per the quotation signed by the Parties	Automatically renewable if no notice is served by either party to the other

Source: Company

### 10.13 Properties of the Company

Properties of the Company including the sites owned by it and which title deeds were viewed as follows:

Table No. (77): Properties of the Company

#	Title Deed No.	Date	Location	Land/ Plan No.	Surface Area	Owner
1	323406001963	25/6/1443H (Corresponding to 20/12/1992G)	Jubail	Plot of Waste Land No. (2) located 4,5km at the southern side of Jubail Bridge and eastern side of Abu Hadria Line under the Plan No. 222/C Board No. (3)	(50,000) square meters	Arabian Pipes Co. Arabian Pipes Co.
2	323406001964	25/6/1413H (Corresponding to 20/12/1992G)	Jubail	Full Plot of Waste Land No. (5) located 4,5km at the southern side of Jubail Bridge and eastern side of Abu Hadria Line under the Plan No. 222/C Board No. (3)	(50,000) square meters	Arabian Pipes Co.

Source: Company

Save the above properties, there are no other properties registered in the name of the Company

### 10.14 Assets and Properties

#### 10.14.1 Fixed Assets

- The Company have variety of buildings set up on land(s) hired from governmental bodies expiring on 1456H (2034G).
- According to the auditor report of Company's accounts for the financial period ending 31/12/2019G, book value of buildings was SAR (52,500,000) as of 31/12/2020G and SAR (49,900,000) including value of buildings erected on hired land.



#### 10.14.2 Movable Assets

- Auditor report of Company's accounts was audited including statement of movable assets i.e., machinery, equipment, furniture, improvements, vehicles and computer hardware and software. Total book value of fixed assets as of 31/12/2019G reached SAR (374,420) and as of 31/12/2020G reached SAR (354,824).

It is worthy to mention that the Company's buildings set up on lands hired from MODON, its factories and total properties, machinery and equipment mortgaged to Industrial Development Fund against a long-term loan under a mortgage bond duly signed and attached to loan agreement. A further mortgage was created over equipment and machinery of Riyadh and Jubail Factories in favor Industrial Development Fund against taking loan(s) from the Fund according to the Shareholders General Assembly Resolution dated 17/10/1440H (corresponding 20/06/2019G).

#### 10.15 Lawsuits and Claims against the Company

- As of date of this Prospectus, the Company's Management confirmed that the Company is not a litigant to any actual or potential lawsuit, cases, complaints, claim, arbitration, administrative proceedings or existing investigations which may have jointly or severally adverse effects to the Company's business or financial position. No existing material judicial disputes (whether current or potential) or facts which may arise from them came to the knowledge of the Company's Management which may have jointly or severally imminent risk related to a material dispute as of date of this Prospectus.

#### 10.16 Trademarks

- The Company uses its logo in relevant transactions and as of date of this Prospectus, no trademarks whatsoever are registered in the Company's name. However, and as of date of this Prospectus, an application was submitted to Saudi Authority for Intellectual Property (SAIP) to register the Company's logo as a trademark and give the same necessary protection under No. (322098) on 03/04/1443H (corresponding to 08/11/2021G).
- The Company has intangible assets which book value reached as of 31/12/2020G SAR (216,000) and these assets are computer software.
- The Company has a domain name (www.arabian-pipes.com) which it uses as a website. However, and as of date of this Prospectus, such domain name was not registered before CITC. Such domain name was protected against infringement and use by third parties unlawfully and it took the following form (www.arabian-pipes.com.sa).

#### 10.17 Insurance

The Company has variety of insurance policy which aim to prevent certain risks and maintain its assets and properties including:

- The Company signed a health insurance contract for its employee and some of their family members with Bupa Arabia Cooperative Insurance Co., a company licensed to operate in KSA on 26/05/1442H (corresponding to 10/01/2021G). This policy carries No. (46746800) and covers healthcare through a network of service providers appointed by the Company provided that the case shall be included by the insurance cover. Benefits and indemnities of coverage include all current or new employees within the payroll (husband/ wife, children and sons - as a minimum: From date of birth - as a maximum: up to 25 years for unmarried female children including widows and divorced women and according to the insurance policy of the Company). Policy term is one calendar year which comes to effect from 01/01/2021H to 31/12/2021G. Policy includes benefits, premiums and policy coverage together with exclusions and services not covered by the policy.
- An auto insurance policy for such vehicles owned by the Company made with Shelter Cooperative Insurance Co. was viewed. Such company is licensed to operate in KSA. Coverage term is one year and in extends to compensate the Insured Company against loss or damage of the insured vehicle and built-in spare parts. Maximum liability of the insurer per occurrence in terms of bodily and material damage jointly shall not exceed SAR (10,000,000). Policy covers (13) vehicles.

- Insurance policy of properties against all such risks which the Company's office located at Riyadh and relevant facilities may face was viewed on 10/05/1441H (corresponding to 05/01/2021G) and it was signed by Cooperative Insurance Co., a company licensed to operate in KSA. This policy carries No. (610881), starts from 01/01/2021G and expires 31/12/2021G. Insurance cover includes (the Company's facilities related to main buildings and their attachments). Sum insured is SAR (332,005,241.14). This insurance is a prerequisite concerning the facilities agreement signed by Saudi Industrial Development Fund. As per the said policy, the Fund is a beneficiary of the insurance together with the Company.
- Insurance policy of properties against all such risks which the Company's office located at Jubail and relevant facilities may face was viewed on 10/05/1441H (corresponding to 05/01/2021G) and it was signed by Cooperative Insurance Co., a company licensed to operate in KSA. This policy carries No. (610880), starts from 01/01/2021G and expires 31/12/2021G. Insurance cover includes (the Company's facilities related to main buildings, their attachments and factories). Total sum insured is SAR (624,458,929.13).
- Signed on 18/06/1442H (corresponding to 31/01/2021G) with Mediterranean and Gulf Cooperative Insurance and Reinsurance Co. "MEDGULF", a company licensed, controlled and supervised by Saudi Central Bank, insurance policy of factories and machinery issued under No. (PES- 5807762-2021) was viewed. Coverage starts from 29/01/2021G and expires on 29/01/2022G. Total sum assured of machinery is SAR (4,933,074) and SAR (1,000,000) against third parties. Insurance coverage include such machinery and equipment provided for in the Policy (issue 10) as distributed between Riyadh and Jubail.

#### 10.18 Material information changed since CMA's approval of last share issue Prospectus

The company has never issued a prospectus since its establishment, but rather increased its capital by issuing shares distributed to the company's shareholders or by granting free shares to shareholders registered in the company's records on the date of grant.

#### 10.19 Declarations of Board members regarding legal information

In addition to the other declarations referred to herein, the Board members acknowledge the following:

- A) The Prospectus is compliant with relevant laws and regulations in Saudi Arabia.
- B) The issuance shall not prejudice any of the contracts or agreements where the company is a party.
- C) All material legal information relating to the Company has been disclosed herein.
- D) The company is not subject to any lawsuits or legal procedures that, alone or as a whole, may materially affect their business or their financial position.
- E) The members of the company's board of directors are not subject to any lawsuits or legal procedures that, alone or as a whole, may materially affect the Company's business or financial position.
- F) The company continues to comply with the Ministry of Commerce requirements until the date of this prospectus and undertakes to keep complying therewith.
- G) The company continues to comply with ZATCA requirements until the date of this prospectus and undertakes to keep complying therewith.
- H) The company continues to comply with MHRSD requirements until the date of this prospectus and undertakes to keep complying therewith.
- I) The company continues to comply with the requirements of law, regulations and instructions of the Capital Market and the Financial Market Authority (Tadawul) until the date of this prospectus and undertakes to keep complying therewith.
- J) The company continues to comply with the requirements of law, regulations and instructions of General Organization of Social Insurance until the date of this prospectus and undertakes to keep complying therewith.
- K) The Company continues to comply with the requirements of law, regulations and instructions of the Ministry of Municipal, Rural Affairs and Housing (MOMRAH) until the date of this Prospectus, and pledge to continue complying therewith.

- L) The Company continues to comply with the requirements of law, regulations and instructions of the Ministry of Industry and Mineral Resources until the date of this Prospectus, and pledge to continue complying therewith.
- M) The Company continues to comply with the requirements of law, regulations and instructions of The Saudi Authority for Industrial Cities and Technology Zones "MODON" until the date of this Prospectus, and pledge to continue complying therewith.
- N) The Company continues to comply with the requirements of law, regulations and instructions of The General Authority of Meteorology and Environmental Protection until the date of this Prospectus, and pledge to continue complying therewith.
- O) The Company continues to comply with the requirements of law, regulations and instructions of The Royal Authority for Jubail and Yanbu until the date of this Prospectus, and pledge to continue complying therewith.

## 11. Underwriter

The Company entered into an underwriting agreement with the Underwriter (Yaqeen Capital), pursuant to which the Underwriter shall cover an offering of thirty million (30,000,000) Ordinary Shares, at an offer price of Ten Saudi Riyals (SAR 10) per share, representing (100%) of Rights Shares offered for subscription ("Underwriting Agreement").

### 11.1 Underwriter

---

#### Yaqeen Capital

Riyadh- Al Woroud District - Al Ulaya Street

P.O Box 884 Riyadh 11421

Kingdom of Saudi Arabia

Tel: +966 8004298888

Fax: +966 11 2054827

E-mail: Info@falcom.com.sa

Website: www.yaqeen.sa



### 11.2 Summary of the Underwriting Agreement

Pursuant to terms and conditions of the underwriting agreement:

- 1) The Company undertakes to the Underwriters that, on the allocation date, it will allocate and issue to the Underwriter all rights shares that have not been subscribed to by the Eligible Shareholders as additional shares at the Offer Price.
- 2) The Underwriter undertakes to the Company that it will, on the allocation date, purchase the number of Offer Shares not subscribed to by Eligible Shareholders, as additional shares at the Offer Price.
- 3) The Underwriter will receive a fixed financial consideration against underwriting the Offering which amount shall be paid from the Offering Proceeds.

## 12. Waivers

The Company has not submitted any exemption request to the Capital Market Authority in connection with the offering.



## 13. Information concerning the shares and terms and conditions of the offer

The Company has filed an application for the registration and offering of the new shares to the CMA and to Tadawul for listing the new shares. All the requirements were fulfilled in accordance with the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.

All Eligible Shareholders and holders of acquired Rights must read the subscription terms and conditions carefully before electronic subscription, submission of the subscription application through a Broker, or filling out the Rump Offering application form. The submission of the subscription application or the signing and delivery of the Rump Offering Subscription application form constitutes acceptance of the mentioned terms and conditions.

### 13.1 Offering

The Offering is an increase in the Company's capital through issuing rights shares with a value of three hundred million (300,000,000) Saudi Riyals, divided into thirty million (30,000,000) ordinary shares, with a nominal value of ten (10) Saudi Riyals per share and an offer price of ten (10) Saudi Riyals per share.

### 13.2 How to Apply for Subscription to the Rights (New Shares)

The Registered Shareholders and those wishing to subscribe to the Rights shall submit the subscription application during the Offering Period through the investment portfolio on trading platforms through which sale and purchase orders are entered, in addition to the possibility of subscribing through any other means provided by the Broker and shares Custodian in the Kingdom during the Offering Period. If there is a Rump Offering Period, Subscription Application Forms can also be submitted during such a period by Institutional Investors for any Rump shares only.

By subscribing, the subscriber:

- ✓ Agrees to subscribe for the Company's shares in the number of such shares specified in the Subscription Application Form.
- ✓ Declares that they have read the Prospectus and understood all of its contents.
- ✓ Accepts the Company's Bylaws and the terms mentioned in the Prospectus.
- ✓ Declares that it has not subscribed for the same shares under this offering and the Company has the right to reject all of their applications if it is proven that they submitted more than one application.
- ✓ Accepts the number of shares allocated thereto and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form.
- ✓ Warrants not to cancel or amend the Subscription Application Form after submitting it to the Broker.

### 13.3 Subscription Application

The Registered Shareholders wishing to exercise their full right and subscribe to all entitled Rights shall subscribe through the investment portfolio on trading platforms through which sale and purchase orders are entered, or through any other means provided by the Broker and shares Custodian.

The number of shares entitled to an Eligible Person will be calculated based on the number of Rights held thereby. The subscription monies that the subscriber must pay are calculated by multiplying the number of existing Rights owned prior to closing of the Subscription Period by ten (10) Saudi Riyals.

### 13.4 Trading Period, Subscription Period and Rump Offering Period

The Eligible Shareholders wishing to subscribe to the Rights shall submit the subscription application during the Offering Period, which begins on xx/xx/1443H (corresponding to xx/xx/2022G) and ends on xx/xx/1443H (corresponding to xx/xx/2022G).

The Extraordinary General Assembly held on xx/xx/1443H (corresponding to xx/xx/2022G) approved the Board of Directors' recommendation to increase the company's capital by issuing rights shares. Under this Prospectus, thirty million (30,000,000) ordinary shares will be offered for subscription in the Rights Issue, representing (30%) of the Company's share capital prior to the offering, at an offer price of ten (10) Saudi Riyals per share, and nominal value of ten (10) Saudi Riyals, with a total offering value of three hundred million (300,000,000) Saudi Riyals. The new shares will be issued with at (1) share for each Right to shareholders. Subscription of the rights offered to the shareholders registered in the Company's shareholders register as of the close of the second trading day following the date of the EGM on xx/xx/1443H (Corresponding to xx/xx/2022G), and for eligible persons who have purchased the Rights during the trading period, including registered shareholders who have purchased additional rights in addition to the rights they already own.

If Eligible Persons have not exercised the Rights by the end of the Offering Period, the Rump shares resulting from non-exercise or sale of those rights will be offered to Institutional Investors in the Rump Offering Period.

Registered Shareholders will be able to trade the Rights deposited in their portfolios via the Saudi Stock Exchange (Tadawul). These Rights are considered to be the acquired right of all shareholders registered in the Company's shareholders register as of the close of the second trading day following the date of the EGM on capital increase. Each Right grants its holder eligibility to subscribe for one new share at the offer price. The Rights will be deposited after the EGM. The Rights will appear in the portfolios of the Registered Shareholders under a new symbol specifying the Rights Issue. Then, Registered Shareholders will be informed of the deposit of the Rights in their portfolios.

The schedule for the sequence and details of the offering process of the rights shares will be as follows:

- 1) **Eligibility Date:** End of trading on the day of the EGM on xx/xx/1443H (corresponding to xx/xx/2022G).
- 2) **Trading Period and Subscription Period:** The trading period and Subscription offering period start on xx/xx/1443H (corresponding to xx/xx/2022G). The trading period will end on xx/xx/1443H (corresponding to xx/xx/2022G), while the Subscription offering period will continue until the end of the day on xx/xx/1443H (corresponding to xx/xx/2022G).
- 3) **The Rump Offering Period:** it starts from 10:00 AM on xx/xx/1443H (corresponding to xx/xx/2022G) until the following day at 5:00 PM on xx/xx/1443H (corresponding to xx/xx/2022G). During this period, the remaining shares will be offered to a number of Institutional Investors ("Investment Institutions"), provided that such Investment Institutions shall submit offers to purchase the Rump shares. The Rump shares shall be allocated to Institutional Investors with the highest offer, then to the next one, provided that price will not be less than the offer price, and the allocation of those shares to Institutional Investors submitting the same offer will be on pro-rata basis. Fractional shares shall be added to the Rump shares and treated in the same way. The subscription price of the new unsubscribed Shares for this period will be offered at the offer price, as the minimum price. In case the sale price of such shares is higher than the offer price, the difference (if any) shall be distributed as compensation to the Rightsholders who did not exercise their rights in the subscription in proportion to their respective rights.
- 4) **Final Allocation of Shares:** Shares will be allocated to each investor based on the number of Rights properly and fully exercised by them. As for those entitled to fractional shares, fractional shares will be collected and offered to Institutional Investors during the Rump offering period. The total offer price of the Rump shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump shares and fractional shares, without any charges or deductions, (in excess of Offer Price) shall be distributed to the Eligible Persons not later than xx/xx/1443H (corresponding to xx/xx/2022G).
- 5) **Trading of the New Shares on Tadawul:** Trading in 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 applied to the CMA to register and offer the new shares, and the Company has also applied to the Saudi Tadawul Group (Tadawul) to accept its listing.

### 13.5 Allocations and Refunds

The Company and the Lead Manager will open an Escrow Account in which the proceeds will be deposited.

Rights issue shares shall be allocated to the Eligible Persons based upon the number of Rights that they properly and fully exercised. As for Shareholders entitled to fractional shares, these shall be accrued and offered to Institutional Investors during the Rump offering. The total offer price of the of Rump shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump shares and fractional shares (in excess of offer price) shall be distributed to the Eligible Persons not later than xx/xx/1443H (corresponding to xx/xx/2022G). Noting that investors who did not subscribe to or sell his/her rights, and those holding fractional shares, may not receive any consideration in case of sale at offer price during the rump share period. In the event that new shares remain unsubscribed to, they will be purchased by and allocated to the underwriter.

Final notice for the number of shares allocated to each Eligible Person without any charges or withholdings by the Lead Manager is expected to take place by depositing the shares into the accounts of subscribers. Eligible Persons shall contact the Broker through which the application is submitted for further information. The results of the allocation will be announced no later than on xx/xx/1443H (corresponding to xx/xx/2022G).

Oversubscriptions (remaining proceeds from the Offering process exceeding the Offering Price) (if any), and the compensation amount (if any) will be refunded to the Eligible Persons who have not exercised their right to subscribe in whole or in part to the new shares and to those who are entitled to fractional shares without any deductions, no later than xx/xx/1443H (corresponding to xx/xx/2022G).

### 13.6 Supplementary Prospectus

The Company must submit to CMA a Supplementary Prospectus, in accordance with the requirements of the rules for the Offering of securities and Continuing Obligations, if the Company becomes aware at any time after the date of the publication of this Prospectus and before the completion of the Offering of any of the following:

- The existence of a significant change in material matters mentioned in this Prospectus.
- Any important issues have emerged that should have been included in this Prospects.

The investor who subscribed for the new shares prior to the publication of the Supplementary Prospectus may cancel or amend his/her subscription for these shares before the end of the Offering period.

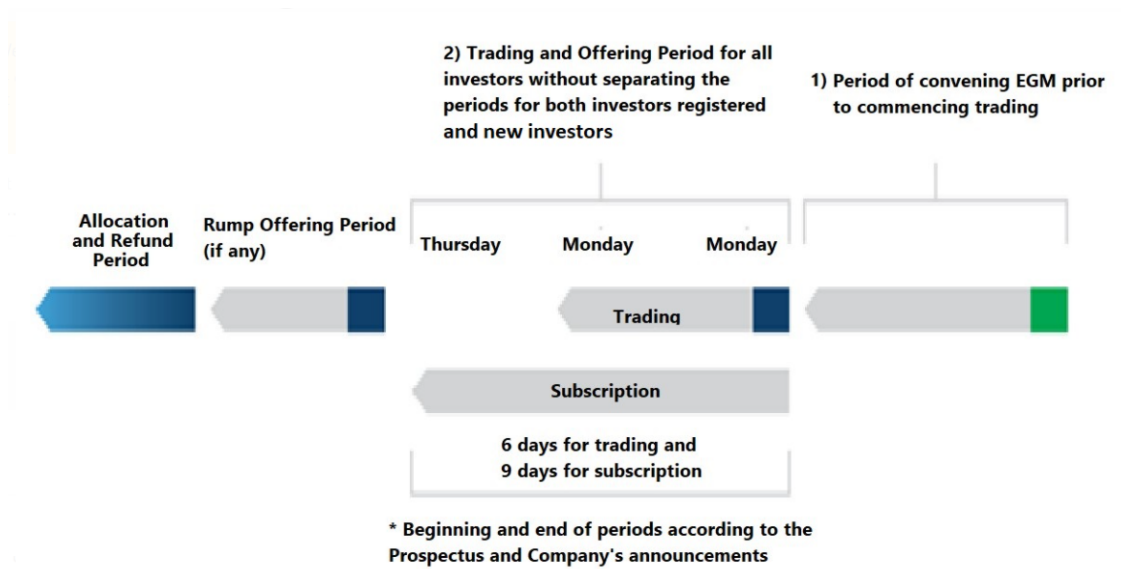
### 13.7 Suspension or cancellation of the Offering

The Financial Market Authority may, at any time, issue a decision to suspend or cancel the Offering if it deems that the Offering may result in a breach of the stock market law, its implementing regulations, or the market's rules. In addition, the offer will be canceled if the extraordinary general assembly does not approve any of the details of the offer.

The following figure shows the mechanism for trading and underwriting traded rights:

Figure no. (2): The mechanism for trading and underwriting traded rights.





Source: Tadawul



## 13.8 Q&A related to Rights

### What is Rights Issue ?

A Rights Issue is an offering of tradable securities that give their holders the right to subscribe for New Shares upon approval of capital increase. They are acquired rights for all Shareholders who own shares at the date of the EGM for capital increase, and who are registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. Each Right grants its holder the right to subscribe for one New Share at the Offer Price.

### Who is granted the Rights?

The Rights shall be granted to Shareholders registered in the Company's Register as of the close of the second trading day of the EGM to increase the capital.

### When are rights deposited?

Following the extraordinary general assembly and its approval to increase the capital through a Rights Issue, the Rights shall be deposited as securities in the portfolios of shareholders registered in the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. The New Rights appear in their portfolios under a new code for the Rights. These Rights cannot be traded or subscribed by the Registered Shareholders until the beginning of the Trading Period and Subscription Period.

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

The registered shareholders are notified through an announcement on the Tadawul website and through (Tadawulaty) Service provided by the Depository Center and SMS's sent through intermediaries/brokers.

### How many Rights can be acquired by a Registered Shareholder?

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

### What is the Rights Issue eligibility factor?

It is the means by which the Registered Shareholder can determine the Rights it is entitled to in relation to its shareholding under the Company's Shareholders Register held with the Depository Center at the close of the second trading day following the date of the EGM. It is calculated by dividing the number of New Shares by the number of the Company's existing Shares. It is, therefore, (3) shares for each (1) share held by registered shareholders on eligibility date; for example, if a registered shareholder owns (1,000) shares on eligibility date, then (3000) shares will be allocated to him/her in consideration of his/her shareholding.

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

Yes, as the acquired right will be added to the investors' portfolios under the name of the original share, and by adding the word rights, in addition to a new symbol for these rights.

### What is the value of the right at the beginning of its trading?

The opening price of the Right is the difference between the closing price of the share on the day preceding the Rights listing and the Offer Price (the indicative value of the Right). For example, if the closing price of a share on the preceding day is (60) Saudi Riyals and the Offer Price is ten (10) Saudi Riyals, the opening price of the Rights will be fifteen (22.5) Saudi Riyals.

### Who is the Registered Shareholder?

A shareholder who appears in the Company's shareholder register at the end of the second trading day after the extraordinary general assembly.

### **Can listed shareholders subscribe to additional shares?**

Yes. Registered Shareholders can subscribe for additional shares by purchasing new Rights through Tadawul during the Trading Period.

### **Is it possible for a registered shareholder to lose his/her eligibility to subscribe even if he/she has the right to attend the extraordinary general assembly and vote on raising the capital through a rights issue?**

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

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

Subscription Applications are submitted through investment portfolios in trading platforms, through which sale and purchase orders are entered. In addition, it is possible to subscribe through any other means provided by the broker and the custodian of shares.

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

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

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

The rights will be deposited in the same portfolio in which the shares of the company connected to the rights are deposited. For example, if a shareholder holds one thousand (1000) shares in the Company (eight hundred (800) shares in portfolio (a) and two hundred (200) shares in portfolio (b), then the total rights (amounting to two thousand (2000) rights, as each share is eligible for (2) rights shares, will be deposited. Therefore, one thousand six hundred (1600) rights will be deposited in portfolio (a) and four hundred (400) rights will be deposited in portfolio (b).

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

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

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

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

### **Is it possible to sell a part of these Rights?**

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

### **When can a Shareholder subscribe for the Rights he/she purchased during the Trading Period?**

After settlement of the purchase of Rights (two business days), on condition that subscription to the rights will be during subscription period.

### **Can the Eligible Person sell or assign the Right after the expiry of Trading Period?**

No. After the expiry of Trading Period, the Eligible Person may only exercise the right to subscribe for the Rights Shares or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his/her investment portfolio, or profit in case of selling the shares during the Rump Offering Period at a higher price than the offer price.

### **What happens to the Rights that are unsold or unsubscribed for during the Trading and Subscription Periods?**

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

### **Who has the right to attend the Extraordinary General Assembly and vote on increasing the Issuer's share capital through a Rights Issue?**



A shareholder registered in the Company's Shareholders Register at the Depository Center after the end of the trading session, on the date of the EGM, shall have the right to attend the EGM and vote on increasing the Issuer's share capital through a Rights Issue.

#### **When is the share price adjusted as a result of increasing the Issuer's share capital through a Rights Issue?**

The share price is adjusted by Tadawul before the start of trading on the day, following the EGM.

#### **If an investor buys securities on the date of the EGM, will he/she be eligible for the Rights resulting from the increase of the Issuer's share capital?**

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

#### **If an investor has more than one portfolio with more than one broker, how will their Rights be calculated?**

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

#### **What are the Trading and Offering Periods?**

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

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

No.

#### **Can investors, who are not Registered Shareholders, subscribe for the Rights Shares?**

Yes. Investors can subscribe for the Rights Shares upon full purchase of Rights during the Trading Period.

#### **Additional assistance:**

In case of any inquiries, please contact the Company at the e-mail (Info@arabian-pipes.com). For legal reasons, the company will only be able to provide the information contained herein and will not be able to advise on the merits of issuing rights or even provide financial, tax, legal, or investment advice. For more information on the terms, conditions and instructions for the subscription, please refer to Section (Error! Reference source not found.) "Details on Shares and Offering Terms and Conditions" and other information contained herein.

### **13.9 Decisions and approvals according to which shares will be offered**

The Company's Board of Directors recommended in its meeting held on xx/xx/1443H (corresponding to xx/xx/2022G) to increase the Company's capital through a Rights Issue of three hundred million (300,000,000) Saudi Riyals, after obtaining the necessary regulatory approvals and EGM approval.

On xx/xx/1443H (corresponding to xx/xx/2022G), the EGM approved to increase the Company's share capital through a Rights Issue. The subscription will be through offering thirty million (30,000,000) new ordinary shares (referred to as "Rights Shares" or "New Shares") at an offer price of ten (10) Saudi Riyals per share (referred to as "Offer Price"), with a nominal value of ten (10) Saudi Riyals, to increase the company's capital from (SAR 100,000,000) one hundred million Saudi riyals to (SAR 400,000,000) four hundred million Saudi riyals, and increase the number of shares from (10,000,000) ten million ordinary shares to (40,000,000) forty million ordinary shares.

The Saudi Stock Exchange (Tadawul) approved the application for listing the new shares on 05/07/1443H (corresponding to 06/02/2022G). The publication of this prospectus and all the supporting documents requested by the Authority were also approved on the date of its announcement on the Authority's website on 21/08/1443H (corresponding to 24/03/2022G).

### 13.10 Miscellaneous Terms

- The Subscription application form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assignees, executors, administrators, and heirs. Except as specifically indicated herein, neither the application nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.
- These instructions, conditions and receipt of any Subscription application forms, or related contracts shall be governed, construed, and enforced in accordance with the laws of the Kingdom of Saudi Arabia. This Prospectus may be distributed in Arabic and English. In case of conflict between the two texts, the Arabic text of the Prospectus shall prevail.

### 13.11 Statement of any arrangements in place to prevent disposal of certain shares

There are no arrangements in place to prevent disposal of any shares.

### 13.12 Rump Offering

During this period, the remaining unsubscribed shares will be offered to a number of Institutional Investors ("Investment Institutions"), provided that such Institutional Investors shall submit offers to purchase the Rump shares and fractional shares. Such offers will be received starting from 10 a.m. on xx/xx/1443H (corresponding to xx xx/xx/2022G) until 5 p.m. of the following day on xx/xx/1443H (corresponding to xx xx/xx/2022G). This offer shall be referred to as "Rump Offering". The Rump shares shall be allocated to Institutional Investors with the highest offer, then to the next one, provided that price will not be less than the offer price, and the allocation of those shares to Institutional Investors submitting the same offer will be on pro-rata basis.

Fractional shares will be added to the rump shares and offered to Institutional Investors during the Rump Offering Period. The total offer price of the Rump shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump shares and fractional shares, without any charges or deductions, (in excess of Offer Price) shall be distributed to the Eligible Persons not later than xx/xx/1443H (corresponding to xx/xx/2022G).

The trading of offered shares is expected to start on Tadawul upon the completion of all procedures related to the registration and allocation of the offered shares.

An application was submitted to CMA for registering and offering the new shares and to Tadawul for listing.



## 14. Change in share price due to capital increase

The closing price of the Company's share on the day of EGM is (xx) Saudi Riyals, and it is expected to reach (xx) Saudi Riyals at the opening of the following day, and this change represents a decrease of (xx%). In the event that none of the shareholders registered in the Company's Shareholders Register at the Depository Center subscribed to at the end of the second trading day following the date of EGM, this will lead to a decrease in their ownership percentage in the Company.

**Method for calculating the share price due to capital increase is as follows:**

**First: Calculating the market value of the Company upon closing on the day of EGM.**

The number of shares at the end of the day of EGM x the closing price of the Company's share on the day of EGM = The market value of the Company at the close on the day of EGM.

**Second: Calculating the share price at the opening day of the day that follows the day of the EGM.**

(The market value of the Company at the close on the day of EGM + the value of the shares offered) / (the number of shares at the end of the day of EGM + the number of shares offered for subscription) = The expected share price at the opening of the day following the day of EGM.

## 15. Subscription Declarations

### 15.1 Overview of the Subscription Application and the Covenants

It is possible to subscribe using trading platforms or through any other means provided by the agent to the investors. The new shares will be subscribed to in one stage, according to the following:

- 1) During this period, all Registered Shareholders and New Investors will be allowed to subscribe to the New Shares.
- 2) The Registered Shareholder will be entitled to subscribe directly to the number of his / her shares during the Subscription Period. If the Registered Shareholder buys new Rights, the Registered Shareholder will be able to subscribe to them by the end of the settlement period (two working days).
- 3) New investors will be entitled to subscribe to the new shares immediately after settling the rights purchase (two working days).
- 4) Subscription will be available electronically through investment portfolios in the trading platforms and applications, through which the sale and purchase of orders are entered, as well as through other channels and means provided by the broker.

Each Right entitles its holder to subscribe to one new share at the Offer Price. Subscriber to the new shares declares the following:

- ✓ His/her acceptance of all the subscription terms and conditions stated in this Prospectus.
- ✓ That he/she has read this Prospectus and all its contents carefully and understood its content.
- ✓ His/her acceptance of the Company By-Laws.
- ✓ He/she is committed not to cancel or amend the subscription application after its submission

### 15.2 Allocation Processes

Rights issue shares shall be allocated to the Eligible Persons based upon the number of Rights that they properly and fully exercised. As for Shareholders entitled to fractional shares, these shall be accrued and offered to Institutional Investors during the Rump offering. The total offer price of the of Rump shares shall be paid to the Company, and all the remaining proceeds resulting from the sale of Rump shares and fractional shares (in excess of offer price) shall be distributed to the Eligible Persons not later than xx/xx/1443H (corresponding to xx/xx/2022G). In the event that shares remain unsubscribed to, such shares will be purchased by and allocated to the underwriter.

Eligible Persons should contact the agent through which they were subscribed to obtain any additional information. The results of the allocation will be announced no later than on xx/xx/1443H (corresponding to xx/xx/2022G).

### 15.3 Saudi Tadawul Group (Saudi Tadawul)

Tadawul system was established in 2001G as an alternative system for the electronic securities information system. The electronic stock trading started in the Kingdom in 1990G. The trading process is carried out through an integrated electronic system from the execution of the transaction to the settlement. Trading is conducted on each business day, from Sunday to Thursday, at one go from 10 a.m. until 3:00 p.m., during which orders are executed. Beyond such times, orders are permitted to be inserted, amended, and cancelled from 9:30 a.m. until 10 a.m.

The transactions are executed through automatic order matching, and orders are received and prioritized according to the price. In general, market orders are executed first, which are the orders that have the best prices, followed by fixed-price orders, and in the event that several orders are entered at the same price, they are executed according to the timing of the entry.



The Tadawul system distributes a comprehensive range of information through different channels, most notably the Tadawul website, where up-to-date market information is provided immediately to information providers such as Reuters. Transactions are automatically settled within two business days (T + 2).

The Company must disclose all decisions, material, and important information through Tadawul. Tadawul is responsible for monitoring the market in order to ensure fairness of trading and efficiency of market operations.

#### **15.4 Trading of the Company shares on the Saudi Stock Exchange**

An Application has been submitted to CMA to register and list the Rights in the Saudi Stock Exchange and a request has been submitted to the Stock Market (Tadawul) for their listing. This Prospectus has been approved and all requirements have been met.

Registration and the commencement of trading in the Rights in the Saudi Stock Exchange are expected after the final allocation of the Offering Shares is completed and will be announced on Tadawul website. The dates mentioned in this Prospectus are tentative and may be changed with the approval of CMA.

Although the existing shares are listed on the Saudi Stock Exchange and the Company's Shares are listed on Tadawul, the new shares can only be traded after the final allocation of shares has been approved and deposited in the subscribers' portfolios. Trading in the new shares is strictly prohibited before the allocation is approved.

Subscribers and bidders in the Rump Offering who engage in prohibited trading activities shall bear full liability for them and the Company shall not be liable in such a case.



## 16. Documents Available for Inspection

The following documents will be available for review at the headquarters of the Arabian Pipes Company, located in Riyadh, The New Industrial City, P.O Box no. 42734, Riyadh 11551, Kingdom of Saudi Arabia, during official working days from Sunday to Thursday between 08:00 a.m. until 4:00 pm, starting from the first working day after the date of the invitation to convene EGM, provided that this period shall not be less than 14 days before the date of EGM. These documents will remain available for inspection until the end of the Offering:

### Documents related to incorporation and Articles of Association:

- Commercial Registration.
- Company By-Laws.

### Approvals related to shares capital increase:

- Board of Directors' decision recommending the increase of capital.
- A copy of the Capital Market Authority's approval on the Offering of Rights.
- The approval of the Saudi Tadawul Group (Tadawul) on listing the rights shares.

### Reports, letters, and documents:

- Underwriting Agreement and Lead Manager Agreement.
- Written consents by the Financial Advisor, Lead Manager, Underwriters, Legal Advisor, and Auditors to use their names, logos and statements in the Prospectus.



العربية للأنابيب  
ARABIAN PIPES

