



Rights Issue Prospectus

Saudi Paper Manufacturing Company

Saudi Paper Manufacturing Company is a Saudi joint stock company pursuant to Ministerial Resolution No. (635) dated 12/03/1427H (corresponding to 10/04/2006G) and is registered in the Commercial Register No. (2050028141) issued from Dammam on 10/01/1415H (corresponding to 20/06/1994G).

Offering of fourteen million five hundred thousand (14,500,000) ordinary shares at an Offer Price of ten (10) Saudi riyals per share through a Rights Issue with a total value of one hundred and forty-five million (145,000,000) Saudi riyals, which represents an increase in the Company's capital by (75.52%) approximately, so the Company's capital becomes thirty-three million seven hundred thousand (337,000,000) Saudi riyals.

Trading Period: Starts on Sunday 27/03/1444H (corresponding to 23/10/2022G) and ends on Sunday 05/04/1444H (corresponding to 30/10/2022G)
Subscription Period: starts on Sunday 27/03/1444H (corresponding to 23/10/2022G) and ends on Wednesday 08/04/1444H (corresponding to 02/11/2022G)

Saudi Paper Manufacturing Company (hereinafter referred to as the "Company" or "Paper Manufacturing") is a Saudi joint stock company, initially established as a branch of a sole proprietorship establishment under the name "Saudi Pulp and Paper Manufacturing Establishment" on 15/04/1410H (corresponding to 13/11/1989G) and was registered in the Commercial Register No. (19540). Later, it was converted into a limited liability company under the name "Saudi Paper Manufacturing Company" with Commercial Registration No. (2050028141), dated 10/01/1415H (corresponding to 20/06/1994G) issued from the city of Dammam. It was transformed into a closed joint stock company under Ministerial Resolution No. (635) dated 12/03/1427H (corresponding to 10/04/2006G), and the Company's shares were listed on 17/05/1427H (Corresponding to 14/06/2006G). The Company's head office is in Dammam - Second Industrial City - Al-Ahsa Street, PO Box 7169, Postal Code 34326-2598.

The Company's current capital is one hundred and ninety-two million (192,000,000) Saudi Riyals, divided into nineteen million two hundred thousand (19,200,000) ordinary shares (the "Shares") at a nominal value of ten (10) Saudi riyals per share fully paid-up (individually referred to as "Existing Share" and collectively "Existing Shares"). As at the date of this Prospectus (the "Prospectus"), the Company has one Substantial Shareholder (who owns 5% or more of the Company's shares), who is Raed Abdul Rahman Abdulaziz Al-Mishaal, who owns (6,227,904) shares, or 32.437% of the Company's shares before the Offering. On 12/03/1443H (corresponding to 18/10/2021G), the Company's Board of Directors recommended to increase the Company's capital through a rights issue, with a value of one hundred and forty-five million (145,000,000) Saudi riyals, after obtaining all necessary regulatory approvals as well as approval of the Extraordinary General Assembly.

On Monday 21/03/1444H (corresponding to 17/10/2022G), the Company's Extraordinary General Assembly agreed to increase the Company's capital through a rights issue (referred to as the "Offering"). The subscription consists of offering fourteen million five hundred thousand (14,500,000) new ordinary shares (referred to as "Rights" or "New Shares") at an Offer Price of (10) ten Saudi riyals per share (referred to as "Offering Price"), at a nominal value of (10) ten Saudi riyals per share, in order to increase the Company's capital from one hundred and ninety-two million (192,000,000) Saudi riyals divided into nineteen million two hundred thousand (19,200,000) ordinary shares to three hundred and thirty-seven million (337,000,000) riyals Saudi divided into thirty-three million seven hundred thousand (33,700,000) ordinary shares, after obtaining all necessary regulatory approvals and approval of the Extraordinary General Assembly.

The Offering will comprise tradable securities (referred to collectively as the "Rights" and each a "Right") to the Shareholders at the close of trading on the day of the Extraordinary General Assembly approving the Capital increase (the "Eligibility Date") and those registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Meeting approving the capital increase on 21/03/1444H (corresponding to 17/10/2022G), each of which is referred to as "Registered Shareholder" and collectively as "Registered Shareholders", provided that such Rights shall be deposited in the Shareholders' accounts who are registered in the Company's Shareholders Register as at the close of trading on the second day after convening the EGM approving the capital increase, taking into account the settlement procedures at (0.755) right approximately for each (1) share of the Company's shares. Each Right gives its holder the right to subscribe to one new share at the Offer Price.

Registered Shareholders and other investors (referred to as "New Investors"), who may trade Rights and subscribe to new shares, will be able to trade and subscribe to the Rights in the Saudi Stock Exchange (referred to as "Tadawul" or "the Exchange"). The trading period and the subscription period start on Sunday 27/03/1444H (corresponding to 23/10/2022G), provided that the trading period ends on Sunday 05/04/1444H (corresponding to 30/10/2022G) ("Trading Period"), while the subscription period continues until the end of the day Wednesday 08/04/1444H (corresponding to 02/11/2022G) ("Subscription Period"). It should be noted that the Trading Period and the Subscription Period will start on the same day, while the Trading Period will continue until the end of the sixth day of the beginning of the period, the Subscription Period will continue until the end of the ninth day of the beginning of the same period.

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

Subscription to new shares (during the Subscription Period) will be allowed at one phase according to the following:

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

If any Shares remain unsubscribed for during the Subscription Period ("Rump Shares"), they will be offered to a number of Institutional Investors ("Institutional Investors") (minimum at the Offer Price) ("Rump Offering"). Such Institutional Investors shall submit offers to purchase the Rump Shares and

receipt of such offers will start at 10:00 AM on Monday 13/04/1444H (corresponding to 07/11/2022G), until 05:00 PM on Tuesday 14/04/1444H (corresponding to 08/11/2022G). ("Rump Offering Period"). The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first until all the Rump Shares have been allocated (providing that the price shall not fall below the Offering Price). Rump Shares shall be proportionally divided among Institutional Investors that tendered offers at the same price. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company provided that the Company shall distribute the difference between the proceeds of the Rump Offering process and the Rump Offering price to the Eligible Persons who have not exercised their right to subscribe in whole or in part without any fees or deductions, no later than Tuesday 05/05/1444H (corresponding to 29/11/2022G).

If the Institutional Investors have not subscribed to all the remaining shares and share fractions, such shares shall be allocated to the Underwriter who will purchase them at the Offering Price (please refer to Section (13) "Subscription Terms and Conditions". The final allocation process will be announced no later than Tuesday 21/04/1444H (corresponding to 15/11/2022G). ("Allocation Date"). (Please refer to Section (13) "Subscription Terms and Conditions". After completion of the subscription process, the Company's capital will become three hundred and thirty-seven million (337,000,000) Saudi riyals, divided into thirty-three million seven hundred thousand (33,700,000) ordinary shares. The net proceeds of the Offering will be used to purchase fixed assets and raw materials in addition to repaying bank loans (please refer to Section (7) "Using the Offering Proceeds").

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

Seven million two hundred thousand (7,200,000) of the Company shares were listed on the Exchange at a nominal value of ten (10) riyals per share, which represent 30% of the issued capital of two hundred and forty million (240,000,000) Saudi riyals on 17/05/1427H (corresponding to 14/06/2006G). The Company subsequently increased its capital on 06/04/1429H (corresponding to 12/04/2008G) from two hundred and forty million (240,000,000) Saudi riyals to three hundred million (300,000,000) Saudi riyals by transferring an amount of sixty million (60,000,000) Saudi riyals from the retained earnings and granting a bonus share for every 4 shares, bringing the number of shares to thirty million (30,000,000) shares. The Company also increased its capital on 10/05/1433H (corresponding to 02/04/2012G) from three hundred million (300,000,000) Saudi riyals to three hundred and seventy-five million (375,000,000) Saudi riyals by granting one bonus share for every 4 shares, bringing the number of shares to thirty-seven million five hundred thousand (37,500,000) shares. The Company also increased its capital on 05/07/1435H (corresponding to 04/05/2014G) from three hundred and seventy-five million (375,000,000) Saudi riyals to four hundred and fifty million (450,000,000) Saudi riyals by granting one bonus share for every 5 shares, bringing the number of shares to forty-five million (45,000,000) shares. On 30/12/1439H (corresponding to 10/09/2018G), the Company reduced its capital from four hundred and fifty million (450,000,000) Saudi riyals to two hundred and forty-five million (245,000,000) Saudi riyals, thus reducing the number of the Company's shares from forty-five million (45,000,000) shares to twenty-four million five hundred thousand (24,500,000) shares, at a reduction rate of (45.56%), representing a reduction of (0.911) shares for every two shares. The Company's capital was also reduced on 07/03/1441H (corresponding to 04/11/2018G) from two hundred and forty-five million (245,000,000) Saudi riyals to ninety-two million (92,000,000) Saudi riyals, thus reducing the number of shares from twenty-four million five hundred thousand (24,500,000) shares to nine million and two hundred thousand (9,200,000) shares by canceling fifteen million three hundred thousand (15,300,000) shares, representing a reduction rate of approximately (62.45%) in its capital, and at a rate of reduction of one share for every (1.601) shares. The Company increased its capital on 21/04/1442H (corresponding to 06/12/2020G) from ninety-two million (92,000,000) Saudi riyals to one hundred and ninety-two million (192,000,000) Saudi riyals through a rights issue of shares with a value of one hundred million (100,000,000) Saudi riyals bringing the number of shares to (19,200,000) nineteen million and two hundred thousand shares, after obtaining all required regulatory approvals as well as approval of the Extraordinary General Assembly.

The Company's outstanding shares are currently traded on Tadawul. The Company has filed an application with the Capital Market Authority in the Kingdom of Saudi Arabia (the "Authority" or "CMA") to register and offer the New Shares. It has also filed an application with the Saudi Tadawul Company to accept their listing. All required documents have been submitted and all requirements of the relevant authorities have been met, and this Prospectus has been approved. It is expected that the new shares will start trading on the Exchange shortly after completion of the process of allocating the new shares and refunding the surplus amounts (please refer to page No. (xviii) "Important Dates and Subscription Procedures"). Trading in the New Shares - after their registration and admission of listing - will be available to citizens of the Kingdom of Saudi Arabia, legal residents, citizens of member states of the Gulf Cooperation Council, Saudi and GCC companies and investment funds, in addition to Qualified Foreign Investors under the rules governing the investment of qualified foreign financial institutions in listed securities. Furthermore, other categories of foreign investors are entitled to obtain the economic benefits associated with the New Shares by entering into swap agreements with persons authorized by the Authority ("Authorized Persons"), knowing that the authorized person will in this case be the legal registered owner of the shares.

This Prospectus should be read in its entirety and the section "Important Notice" page (iii) and Section (2) "Risk Factors" should be considered carefully before making any decision regarding the Rights or New Shares

Financial Advisor, Lead Manager and Underwriter

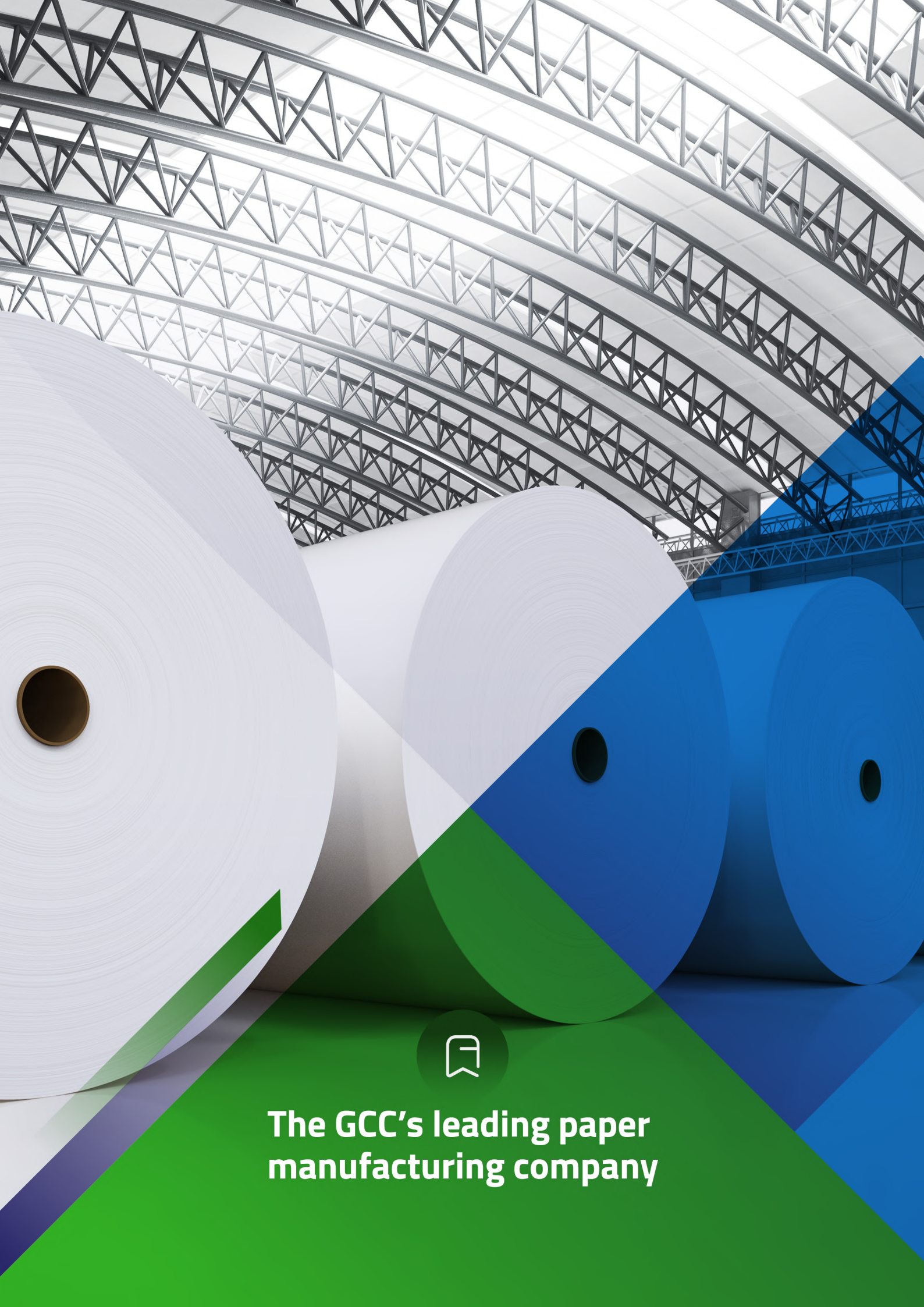
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alinma investment

The Rights Issue Offering under this Prospectus is contingent upon the shareholders' approval of the capital increase in accordance with the recommendation of the Board of Directors and the Company obtaining regulatory approvals. An invitation for convening the Extraordinary General Assembly of the Company to approve the Rights Issue of the New Shares has been published on 30/02/1444H (corresponding to 26/09/2022G). The shareholders should note that if the shareholders' approval is not obtained to offer the Rights Issue, the Rights Issue will cease automatically, and at that time this Prospectus will become void and shareholders will be notified accordingly.

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

This Prospectus is dated 19/02/1444H (corresponding to 15/09/2022G)

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



**The GCC's leading paper
manufacturing company**

Important Notice

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

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

The Company has appointed (Alinma Investment Company) as a financial advisor (“**Financial Advisor**”), lead manager (“**Lead Manager**”) and underwriter (“**Underwriter**”) in relation to the offering of Rights Issue shares to increase the Company’s capital in accordance with this Prospectus.

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

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

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

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

the suitability of this investment and the information contained in the Prospectus for his goals, conditions and financial needs.

The registered shareholders and other public investors ("**New Investors**"), who may trade in the Rights and subscribe to the New Shares, will be able to trade and subscribe to Right Issue Shares on the Saudi Stock Exchange ("**Tadawul**" or "**Exchange**"). The Trading Period and the Subscription Period both start on Sunday 27/03/1444H (corresponding to 23/10/2022G). The Trading Period ends on Sunday 05/04/1444H (corresponding to 30/10/2022G) ("**Trading Period**"), while the Subscription Period continues until the end of Wednesday 08/04/1444H (corresponding to 02/11/2022G) ("**Subscription Period**"). It should be noted that the Trading Period and the Subscription Period will start on the same day, while the Trading Period will continue until the end of the sixth day from the beginning of the period, the Subscription Period will continue until the end of the ninth day from the beginning of the same period

The registered shareholders will be able to trade the Rights during the Trading Period, by selling the acquired Rights or part thereof, or buying additional Rights through the Exchange. Also, new investors during the Trading Period will be able to buy Rights through the Exchange and sell the Rights that are bought during the trading period or subscribe to them during the Subscription Period. Subscription to new shares during the Subscription Period will be allowed at one phase according to the following:

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

If any Shares remain unsubscribed for during the Subscription Period ("**Rump Shares**"), they will be offered to a number of Institutional Investors ("**Institutional Investors**") ("**Rump Offering**"). Such Institutional Investors shall submit offers to purchase the Rump Shares and receipt of such offers will start at 10:00 AM on Monday 13/04/1444H (corresponding to 07/11/2022G), until 05:00 PM on Tuesday 14/04/1444H (corresponding to 08/11/2022G), ("**Rump Offering Period**"). The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first (providing that the price shall not fall below the Offering Price). Rump Shares shall be proportionally divided among Institutional Investors that tendered offers at the same price. Share fractions shall be treated similarly and added to the Rump Shares. All proceeds resulting from the sale of the Rump Shares shall be distributed to the Company provided that the Company shall distribute the difference between the proceeds of the Rump Offering process and the Rump Offering Price (if any) (not to exceed the Offering Price) to the Eligible Persons according to their entitlements, without any fees or deductions, no later than 05/05/1444H (corresponding to 29/11/2022G). The investor who did not subscribe or sell his rights, and the owners of fractional shares, may not receive any consideration if the sale takes place during the Rump Offering Period at the Offering Price.

If the Investment Institutions have not subscribed to all the remaining shares and share fractions, such shares shall be allocated to the Underwriter who will purchase them at the Offering Price (please refer to Section (13) "**Subscription Terms and Conditions**"). The final allocation process will be announced no later than Tuesday 21/04/1444H (corresponding to 15/11/2022G), ("**Allocation Date**"). (Please refer to Section (13) "**Subscription Terms and Conditions**").

Financial Information

The audited consolidated financial statements of the Company for the years 2019G, 2020G and 2021G, and the accompanying notes, have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia, the standards and issuances approved by the Saudi Organization for Auditors and Accountants (SOCPA) and the requirements of the Companies Law and the Company's Articles of Association.

The financial statements for the years ending in 2019G, 2020G and 2021G were reviewed by **Ibrahim Ahmed Al-Bassam & Partners Company - Certified Public Accountants**.

The Company issues its financial statements in Saudi riyals. Some of the financial and statistical information contained in this Prospectus has been rounded to the nearest whole number. Therefore, if the numbers mentioned in the tables are summed up, their sum may not correspond to what was mentioned in this Prospectus.

Forecasts and Forward-looking Statements

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

Certain statements in this Prospectus constitute forward-looking statements. Such statements can generally be identified by their use of forward-looking words such as “**intends**”, “**plans**”, “**estimates**”, “**believes**”, “**expects**”, “**anticipates**”, “**may**”, “**will**”, “**should**”, “**expected**”, “**would be**” or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail in other sections thereof (for further details, see Section (2) “**Risk Factors**” of this Prospectus). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those beliefs, estimates or plans 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 CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware that: (1) There has been a significant change in any material information contained in this Prospectus; or (2) The occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the circumstances, the Company does not intend to update or otherwise revise any industry or market information, forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise relating to the Company, industry or risk factors. As a result of the foregoing and other risks, assumptions and uncertainties, expectations of future events and conditions set out in this Prospectus may not occur as expected by the Company or may not occur at all. Accordingly, potential investors should examine all future statements in the light of these interpretations and not rely primarily on these forward-looking statements, without undue reliance on forward-looking statements.

Company's Directory

Board Members

The Company's Board of Directors appointed on 14/09/1442H (corresponding to 26/04/2021G)									
Name	Post	Representing	Nationality	Age	Type of Membership	Owned Shares			
						Direct	Indirect*	Total	Percentage
Abdullah bin Abdul Rahman Al- Kharashi	Chairman	Personal capacity	Saudi	40	Independent	-	-	-	-
Bashar bin Abdulaziz Aba Al-Khail	Deputy Chairman	Personal capacity	Saudi	46	Independent	-	-	-	-
Abdulrahman bin Raed Al- Mishaal	Board Member	Personal capacity	Saudi	29	Non-Executive	-	-	-	-
Abdulaziz bin Raed Al- Mishaal	Board Member	Personal capacity	Saudi	26	Executive	67,000	-	67,000	0.3489583%
Wael bin Abdulrahman Al-Bassam	Board Member	Personal capacity	Saudi	48	Independent	40	-	40	0.0002083%
Hani bin Mohammed Al-Zayd	Board Member	Personal capacity	Saudi	45	Independent	27,789	-	27,789	0.1447344%
Abdul Majeed bin Abdulaziz Al- Abdulwahab	Board Member	Personal capacity	Saudi	39	Independent	-	-	-	-
Mohammed bin Abdulwahab Al-Skeet	Board Secretary and Head of Investors Relations	-	Saudi	36	-	-	-	-	-

Source: The Company

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

Company Address

Company Representatives

Saudi Paper Manufacturing Company

Dammam, Second Industrial City - Al-Ahsa Street

P.O Box 2598 Dammam 34326-7169

Tel: +966 13 8121016

Fax: +966 13 8123209

Website: www.saudipaper.com

E-mail: IR.Inquires@saudipaper.com



Company Authorized Representative

Company Authorized Representative (1)	Company Authorized Representative (2)
Mohammed bin Abdulwahab Al-Skeet Saudi Paper Manufacturing Company P.O Box 2598 Dammam 34326-7169 Second Industrial City - Al-Ahsa Street Tel: +966 92 000 3558 Ext.: 1042 Fax: +966 13 8123209 Website: www.saudipaper.com E-mail: mohammed.alsukait@saudipaper.com	Abdullah bin Abdul Rahman Al-Kharashi Saudi Paper Manufacturing Company P.O Box 2598 Dammam 34326-7169 Second Industrial City - Al-Ahsa Street Tel: +966 92 000 3558 Ext.: 1010 Fax: +966 13 8123209 Website: www.saudipaper.com E-mail: abdullah.alkharashi@saudipaper.com

Stock Exchange

Saudi Tadawul Group (Tadawul)

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P.O. Box 6897 Riyadh 12211 - 3388

Kingdom of Saudi Arabia

Tel: +966 11 920001919

Fax: +966 11 2189133

Website: www.saudiexchange.sa

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Advisors

Financial Advisor, Lead Manager and Underwriter

Alinma Investment Company

Riyadh, King Fahd Road
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Fax: +966 11 2185970
Website: www.alinmainvestment.com
E-mail: info@alinmainvestment.com

الإنماء للاستثمار
alinma investment



Legal Adviser

Alsaleh, Alsahli & Partners Law Firm

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Fax: +966 11 2054222
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E-mail: corporate@ssfirm.com.sa

الصالح والسهلي ومشاركوهم
للمحاماة والاستشارات القانونية
Alsaleh, Alsahli & Partners Law Firm
In co - operation with *Daher Firm*



The Company's Auditor for the years 2019G, 2020G and 2021G

Ibrahim Ahmed Al-Bassam & Partners Company -

Certified Public Accountants

Al Khobar, Custodian of the Two Holy Mosques Road
PO Box 4636 Khobar 31952
Kingdom of Saudi Arabia
Tel: +966 13 8933378
Fax: +966 13 8933349
Website: www.pkfalbassam.com
E-mail: info.sa@pkf.com

PKF

Note: The aforementioned Advisors/auditors have given and not withdrawn their written consent for the appearance of their names and logos and inclusion of their statements in the form and context set out in this Prospectus.

Summary of the Offering

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. Therefore, this summary does not contain all information that may be of interest to shareholders and other general institutional and individual investors. Therefore, prospective investors willing to subscribe for the offered shares shall read this Prospectus entirely prior to taking their decision to invest in the Rights or Offered Shares. They shall not rely solely on any part of it, including this summary. The “**Important Notice**” section and Section (2) “**Risk Factors**” contained in this Prospectus should also be studied before making any investment decision regarding Rights or New Shares.

Summary	
The Company	<p>Saudi Paper Manufacturing Company (hereinafter referred to as the “Company” or “Paper Manufacturing”) is a Saudi joint stock company, initially established as a branch of a sole proprietorship establishment under the name “Saudi Pulp and Paper Manufacturing Establishment” on 15/04/1410H (corresponding to 13/11/1989G) and was registered in the Commercial Register No. (19540). Later, it was converted to a limited liability company under the name “Saudi Paper Manufacturing Company” with Commercial Registration No. (2050028141) dated 10/01/1415H (corresponding to 20/06/1994G) issued from the city of Dammam. It was transformed into a closed joint stock company under Ministerial Resolution No. (635) dated 12/03/1427H (corresponding to 10/04/2006G), and the Company’s shares were listed on 17/05/1427H (Corresponding to 14/06/2006G). The Company’s current capital is one hundred and ninety-two million (192,000,000) Saudi riyals, divided into nineteen million two hundred thousand (19,200,000) ordinary shares (the “Shares”) at a nominal value of ten (10) Saudi Riyals per share fully paid-up.</p>
Company Activities	<p>The Company’s activity, as stated in its Commercial Registration, is manufacturing, including the following:</p> <ul style="list-style-type: none"> • Manufacture of paper pulp from fibers. • Manufacture of wastepaper pulp with removal of ink. • Manufacture of paper bags. <p>The Company’s activity, as stated in its Articles of Association, is:</p> <ol style="list-style-type: none"> a. Production of various paper products. b. Production of tissue paper rolls. c. Production of a variety of paper napkins. d. Collecting, sorting, compressing, and selling solid waste, including paper, cardboard, plastic, metal and glass waste. e. Investing in various industries in the field of oil and petrochemicals and their supporting industries and management of hazardous and non-hazardous industrial waste. <p>The Company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any.</p>

Summary

Substantial Shareholders

As on the date of this Prospectus, the Company has one Substantial Shareholder (i.e., owns 5% or more of the Company's shares) as follows:

Shareholder	Before Issuance of Rights		After Issuance of Rights *	
	No. of shares	Ownership %	No. of shares	Ownership %
Raed Abdul Rahman Abdulaziz Al Mishaal	6,227,904	32.437%	10,931,269	32.437%

* Assuming that the Substantial Shareholder subscribes to his full share of the rights issue.

Public

In the Rules on the Offer of Securities and Continuing Obligations, public means the persons other than the following:

1. Affiliates of the issuer.
2. Substantial shareholders of the issuer.
3. Directors and senior executives of the issuer.
4. Directors and senior executives of the affiliates of the issuer.
5. Directors and senior executives of substantial shareholders of the issuer.
6. Any relatives of the persons in (1, 2, 3, 4, or 5) above.
7. Any company controlled by any person in (1, 2, 3, 4, 5, or 6) above.
8. Persons who act together in agreement and jointly own (5%) or more of the class of shares that will be listed.

Nature of Offering

Increasing the capital by issuing Rights.

Purpose of Rights Issue

The purpose of the Rights Issue is to support the expansion of the Company's activity by injecting new funds to provide working capital to increase operating capacity and support the Company's future activity.

The Company's capital

One hundred and ninety-two Million (192,000,000) Saudi Riyals.

Total number of shares of the Company

Nineteen million two hundred thousand (19,200,000) ordinary shares.

Nominal value of the share

Ten (10) Saudi Riyals per share.

Total number of new shares offered

Fourteen Million five hundred thousand (14,500,000) ordinary shares.

Offering Price

Ten (10) Saudi Riyals per share.

Summary

Total value of Offering	One hundred and forty-five Million (145,000,000) Saudi Riyals.
Adjusted Price	The Company's share price in the Exchange has been modified to SAR (31.70) per share at the end of trading on the day of the Extraordinary General Assembly meeting for the capital increase. This represents a decrease in the share price of SAR (16.35) per share.
Registered Shareholders	Shareholders who own shares at the end of the trading day of the Extraordinary General Assembly for the capital increase and are registered in the Company's records at the Depository Center at the end of the second trading day following the convening of the Extraordinary General Meeting for the capital increase.
New Investors	In general, individual and institutional investors, other than Registered Shareholders, who purchased the Rights issue during the trading period.
Categories of targeted investors	Restricted shareholders and new investors.
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. Rights can 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 the portfolios of registered shareholders after the Extraordinary General Assembly for the capital increase has convened. These rights will appear in the registered shareholders' accounts under a new pre-emptive right-related symbol.
New Shares	Fourteen million five hundred thousand (14,500,000) ordinary shares, which will be issued as a result of the capital increase.
Eligibility Ratio	Approximately (0.755) Right for every (1) share held by the Registered Shareholder. This factor is the result of dividing the number of new shares by the number of the current shares of the Company.
Number of Issued rights	Fourteen Million five hundred thousand (14,500,000) Right.
Number of Underwritten Shares	Fourteen Million five hundred thousand (14,500,000) ordinary shares.
Total amount of underwritten Rights	One hundred and forty-five Million (145,000,000) Saudi Riyals.
Number of issued shares after capital increase	Thirty-three million seven hundred thousand (33,700,000) ordinary shares.

Summary																																																							
The Company's capital after the capital increase	Three hundred and thirty-seven million (337,000,000) Saudi Riyals.																																																						
percentage of offered shares of the Company's capital	(75.52%) approx.																																																						
Total Offering Proceeds	The offering aims to raise an amount of one hundred and forty-five million (145,000,000) Saudi Riyals.																																																						
Total Offering Proceeds expected to be obtained, analysis and description of the proposed use	<p>The Offering aims to raise an amount of one hundred and forty-five million (145,000,000) Saudi Riyals, and it is expected that the net proceeds of the offering will reach about one hundred forty-one and ninety-five thousand (141,095,000) Saudi riyals, knowing that this amount is estimated.</p> <p>The net Offering Proceeds will be used mainly after deducting all the costs of the offering in the purchase of fixed assets and raw materials in addition to the repayment of bank loans.</p> <p>The following table shows the proposed use of the Offering Proceeds:</p> <table><tr><th>Item (SAR)</th><th>Q3-2022G</th><th>Q4-2022G</th><th>Q1-2023G</th><th>Q2-2013G</th><th>Q3-2023G</th><th>Total</th><th>%</th></tr><tr><td>Purchase fixed assets</td><td>22,416,299</td><td>15,281,250</td><td>18,201,634</td><td>18,201,634</td><td>18,201,634</td><td>92,302,451</td><td>63.66%</td></tr><tr><td>Purchase raw materials</td><td>18,321,954</td><td>15,470,595</td><td>-</td><td>-</td><td>-</td><td>33,792,549</td><td>23.31%</td></tr><tr><td>Pay off bank loans</td><td>14,100,000</td><td>900,000</td><td>-</td><td>-</td><td>-</td><td>15,000,000</td><td>10.34%</td></tr><tr><td>Offering expenses</td><td>3,905,000</td><td>-</td><td>-</td><td>-</td><td>-</td><td>3,905,000</td><td>2.69%</td></tr><tr><td>Total</td><td>54,838,253</td><td>31,651,845</td><td>18,201,634</td><td>18,201,634</td><td>18,201,634</td><td>145,000,000</td><td>100.00%</td></tr></table> <p>Source: The Company</p> <p>For more details regarding the use of the Offering Proceeds, please refer to Section (7) "Using the Offering Proceeds".</p>							Item (SAR)	Q3-2022G	Q4-2022G	Q1-2023G	Q2-2013G	Q3-2023G	Total	%	Purchase fixed assets	22,416,299	15,281,250	18,201,634	18,201,634	18,201,634	92,302,451	63.66%	Purchase raw materials	18,321,954	15,470,595	-	-	-	33,792,549	23.31%	Pay off bank loans	14,100,000	900,000	-	-	-	15,000,000	10.34%	Offering expenses	3,905,000	-	-	-	-	3,905,000	2.69%	Total	54,838,253	31,651,845	18,201,634	18,201,634	18,201,634	145,000,000	100.00%
Item (SAR)	Q3-2022G	Q4-2022G	Q1-2023G	Q2-2013G	Q3-2023G	Total	%																																																
Purchase fixed assets	22,416,299	15,281,250	18,201,634	18,201,634	18,201,634	92,302,451	63.66%																																																
Purchase raw materials	18,321,954	15,470,595	-	-	-	33,792,549	23.31%																																																
Pay off bank loans	14,100,000	900,000	-	-	-	15,000,000	10.34%																																																
Offering expenses	3,905,000	-	-	-	-	3,905,000	2.69%																																																
Total	54,838,253	31,651,845	18,201,634	18,201,634	18,201,634	145,000,000	100.00%																																																

Summary

Offering costs	The Offering costs amount to three million nine hundred and five thousand (3,905,000) Saudi riyals, knowing that this amount is an estimate (please refer to Section (7) “ Using the Offering Proceeds ”).
Net Offering Proceeds after deducting the offering costs	It is expected that the net proceeds of the offering will amount to about one hundred and forty-one million and ninety-five thousand (141,095,000) Saudi riyals, after deducting all Offering costs, which amount to three million nine hundred and five thousand (3,905,000) Saudi Riyals, knowing that this amount is estimated (please refer to Section (7) “ Using the proceeds of Offering ”).
Use the Offering Proceeds	The Company will use the net Offering Proceeds to support the expansion of the Company’s activity by injecting new funds to provide working capital to increase the operating capacity and support the Company’s future activity. (please refer to Section (7) “ Using the Offering Proceeds ”).
Eligibility Date	Shareholders who own shares at the end of trading on the day of the EGM for the capital increase, and who are registered in the Company’s shareholders register at the end of the second trading day following the EGM meeting for the capital increase, on Monday 21/03/1444H (corresponding to 17/10/2022G).
Offering Period	The Trading Period begins on Sunday 27/03/1444H (corresponding to 23/10/2022G) and continues until the end of Sunday 05/04/1444H (corresponding to 30/10/2022G). During this period, all Right holders - whether they are registered investors or new investors - may trade in Rights.
Subscription Period	The Subscription Period starts on Sunday 27/03/1444H (corresponding to 23/10/2022G) and continues until the end of Wednesday 08/04/1444H (corresponding to 02/11/2022G). During this period, all holders of Rights, whether they are registered investors or new investors, may exercise their right to subscribe to the new shares.
Rump Shares	Remaining shares that have not been subscribed to during the Subscription Period.
Rump Offering	If any Shares remain unsubscribed for during the Subscription Period (“ Rump Shares ”), they will be offered to a number of Institutional Investors (“ Institutional Investors ”). Such Institutional Investors shall submit offers to purchase the Rump Shares and receipt of such offers will start at 10:00 a.m. on Monday 13/04/1444H (corresponding to 07/11/2022G), until 05:00 p.m. on Tuesday 14/04/1444H (corresponding to 08/11/2022G), (“ Rump Offering Period ”). The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first until all the Rump Shares have been allocated (providing that the price shall not fall below the Offering Price). Rump Shares shall be proportionally divided among Institutional Investors that tendered offers at the same price. Fractional shares will be added to the Rump Shares and treated similarly.

Summary

Payment of Compensation Amounts (if any)	Cash compensation amounts will be paid to Eligible Persons who failed to exercise their right to subscribe and did not subscribe wholly or partially for the New Shares and for those entitled to fractional shares without any deductions, at the latest on Tuesday 05/05/1444H (corresponding to 29/11/2022G). Compensation amounts represent the difference between the Rump Offering Proceeds and Rump Offering price.
Listing and trading of Rights	<p>The Rights are listed on Tadawul and are traded during the Rights Trading Period. The Rights shall have a symbol separate and independent from the Company's current stock symbol on Tadawul screen.</p> <p>Registered Shareholders during the Trading Period shall have several options, which include selling the Rights or part of them in the Exchange, buying additional Rights through the Exchange, or not taking any action regarding the Rights, whether by selling them or buying additional Rights. New investors during the Trading Period will have the right to buy Rights through the Exchange or sell those rights or part of them or not to take any action regarding the Rights purchased during the Trading Period.</p> <p>The "Tadawul" system will cancel the Company's Rights symbol on the trading screen after the expiry of the Rights Trading Period, and accordingly the trading of Rights will stop at the end of that period.</p>
Method of Subscription	Eligible Persons wishing to subscribe to the new shares must submit subscription applications electronically through the websites and platforms of the Brokers that provide these services to subscribers, or through any other means provided by the Brokers.
Exercising subscription to Rights	<p>Eligible Persons have the right to exercise their right to subscribe to the Right Shares by subscribing electronically through the websites and platforms of Brokers that allow these subscription services or through any other means provided by the Brokers. Eligible persons may also exercise the Rights as follows:</p> <ol style="list-style-type: none"> 1. Shareholders registered during the Subscription Period have the right to exercise the rights granted to them on the Eligibility Date and any additional Rights they purchased during the Trading Period by subscribing to new shares. They also have the right not to take any action regarding the Rights they have. 2. New investors during the Subscription Period have the right to exercise the Rights they purchased during the Trading Period by subscribing to the new shares. They also have the right not to take any action regarding the Rights they have. <p>In the event that none of the registered shareholders or new investors exercise their right to subscribe to the new shares during the Subscription Period, the shares associated with those Rights will be offered during the Rump Offering Period.</p>
Indicative Value of the Right	<p>The indicative value of the right reflects the difference between the market value of the Company's share during the trading period and the Offer Price.</p> <p>Tadawul will calculate and publish the Right's Indicative Value during the Trading Period on its website, five minutes late, and market information service providers will also publish this information in order for investors to view the indicative value when entering orders.</p>

Summary

Right trading price	It is the price at which the Right is traded, knowing that it is determined through the mechanism of supply and demand, and therefore it may differ from the indicative value of the right.
Allocation date	The shares will be allotted no later than on Tuesday 21/04/1444H (corresponding to 15/11/2022G).
Allocation of shares and refund of surplus	<p>New Shares will be allotted to the Eligible Persons based on the number of Rights they have fully and correctly exercised. Share fractions (if any) will be collected and added to the remaining shares and then offered to the Investment Institutions during the Rump Offering Period, bearing in mind that the remaining shares (if any) will be allocated to the investors in the order of the offered price with the highest first. The Company will receive the total amount of the Offering resulting from the sale of the Rump Shares, while the difference between the proceeds from the sale of the Rump Shares and the Offer Price of the Rump Shares will be distributed to the Eligible Persons who did not subscribe in whole or in part to the New Shares without any deduction fees and to those entitled for share fractions. An investor who did not subscribe or sell his rights, or the owners of fractional shares, may not receive any consideration if the sale takes place during the remaining offering period at the Offering Price (please refer to Section (13) “Subscription Terms and Conditions”).</p> <p>The Subscription surplus (if any) will be refunded to the subscribers without any commissions or deductions from the Lead Manager.</p>
New Shares trading	Trading of new shares on “ Tadawul ” begins after completing all procedures related to the registration, allocation and listing of new shares.
Entitlement to profits	The owners of the new shares will be entitled to any dividends declared by the Company after the date of their issuance.
Voting rights	All the Company’s shares are of one class, and no share gives its holder preferential rights. The New Shares will be fully paid in value and exactly equal to the existing shares. Each share gives its holder the right to one vote, and each shareholder in the Company has the right to attend and vote in the general assembly of shareholders (whether ordinary or extraordinary) meeting.
Restrictions on trading shares	There are no restrictions imposed on trading the company’s shares with the exception of regulatory restrictions imposed on the shares listed in general.
Restrictions on trading rights	There are no restrictions imposed on trading Rights with the exception of foreign shareholders who are not entitled to purchase additional Rights without approval of the competent authorities.

Summary

Previously listed shares by the Issuer

Seven million two hundred thousand (7,200,000) of the Company shares were listed on the Exchange at a nominal value of ten (10) riyals per share, which represent 30% of the issued capital of two hundred and forty million (240,000,000) Saudi riyals on 17/05/1427H (corresponding to 14/06/2006G). The Company subsequently increased its capital on 06/04/1429H (corresponding to 12/04/2008G) from two hundred and forty million (240,000,000) Saudi riyals to three hundred million (300,000,000) Saudi riyals by granting a bonus share for every 4 shares, bringing the number of shares to thirty million (30,000,000) shares. The Company also increased its capital on 10/05/1433H (corresponding to 02/04/2012G) from three hundred million (300,000,000) Saudi riyals to three hundred and seventy-five million (375,000,000) Saudi riyals by granting one bonus share for every 4 shares, bringing the number of shares to thirty-seven million five hundred thousand (37,500,000) shares. The Company also increased its capital on 05/07/1435H (corresponding to 04/05/2014G) from three hundred and seventy-five million (375,000,000) Saudi riyals to four hundred and fifty million (450,000,000) Saudi riyals by granting one bonus share for every 5 shares, bringing the number of shares to forty-five million (45,000,000) shares. On 30/12/1439H (corresponding to 10/09/2018G), the Company reduced its capital from four hundred and fifty million (450,000,000) Saudi riyals to two hundred and forty-five million (245,000,000) Saudi riyals, thus reducing the number of the Company's shares from forty-five million (45,000,000) shares to twenty-four million five hundred thousand (24,500,000) shares, at a reduction rate of (45.56%), and at a reduction rate of (0.911) shares for every two shares. The Company's capital was also reduced on 07/03/1441H (corresponding to 04/11/2019G) from two hundred and forty-five million (245,000,000) Saudi riyals to ninety-two million (92,000,000) Saudi riyals, thus reducing the number of shares from twenty-four million five hundred thousand (24,500,000) shares to nine million and two hundred thousand (9,200,000) shares by canceling fifteen million three hundred thousand (15,300,000) shares, representing a reduction rate of approximately (62.45%) in its capital, and at a rate of reduction of one share for every (1.601) shares. The Company increased its capital on 21/04/1442H (corresponding to 06/12/2020G) from ninety-two million (92,000,000) Saudi riyals to one hundred and ninety-two million (192,000,000) Saudi riyals through a rights issue of shares with a value of one hundred million (100,000,000) Saudi riyals bringing the number of shares to (19,200,000) nineteen million and two hundred thousand shares, after obtaining all required regulatory approvals as well as approval of the Extraordinary General Assembly.

Risk Factors

Investing in Rights involves certain risks, and these risks can be categorized into: (1) risks related to the Company's business, (2) risks related to the market and sector, and (3) risks related to new shares. These risks have been reviewed in section (2) The "**Risk Factors**" of this Prospectus, which must be carefully studied before making any investment decision in new Rights or Shares.

Summary

Total proceeds obtained from the previous rights issue

The total proceeds from the previous rights issue, which took place in accordance with the resolution of the Extraordinary General Assembly on 22/04/1442H (corresponding to 06/12/2020G), amounted to one hundred million (100,000,000) Saudi Riyals.

Following are the details of the use of the Offering Proceeds as stated in the Rights Issue Prospectus and actual use of proceeds:

Item	Value of the expected use of the proceeds (SAR million)	Value of actual use of the proceeds (SAR million)	Difference between expected and actual use of proceeds (SAR million)	Deviation percentage from estimated use of Offering Proceeds
Rebuild assets	51.8	51.8	-	-
Purchase tree pulp	35.9	36.3	0.4	1.1%
Estimated Subscription expenses	7.3	6.9	(0.4)	5.3%
Repayment to banks	5	5	-	-

Source: Rights Issue prospectus for the year 2020G, the Company.

Significant changes in the information disclosed in the latest Prospectus

The last share issuance prospectus was issued by the Company on 19/02/1442H (corresponding to 06/10/2020G) in connection with the offering and issuance of rights issues. The material changes that occurred to the information disclosed in the latest prospectus were included in the relevant sections of this Prospectus. share prospectus. To view a summary of the most significant of these fundamental changes, please refer to Section (10-11) "**Material Information that Has Changed Since the Authority's Approval of the Last Shares Prospectus**".

Conditions for subscribing to the Rights Issue

Eligible Persons wishing to subscribe to the new shares must fulfill the relevant subscription conditions. To view the information related to the shares and the terms and conditions of the Offering, please refer to Section (13) "**Subscription Terms and Conditions**".

Disclaimer: The "**Important Notice**" section on page (iii) and Section (2) "**Risk Factors**" of this Prospectus should be studied very carefully before making any investment decision in the Rights or New Shares.

Key dates for Subscribers and Subscription Procedures

Timeline	Dates
Holding the EGM that includes approving the capital increase and determining the date of eligibility and eligible shareholders, bearing in mind that the eligible shareholders are the shareholders who own shares at the end of trading on the day of the EGM meeting for the capital increase and who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the day of the Extraordinary General Assembly	Monday 21/03/1444H (corresponding to 17/10/2022G)
Trading Period*	The Subscription Period starts on Sunday 27/03/1444H (corresponding to 23/10/2022G) and continues until the end of Sunday 05/04/1444H (corresponding to 30/10/2022G). During this period, all holders of Rights, whether registered or new investors, may subscribe to the Rights.
Subscription Period	The Subscription Period starts on Sunday 27/03/1444H (corresponding to 23/10/2022G) and continues until the end of Wednesday 08/04/1444H (corresponding to 02/11/2022G). During this period, all holders of Rights, whether registered or new investors, may exercise their rights by subscribing to the New Shares.
End of Subscription Period	The subscription period ends, and the receipt of subscription applications ends at the end of Wednesday 08/04/1444H (corresponding to 02/11/2022G).
Rump Offering Period	The Rump Offering Period begins at 10:00 AM of Monday 13/04/1444H (corresponding to 07/11/2022G) and continues until 5:00 PM of the next day on Tuesday 14/04/1444H (corresponding to 08/11/2022G).
Final Allocation Notification**	On Tuesday 21/04/1444H (corresponding to 15/11/2022G).
Payment of compensation amounts (if any) for Eligible Persons who did not participate in the Offering entirely or partially	On Tuesday 05/05/1444H (corresponding to 29/11/2022G).
Expected Commencement of trading in the Offer Shares	The shares offered for subscription will be traded upon completion of all relevant regulatory procedures. The date will be announced later on the Tadawul website.

Notice: All the dates mentioned in the timeline above are approximate, and the actual dates will be announced on Tadawul's website (www.saudiexchange.sa).

* The Rights Trading Period begins 3 working days after approval of the Company's Extraordinary General Assembly.

** The time period between the end of subscription for the Rights and the deposit of shares in the shareholders' portfolios will be 9 working days.

Key announcement dates

Announcement	Announcing Party	Announcement Date
Announcement regarding the invitation for the EGM for capital increase.	Company	On Monday 30/02/1444H (corresponding to 26/09/2022G)
Announcement regarding the EGM outcome with regard to capital increase.	Company	On Tuesday 22/03/1444H (corresponding to 18/10/2022G)
Announcement regarding the change in Company's share price, Rights' deposit and the Indicative Value of the Right	Tadawul	On Tuesday 22/03/1444H (corresponding to 18/10/2022G)
Announcement regarding the addition of Rights to the Company.	Edaa	On Thursday 24/03/1444H (corresponding to 20/10/2022G)
Announcement regarding the Rights trading period and the new shares subscription periods	Company	On Wednesday 23/03/1444H (corresponding to 19/10/2022G)
Announcement of the start date of the rights Trading Period and the subscription period for new shares	Tadawul	On Sunday 27/03/1444H (corresponding to 23/10/2022G)
Reminder announcement of the start of the rights Trading Period and the subscription period for new shares	Company	On Sunday 05/04/1444H (corresponding to 30/10/2022G)
A reminder about the last day of trading rights and a note on the importance of those who do not wish to subscribe to sell the rights they own	Tadawul	On Sunday 05/04/1444H (corresponding to 30/10/2022G)
Announcement regarding:		
<ul style="list-style-type: none"> Subscription results, Details of the sale of unsubscribed Shares, if any, and commencement of the Rump Offering 	Company	On Sunday 12/04/1444H (corresponding to 06/11/2022G)
Announcement regarding the outcome of the Rump Offering and Notification of the final allocation	Company	On Tuesday 21/04/1444H (corresponding to 15/11/2022G)
Announcement regarding the deposit of New Shares in the investors' portfolios*	Edaa	On Monday 27/04/1444H (corresponding to 21/11/2022G)
Announcement regarding distribution of the compensation amounts (if any)	Company	On Tuesday 05/05/1444H (corresponding to 29/11/2022G)

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

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

1. Name of the Issuer and its Commercial Registration number.
2. The securities, their value, type, and class covered by the securities registration and offering application.
3. The addresses and places where the public can obtain the Prospectus.
4. The date of publishing the Prospectus.
5. A statement that the announcement is for information only and does not constitute an invitation or offer to acquire securities by purchasing or subscribing to them.
6. Names of the Lead Manager, Underwriter, Financial Advisor, and Legal Advisor.
7. A disclaimer in the following form: **"CMA and the Saudi Stock Exchange Company (Tadawul) do not assume any responsibility on the contents of this announcement, nor do they give any representations regarding its accuracy or completeness, and they expressly disclaim any responsibility for any loss they have suffered as a result of what is contained in this announcement or from reliance on any part thereof"**.

How to apply for subscription

Subscription to the rights shares shall be limited to the Eligible Persons, whether they are registered shareholders or new investors, and in the event that the Rights of the Eligible Persons are not exercised, any remaining shares not subscribed to by the Eligible Persons will be offered to Institutional Investment by offering them during the Offering Period. The Eligible Persons wishing to subscribe to the new shares must submit subscription applications through the means and services provided by a Broker to the investors, provided that the Eligible Person has an investment account with one of the Brokers who provide these services.

Subscription Applications shall be submitted through the investment portfolio in the trading platforms through which buy and sell orders are entered, in addition to the possibility of subscribing through any other means provided by the Broker to investors and the custodian of shares. The Company reserves the right to reject any application to subscribe to the new shares, in whole or in part, in the event that it does not meet any of the terms or requirements of the subscription. The Subscription Application may not be amended or withdrawn after its submission. The Subscription Application upon submission represents a binding contract between the Company and the Eligible Shareholder.

FAQs about the Rights Issue

What is a Rights Issue?

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

To whom Rights are granted?

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

When are the Rights deposited?

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

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

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

How many Rights can be acquired by a Registered Shareholder?

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

What is the Rights Issue eligibility factor?

It is the ratio that permits the Registered Shareholders to know how many Rights they are entitled to in relation to the Shares that they already owned on the second trading day after the EGM. This factor is calculated by dividing the number of new shares by the number of the current shares of the Company. Therefore, the eligibility factor is approximately (0.755) right for each one (1) share owned by the registered shareholder on the Eligibility Date. Accordingly, if a registered shareholder owns (1,000) shares on the Eligibility Date, he/she will be allocated seven hundred and seventy-five (755) rights in exchange for the shares he/she owns.

Will the name and symbol of these rights differ from the name and symbol of the Company's shares?

Yes, the acquired Right will be added to the Investor's Portfolio under the name of the original stock, with the addition of the word Rights, in addition to a new symbol for these Rights.

What is the Right value upon commencement of trading?

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

Who is the Registered Shareholder?

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

Can Registered Shareholders subscribe for additional shares?

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

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

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

How does the subscription take place?

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

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

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

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

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholder holds (1,000) one thousand shares in the Company as follows: (800) eight hundred shares in portfolio (a) and (200) two hundred shares in portfolio (b), then the total Rights which will be deposited (755) seven hundred and fifty five Rights as each share is eligible for approximately (0.755) Right. Therefore, (604) six hundred four Rights will be deposited in portfolio (a) and (151) one hundred fifty one Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

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

Are additional Rights purchasers entitled to trade them once again?

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

Is it possible to sell a part of these Rights?

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

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

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

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

No, that is not possible. After the expiry of the Trading Period, holder of the Rights may only exercise the right to subscribe for the Rights or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

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

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

Who has the right to attend the Company's Extraordinary General Assembly and vote on increasing the Share Capital through a rights issue?

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

When is the share price adjusted as a result of increasing the Company's Share Capital through a rights issue?

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

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

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

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

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

What are Trading and Subscription periods?

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

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non-registered shareholders on the day of the EGM subscribe for the Rights?

Yes, they can subscribe for the Rights after purchase of Rights during the Trading Period.

Additional Assistance

In case of any inquiries, please contact the Company at the e-mail: IR.Inquires@saudipaper.com. For legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of the rights issue or even provide financial, tax, legal or investment advice.

For more information on the terms and conditions of the subscription, please see Section (13) "**Subscription Terms and Conditions**" and the rest of the information contained in this Prospectus.

Summary of Key Information

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

Company Overview

Saudi Paper Manufacturing Company (hereinafter referred to as the “**Company**” or “**Paper Manufacturing**”) is a Saudi joint stock company, initially established as a branch of a sole proprietorship establishment under the name “**Saudi Pulp and Paper Manufacturing Establishment**” on 15/04/1410H (corresponding to 13/11/1989G) and was registered in the Commercial Register No. (19540). Later, it was converted to a limited liability company under the name “**Saudi Paper Manufacturing Company**” with Commercial Registration No. (2050028141) dated 10/01/1415H (corresponding to 20/06/1994G) issued from the city of Dammam. It was transformed into a closed joint stock company under Ministerial Resolution No. (635) dated 12/03/1427H (corresponding to 10/04/2006G) and the Company’s shares were listed on 17/05/1427H (Corresponding to 14/06/2006G) on the Main Market and the Company became a joint stock Company.

The Company’s current capital is one hundred and ninety-two million (192,000,000) Saudi riyals, divided into nineteen million two hundred thousand (19,200,000) ordinary shares at a nominal value of ten (10) Saudi Riyals per share fully paid-up.

As on the date of publication of this Prospectus, the Substantial Shareholders (who own 5% or more of the capital) is Raed Abdul Rahman Abdulaziz Al Mishaal and he is one of the Founding Shareholders of the Company (noting that he has no role in the Company as on the date of this Prospectus) and owns (6,227,904) shares, representing (32.437%) of the Company’s shares before the Offering.

Summary of the Company Activities

The Company's activity, as stated in its Commercial Registration, is manufacturing, including the following:

- Manufacture of paper pulp from fibers.
- Manufacture of wastepaper pulp with removal of ink.
- Manufacture of paper bags.

The Company's activity, as stated in its Articles of Association, is:

- Production of various paper products.
- Production of tissue paper rolls.
- Production of a variety of paper napkins.
- Collecting, sorting, compressing and selling solid waste, including paper, cardboard, plastic, metal and glass waste.
- Investing in various industries in the field of oil and petrochemicals and their supporting industries and management of hazardous and non-hazardous industrial waste.

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

The Company's current activities are divided into two main segments:

• Manufacturing Segment

The Manufacturing Segment is represented in the field of manufacturing tissue paper, towels (rolls) and paper pulp, as well as converting rolls of sanitary paper to paper products sold in the markets. The following table shows the revenues achieved by the Company from the Manufacturing Segment during the years 2019G, 2020G and 2021G.

SAR	2019G	2020G	2021G
Revenues of Manufacturing Segment	505,390,014	504,735,298	541,708,883
Percentage of the Manufacturing segment's revenues from total revenues	95.88%	94.86%	92.00%

Source: The Company

The Company operates through 4 subsidiaries, a company inside Saudi Arabia, namely Saudi Paper Converting Company, and 3 companies outside Saudi Arabia, which are Roots Factory Company for the manufacture of paper towels, Jordanian Saudi Paper Converting Company*, and Moroccan Company for the manufacture of paper*. (For more information about subsidiaries in this segment, please see the "Subsidiaries" section of Section (3) Company Background and Nature of its Business).

* Inactive as of the date of this prospectus

• Trading and Transportation Segment

The Trading and Transportation Segment is represented in the collection, sorting, compressing and selling of solid waste, including paper, cardboard, plastic, metal and glass waste. The following table shows the revenues achieved by the Company from the Trading and Transportation Segment during the years 2019G, 2020G and 2021G.

SAR	2019G	2020G	2021G
Revenues of Trading and Transportation Segment	21,736,235	27,355,261	47,090,585
Percentage of Trading and Transportation Segment segment's revenues from total revenues	4.12%	5.14%	8.00%

Source: The Company

The Company operates through 5 subsidiaries, two companies inside Saudi Arabia, namely Saudi Paper and Waste Recycling Company and the Saudi Investment and Industrial Development Company, and 3 companies outside Saudi Arabia, which are Al-Madar Paper Trading Company (Morocco)*, Al-Madar Paper Trading Company (Jordan)* and Al-Madar Paper Company (Algeria). (For more information about subsidiaries in this segment, please see the “**Subsidiaries**” section of Section (3) “**Company Background and Nature of its Business**”).

* Inactive as of the date of this prospectus.

Company's Capital Structure

Seven million two hundred thousand (7,200,000) of the Company shares were listed on the Exchange at a nominal value of ten (10) riyals per share on 17/05/1427H (corresponding to 14/06/2006G). The Company subsequently increased its capital on 06/04/1429H (corresponding to 12/04/2008G) from two hundred and forty million (240,000,000) Saudi riyals to three hundred million (300,000,000) Saudi riyals by granting one bonus share for every 4 shares, bringing the number of shares to thirty million (30,000,000) shares. The Company also increased its capital on 10/05/1433H (corresponding to 02/04/2012G) from three hundred million (300,000,000) Saudi riyals to three hundred and seventy-five million (375,000,000) Saudi riyals by granting one bonus share for every 4 shares, bringing the number of shares to thirty-seven million five hundred thousand (37,500,000) shares. The Company also increased its capital on 05/07/1435H (corresponding to 04/05/2014G) from three hundred and seventy-five million (375,000,000) Saudi riyals to four hundred and fifty million (450,000,000) Saudi riyals by granting one bonus share for every 5 shares, bringing the number of shares to forty-five million (45,000,000) shares. On 30/12/1439H (corresponding to 10/09/2018G), the Company reduced its capital from four hundred and fifty million (450,000,000) Saudi riyals to two hundred and forty-five million (245,000,000) Saudi riyals, thus reducing the number of the Company's shares from forty-five million (45,000,000) shares to twenty-four million five hundred thousand (24,500,000) shares, at a reduction rate of (45.56%), and at a reduction rate of (0.911) shares for every two shares. The Company's capital was also reduced on 07/03/1441H (corresponding to 04/11/2019G) from two hundred and forty-five million (245,000,000) Saudi riyals to ninety-two million (92,000,000) Saudi riyals, thus reducing the number of shares from twenty-four million five hundred thousand (24,500,000) shares to nine million and two hundred thousand (9,200,000) shares by canceling fifteen million three hundred thousand (15,300,000) shares, representing a reduction rate of approximately (62.45%) in its capital, and at a rate of reduction of one share for every (1.601) shares. The Company increased its capital on 21/04/1442H (corresponding to 06/12/2020G) from ninety-two million (92,000,000) Saudi riyals to one hundred and ninety-two million (192,000,000) Saudi riyals through a rights issue of shares with a value of one hundred million (100,000,000) Saudi riyals bringing the number of shares to (19,200,000) nineteen million and two hundred thousand shares, after obtaining all required regulatory approvals as well as approval of the Extraordinary General Assembly.

In its resolution dated 12/03/1443H (corresponding to 18/10/2021G), the Company's Board of Directors recommended increasing the Company's capital through a Rights Issue of one hundred and forty-five million (145,000,000) Saudi riyals.

On 21/03/1444H (corresponding to 17/10/2022G), the Company obtained approval of the Extraordinary General Assembly to increase the Company's capital through a Rights Issue. This approval was announced on the website of the Saudi Tadawul Company (Tadawul).

Company Vision

The Company seeks to be one of the fastest growing major companies, and to always work on two parallel lines, developing the funds of its shareholders and raising the market values of the Company on the one hand, and developing innovative technical solutions with regard to our strict standards in preserving the environment on the other hand.

Company Mission

Developing the Company's returns to benefit its shareholders, by increasing production efficiency and sales growth.

Company Strategy

The Company continues to work on the main components of our strategy, which are: human capital, performance efficiency, and the ability to implement. These components require the Company to continue to attract and develop competencies and human talents for its business, and work to improve the Company's performance across its various units and departments.

The Company will also continue to focus on the local market and increase interest in areas that present an opportunity to achieve a higher market share.

The Company's strategy is based on the following pillars:

- **Sales and Marketing Strategy:** Finalizing the development of a sales and marketing strategy to enter the market, as follows: Developing products and specifications, redistributing sales channels and increasing the market share, to be among the best leading companies on a local and regional front, through:
- **Develop internal systems and activate the automation program for sales as follows:**
 - Complete all customer data along with linking them to the Company's electronic system.
 - Launching a project to locate customers, distribution points, and expand footprint.
 - Follow up on sales operations on a daily basis in the Kingdom of Saudi Arabia through the "sales buzz" program.
- **Building sustainable strategic relationships with our clients in the Saudi market.**
- **Raising production efficiency:** by raising the efficiency of machines while developing paper quality in terms of improving specifications to match the competition in the Saudi market with the development and modernization of quality measurement systems, as well as continuing to work to reduce product costs by reviewing all production processes and continuing work to reduce costs by developing production and packaging machines and investing in the automation of many machines. Contracting was made to develop and modernize some machines in order to achieve increased productivity and reduce operating costs, which achieved higher productivity at lower costs.
- **As for the subsidiaries:** With regard to the Roots Company in Kuwait, the expansion and operation work was completed during the year 2021G, and in Algeria, the Company's subsidiary Al-Madar Company continues its positive performance, and the Company is working to get rid of its useless foreign investments. Competitive

Strength and Advantages

The group's competitive advantages include:

- **Strategic location:** the only factory for the production of paper rolls in the region and the largest in the Kingdom of Saudi Arabia.
- **High production capacity:** The Company's high production capacity, which constitutes approximately 45% of the local market share, and according to the Company's plan to purchase equipment, to increase its market share by approximately 59% of the local market.
- **Logistics services:** serving customers faster compared to competitors located outside the Kingdom of Saudi Arabia due to being the only largest factory in the region.

Market Overview

Saudi Arabia is one of the most mature markets in the world when it comes to paper products, as per capita retail tissue paper consumption is high compared to the consumer in developed regions such as North America and Western Europe.

The size of the Saudi papermaking market is 220,000 tons annually, and a national factory produces 20,000 tons annually, and the Company produces from it approximately 100,000 tons annually, and according to the Company's plan to raise its production capacity, which was done by purchasing new production machines to reach 130,000 tons annually.

The Company has also developed its own equipment for quality and control laboratories to ensure the quality of its products, which have been developed and improved in line with international standards and the demands of its customers, which has increased the demand for its products from paper rolls and the final product.

With regard to the Saudi Paper Converting Company (a subsidiary Company), the capacity of transformative paper products (final product) represents 42,000 tons annually from the demand of the local market, and based on what the Company has done to improve its machines, new machines were purchased to reach 45,600 tons annually.

In addition, the market share of the Saudi Paper Converting Company in 2021G amounted to 13.6%, and according to the Company's development plan, the market share would reach 19.1%, thus achieving a 30% growth for the Company in its market share. The reason for growth is also due to the expansion of the spread through sales channels, the development of existing brands, and the entry into the market with new brands, especially in meeting the needs of the local consumer market.

With regard to Saudi Paper and Waste Recycling Company (a subsidiary), the size of the Saudi market is 108,000 tons annually, and Saudi Paper and Waste Recycling Company represents sales of 28,000 tons annually, constituting 28% of the size of the Saudi market, and according to the Company's plan for development and improvement, it will be raising sales to reach 35,000 Tons annually, thus increasing its market share by 25%.

Source: The Company

Summary of Risk Factors

There are a number of risks related to the issuance of Rights, and they are summarized as follows:

Risks related to the Company's Activity and Operations

- Risks related to the Company's Inability to Implement its Strategy
- Risks related to Capital Management
- Risks related to Management Decisions
- Risks related to Accumulated Losses
- Risks related to Fluctuations of the Financial Performance
- Risks related to Losses Resulting from the Sale of Subsidiaries
- Risks related to Having a Number of Inactive Subsidiaries
- Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates
- Risks related to the Outbreak of Infectious Diseases or Other Threats to Public Health, including the Ongoing Global Spread of the Coronavirus Pandemic (COVID-19)
- Risks related to Fixed Assets
- Risks related to the Aging of Some Current Assets
- Risks related to the Availability of the Main Raw Materials and the Change in their Prices
- Risks related to Non-compliance with Quality Standards and Specifications Required by Customers
- Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates
- Risks related to the Outbreak of Infectious Diseases or Other Threats to Public Health, including the Ongoing Global Spread of the Coronavirus Pandemic (COVID-19)
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- Risks related to Non-compliance with Quality Standards and Specifications Required by Customers
- Risks related to Malfunctions in the Company's Factories
- Risks related to Unexpected Accidents
- Risks related to Stock Obsolescence
- Risks related to Relying on Major Customers
- Risks related to Relying on Major Suppliers
- Risks related to the Concentration of the Company's Revenue
- Risks related to Lower Profit Margins in the Manufacturing Sector
- Risks related to the Concentration of the Company's Product Distribution Channels
- Risks related to the Export of the Company's Products
- Risks related to Changes in the Prices of the Company's Products
- Risks related to Contracts with Third Parties
- Risks related to Agreements that are Subject to Foreign Laws and to the Jurisdiction of Foreign Courts or International Arbitration
- Risks related to the Auditor's Qualified Opinion
- Risks related to Developments of the International Accounting Standards or the Application of New International Accounting Standards (IFRS) in the Future
- Risks related to the Company's Transactions with Related Parties
- Risks related to Lease Contracts
- Risks related to Non-compliance with the Terms of Credit Facility Agreements
- Risks related to the Availability of Financing in the Future
- Risks related to Credit and Collection
- Liquidity Risks

- Risks related to the Existing and Potential Legal Zakat Entitlements
- Risks related to Potential Liabilities
- Risks related to Operating Systems and Information Technology
- Risks related to Relying on Critical Employees
- Risks related to Relying on non-Saudi Workers
- Risks related to the Calculation of End of Service Benefits
- Risks related to Saudization of Jobs
- Risks related to violating the Labor Law and its Implementing Regulations
- Risks related to Litigation and Lawsuits
- Trademark Risks
- Risks related to Insurance Coverage
- Risks related to the Application of the Companies Law
- Risks related to Non-compliance with the Rules, Regulations and Policies related to Corporate Governance
- Risks related to Poor Internal Audit
- Risks Related to Existence of Previous Rights Issues
- Risks related to the Non-compliance of the Activities contained in the Company's Articles of Association with the National Guide for Economic Activities

Risks Related to Market and Industry

- Risks related to Stopping Government Incentives in support of Industrial Development
- Risks related to the Withdrawal of Industrial Licenses, Operating Licenses and Environmental Permits
- Risks related to Environmental Regulations and Standards
- Risks related to the Economic Performance of the Kingdom
- Risks related to the Political and Economic Instability of the Region
- Risks related to Natural Disasters
- Risks related to Non-compliance with Existing Regulations and Laws and/or the Issuance of New Regulations and Laws
- Risks related to Energy and Electrical Products and Related Services
- Risks related to the Competitive Environment
- Risks related to Government Fees applicable to Non-Saudi Employees
- Risks related to Value Added Tax (VAT)
- Risks related to Imposing New Duties or Taxes
- Risks related to Fluctuations in Currency Exchange Rates
- Risks related to Fluctuations in Supply and Demand in Local, Regional and Global Markets

Risk related to the offered securities

- Risks related to Fluctuation in the Price of the Rights
- Risks related to Potential Fluctuations in the Share Price
- Risks related to Unprofitability or Sale of Rights
- Risks related to Future Data
- Risks related to the Possibility of Issuing New Shares
- Risks related to Reduced Demand for Rights and Shares of the Company
- Risks related to the Decline of Ownership Ratios
- Risks related to not Exercising the Priority Rights in a Timely Manner
- Risks related to the Distribution of Dividends to Shareholders
- Risks related to Speculation in Priority Rights
- Risks related to Suspension of Trading or Cancellation of the Company's Shares as a Result of not Publishing its Financial Statements within the Statutory Period

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, 2019G, 2020G and 2021G and the accompanying notes.

The audited consolidated financial statements of the Company for the fiscal year ending on December 31, 2019G, 2020G and 2021G and the accompanying notes were prepared in accordance with International Financial Reporting Standards (IFRS) and the standards and publications approved by the Saudi Organization for Auditors and Accountants (SOCPA).

The financial statements for the years ending on December 31, 2019G, 2020G and 2021G were reviewed by **Ibrahim Ahmed Al-Bassam & Partners Company**. The Company issues its lists in Saudi Riyals.

Statement of financial position (SAR '000)	Fiscal year Ended 31 December		
	2019G (Audited)	2020G (Audited)	2021G (Audited)
Total non-current assets	658,443	633,743	597,790
Total current assets	277,305	243,125	379,914
Total Assets	935,747	876,868	977,704
Total non- current liabilities	386,222	391,338	361,377
Total current liabilities	475,580	394,925	402,740
Total liabilities	861,802	786,263	764,118
Total shareholders' equity	73,945	90,605	213,586
Total liabilities and shareholders' equity	935,747	876,868	977,704

Source: The Company's financial statements

Statement of Income (SAR '000)	Fiscal year Ended 31 December		
	2019G (Audited)	2020G (Audited)	2021G (Audited)
Revenues	527,126	532,091	588,799
Cost of Revenue	(428,127)	(385,219)	(452,749)
Total income	98,999	146,872	136,050
Net loss before Zakat	(19,075)	19,710	33,763
Zakat	(8,393)	(4,052)	(2,987)
Net loss before Zakat	(27,469)	15,658	16,723

Source: The Company's financial statements

Statement of Cash Flows (SAR '000)	Fiscal year Ended 31 December		
	2019G (Audited)	2020G (Audited)	2021G (Audited)
Net cash generated from/(used in) operating activities	38,074	83,969	(8,994)
Net cash used in investing activities	(8,577)	(7,325)	(6,831)
Net cash (used in)/generated from financing activities	(40,296)	(72,057)	43,721
Net change in cash and cash equivalents	(10,800)	4,588	27,796
Cash and cash equivalents at beginning of the year	22,845	11,959	15,723
Cash and cash equivalents at end of the year	11,959	15,723	43,068

Source: The Company's financial statements

Key Performance Indicators	Unit	Fiscal year Ended 31 December		
		2019G	2020G	2021G
Revenue growth rate	%	(2.6%)	0.9%	10.7%
Earnings (loss) per share	Time	(3.0)	1.6	1.6
General and administrative expenses as a percentage of revenue	%	(9.0%)	(7.4%)	(7.5%)
Gross Profit (Loss) Ratio	%	18.8%	27.9%	23.1%
Operating profit Ratio (Operating Loss)	%	5.9%	11.6%	6.4%
Net Profit (Loss) Ratio	%	(3.6%)	3.7%	5.7%
Return on equity	%	(25.9%)	19.0%	20.2%
Current Assets/Current Liabilities	Time	0.6	0.6	0.9
Non-Current Assets/Non-Current Liabilities	Time	1.7	1.6	1.7
Assets / Equity	Time	12.7	9.7	4.6
Return on assets	%	(2.8%)	1.7%	3.3%
Debt to Total Equity	Time	9.5	7.0	2.8
Total Assets / Total Liabilities	Time	1.1	1.1	1.3

Source: The Company

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Terms and Definitions

1- Terms and Definitions

Term or Abbreviation	Definition
The Company or the Issuer	Saudi Paper Manufacturing Company and its subsidiaries, a Saudi public joint stock Company that was registered in the commercial registry in Dammam under Certificate No. (2050028141) dated 10/01/1415H (corresponding to 20/06/1994G).
Mother Company	Saudi Paper Manufacturing Company
Advisors	The Company's advisors whose names are shown on page (v).
The Management	The Company's Management
The Board or Board of Directors	The Company's Board of Directors, whose names appear on page (iv).
Substantial Shareholders	Shareholders who own 5% or more of the Company's shares. As at the date of this Prospectus, the Company has one Substantial Shareholder, Raed Abdul Rahman Abdulaziz Al-Mishaal, who owns (6,227,904) shares, or 32.437% of the Company's shares before the Offering.
Related Parties	<p>Related parties shall mean the following:</p> <ol style="list-style-type: none"> 1. Affiliates of the Issuer. 2. Substantial Shareholders of the Issuer. 3. Directors and senior executives of the Issuer. 4. Directors and senior executives of the affiliates of the Issuer. 5. Directors and senior executives of substantial shareholders of the issuer. 6. Any relatives of the persons in (1, 2, 3, 4 or 5) above. 7. Any Company controlled by any person described in (1, 2, 3, 4, 5, or 6) above.
Senior Executives	Any natural person who is entrusted (alone or with others) by the Company's managerial body or by a member of the Company's managerial body with tasks of supervision and management, and whose reference is to any of the following: (1) the managerial body directly and (2) a member of the managerial body and (3) the CEO.
CAGR (Compounded Annual Growth Rate)	A method used to calculate the growth rate of a particular item over a specified period of time.
Bylaws or Articles of Association	The Company's Articles of Association.
CMA or the Authority	The Capital Market Authority in the Kingdom of Saudi Arabia.

Term or Abbreviation	Definition
Saudi Authority for Industrial Cities and Technology Zones (" Modon ")	The Saudi Authority for Industrial Cities and Technology Zones (" Modon "), a governmental authority with an independent legal personality, was established based on Cabinet Resolution No. (235) dated 27/08/1422H. It reports directly to His Excellency the Minister of Industry and Mineral Resources and its responsibilities are to: develop industrial lands with integrated services and create an exemplary investment environment that meets the aspirations of its partners and promotes plans to empower the industry in the Kingdom.
Companies Law or Companies Regulations	The Companies Law in the Kingdom of Saudi Arabia promulgated by Royal Decree No. (M/3) on 28/01/1437H (corresponding to 10/11/2015G) and amended on 01/07/1441H (corresponding to 25/02/2020G).
Exchange	Saudi Stock Exchange (Tadawul).
Tadawul	Saudi Tadawul Company.
Founding Shareholders	The Founding Shareholders of the Company, whose names appear on page (52) of this Prospectus.
General Assembly	The general assembly of the Company's shareholders.
Ordinary General Assembly	The Company's ordinary general assembly meeting of shareholders, which is held in accordance with the Company's Articles of Association.
Extraordinary General Assembly	The Company's extraordinary general assembly meeting of shareholders, which is held in accordance with the Company's Articles of Association.
GCC	Cooperation Council for the Arab States of the Gulf.
GDP	Gross Domestic Product of the Kingdom of Saudi Arabia.
The Government	Government of the Kingdom of Saudi Arabia.
Corporate Governance Regulations	The Corporate Governance Regulations in KSA issued by the Board of the CMA under Resolution No. (8-16-2017G) dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by Royal Decree M/3 dated 28/01/1437H (corresponding to 10/11/2015G) and amended by CMA Board Resolution No. (1-7-2021) dated 01/06/1442H (corresponding to 14/01/2021G).
Kingdom or Saudi Arabia	Kingdom of Saudi Arabia.
Rights	They are tradable securities that grant their holder the right to subscribe to new shares upon approval of the capital increase. It is an acquired right for all registered shareholders, and each Right gives its holder the right to subscribe to one share of the new shares at the Offering Price. The rights are deposited after convening the Extraordinary General Assembly of the capital increase. These Rights will appear in the Registered Shareholders' accounts under a new symbol for the Rights. Registered Shareholders will be notified of the deposit of Rights in their portfolios.

Term or Abbreviation	Definition
Capital Market Law	The Capital Market Law issued by Royal Decree No. M/30 on 02/06/1424H (corresponding to 01/08/2003G).
Rules on the Offer of Securities and Continuing Obligations	The rules on the offer of securities and continuing obligations issued by the board of the Capital Market Authority under resolution no, 3-123-2017, dated 09/4/1439H (corresponding to 27/12/2017G), based on the issued Capital Market Law, and amended by the Authority's Board Decision No. (5-5-2022) dated 02/06/1443H (corresponding to 05/01/2022G).
Listing Rules	The Listing Rules issued by the Saudi Stock Exchange (Tadawul) and approved by CMA Board Decision No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) and the subsequent amendments thereto.
Listing	To list securities on the main market or - where applicable - to submit an application for listing to the Saudi Tadawul Company (Tadawul).
Lead Manager	Alinma Investment Company.
Net Offering Proceeds	The net Offering Proceeds after deducting the Offering Expenses.
Offering Price	10 Saudi riyals per share.
Offered Shares	14,500,000 ordinary shares.
Eligibility Factor	The result of dividing the number of new shares by the number of Outstanding shares of the Company.
Rump Shares	The remaining shares that were not subscribed to during the Subscription Period.
Right Trading Price	It is the price at which the Right is traded, knowing that it is determined through the mechanism of supply and demand, and therefore it may differ from the Indicative Value of the Right.
Right Indicative Value	The difference between the market value of the Company's shares during the Trading Period and the Offering Price.
Offering Period	The period starting on Sunday 27/03/1444H (corresponding to 23/10/2022G), until Wednesday 08/04/1444H (corresponding to 02/11/2022G),
Rump Offering	Offering of any remaining unsubscribed shares by eligible persons to Institution Investors by offering them during the Rump Offering Period.

Term or Abbreviation	Definition
Rump Offering period	If any Shares remain unsubscribed for during the Subscription Period (" Rump Shares "), they will be offered to a number of Institutional Investors (" Institutional Investors "). Such Institutional Investors shall submit offers to purchase the Rump Shares and receipt of such offers will start at 10:00 AM on Monday 13/04/1444H (corresponding to 07/11/2022G), until 05:00 PM on Tuesday 14/04/1444H (corresponding to 08/11/2022G), (" Rump Offering Period "). The remaining shares will be allocated to the Institutional Investors in the order of the offered price with the highest first until all the Rump Shares have been allocated (providing that the price shall not fall below the Offering Price). Rump Shares shall be proportionally divided among Institutional Investors that tendered offers at the same price. Fractional shares will be added to the Rump Shares and treated similarly.
Eligible Persons	It includes both Registered Shareholders and those who purchased the Rights during the Trading Period.
Registered Shareholders	Shareholders who own Shares at the end of trading on the day of the Extraordinary General Assembly for the capital increase and who are registered in the Company's Shareholders Register at the Depository Center at the end of the second trading day following the Extraordinary General Assembly for the capital increase.
New Investors	General Individual and institutional investors - with the exception of the Registered Shareholders - who purchased Rights during the Trading Period.
Person	Natural Person.
Prospectus	This document prepared by the Company in connection with the subscription to Rights Issue Shares.
SAR or Riyal or SR	Saudi riyal, the official currency of the Kingdom of Saudi Arabia.
Currency	Saudi riyal, in which the consolidated financial statements are presented.
Shareholder	A shareholder or owner of stake at a specified time.
Shares	The Company's 19,200,000 ordinary shares at a nominal value of SAR 10 per share.
Alinma Investment Company or Alinma Investment	Alinma Investment Company, a Saudi joint stock Company licensed by the Capital Market Authority to carry out dealing, custody, management, arrangement and advice in securities business under license No. (37-09134).
Brokers	They are the market institutions licensed through the Capital Market Authority to engage in the activity of dealing in securities in the capacity of a Broker.

Term or Abbreviation	Definition
Institutional Investors	<p>Include a number of institutions, as follows:</p> <ol style="list-style-type: none"> 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. 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 conditions and subject to the provisions and restrictions provided in the Investment Fund Regulations. 3. Persons authorized to deal in securities as principals, provided that the financial adequacy requirements are observed. 4. 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. 5. 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. 6. GCC Investors with Legal Personality, including companies and funds established in the GCC countries. 7. Qualified foreign investors. 8. A final legal beneficiary in a swap agreement concluded with capital market institution, in accordance with the terms and regulations of the swap agreements.
SOCPA	The Saudi Organization for Auditors and Accountants.
IFRS	A set of accounting standards and their interpretations issued by the Board of the International Accounting Standards.
Ministry of Commerce	Ministry of Commerce in the Kingdom of Saudi Arabia.
The Subscriber	Any person who subscribes to shares offered for subscription.
Tadawul System	An automated system for buying and selling Saudi stocks.
SIDF	Saudi Industrial Development Fund.
Value Added Tax (VAT)	<p>On 02/05/1438H, the Council of Ministers approved the unified agreement of the value added tax of the Cooperative Council of the Arab States of the Gulf, which came into force as of 01 January 2018G, as a new tax to be added to the system of taxes and other fees that should be applied by certain sectors in the Kingdom and in the Cooperative Council of the Arab States of the Gulf. VAT has been set at 5%. A number of products (such as basic foods, services related to health care and education) were exempted from the said tax. On 11/05/2020G, the Government of the Kingdom has decided to increase the value-added tax rate from (5%) to (15%) as of 01 July 2020G.</p>

Term or Abbreviation	Definition
Underwriter	Alinma Investment Company (" Alinma Investment ")
Underwriting Agreement	Underwriting Agreement between the Company and the Underwriter
Rules for Qualified Foreign Financial Institutions Investment in Listed Securities	These are rules for regulating investment in securities by non-Saudis residing outside the Kingdom issued by the Board of the Capital Market Authority pursuant to Resolution No. 1-42-2015 dated 15/07/1436H (corresponding to 04/05/2015G) and the subsequent amendments thereto.
Capital	The balance shown as a separate item within shareholders' equity in the statement of financial position.
Litigation	Recourse to courts or judicial and quasi-judicial committees to reach a settlement of a dispute.
Subsidiaries	<p>The Company has three (3) subsidiaries within the Kingdom of Saudi Arabia, which are:</p> <ol style="list-style-type: none"> 1. Saudi Company for Paper and Waste Recycling 2. Saudi Paper Converting Company 3. The Saudi Investment and Industrial Development Company <p>It also has six (6) subsidiaries outside the Kingdom of Saudi Arabia, which are:</p> <ol style="list-style-type: none"> 1. Al-Madar Paper Trading Company (Morocco) 2. Al-Madar Paper Trading Company (Jordan) 3. Saudi Jordanian Paper Converting Company (Jordan) 4. Al-Madar Paper Company (Algeria) 5. Roots Factory Company for Tissue Manufacturing (Kuwait) 6. Moroccan Company for Paper Industry (Morocco)



Risk Factors

2- Risk Factors

In addition to the other information contained in this prospectus, anyone wishing to invest in the offered shares must carefully study all the information contained in this prospectus, including the risk factors described below in this section before deciding to purchase the offering shares. The risks described below are not inclusive all the risks that the Company may encounter, as there could be additional risks currently unknown to the Company at the present time, or that the Company may consider immaterial, or that it may not hinder its operations. The Company's activity, financial position, results of operations, cash flows and future prospects may be negatively and materially affected in the event of the occurrence or realization of one of the risk factors referred to below.

Members of the Board of Directors further declare that, to the best of their knowledge and belief, as of the date of this Prospectus, there are no other significant risks, not mentioned in this section, that could affect decisions taken by investors to invest in the offer shares.

Investment in the rights or priority right shares is only suitable for investors who are able to assess the risks and benefits of that investment and who have sufficient resources to bear any loss that may result from that investment. Potential investors who have any doubts regarding the decision to invest in the Company should seek the assistance of a licensed financial licensed by CMA to obtain appropriate advice on investing in the offered shares.

In the event of the occurrence or realization of any of the risk factors that the Company currently believes to be important, or the occurrence of any other risks that the Company could not identify, or considered to be immaterial, this may lead to a decrease in the share price in the market and prospective investors could lose all or part of their investment in the Company's Shares.

The risks set out below are listed in an order that does not reflect their importance or the expected impact on the Company. The risks set out in this prospectus do not include all risks that may affect the Company, its operations, activities, assets, markets and sectors in which it operates and does not include all risks of investment in rights or priority right shares.

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

2-1-1 Risks related to the Company's Inability to Implement its Strategy

The Company's ability to increase its revenue and improve its profitability depends on the extent of the effective implementation of its business plans and the successful achievement of its strategy, including but not limited to: improving existing production lines, expanding into new production lines, modernizing product base or opening or closing sale channels.

The Company's ability to expand its business in the future depends on its ability to continue implementing and improving 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. Any business expansion plans the Company intends to undertake in the future will be subject to the estimated costs and the timetable specified for their implementation (For more information, please refer to Section No. (7) **"Using the Offering Proceeds"** of this prospectus). The Company may need to obtain additional financing to carry out any of the expansion plans.

If it is not able to implement the expansion plans according to the schedule set for and the estimated costs of the project, or in the event of not obtaining the necessary licenses, or not achieving the desired profitability of these projects, which may be due to various reasons- including the change in the market situation at the time of implementation of these projects or if there is a defect in the feasibility study- and if the Company fails to implement any part of its strategy for any reason, this will negatively affect the competitive position of the Company, and consequently affect its financial position, business results, profitability and future prospects.

2-1-2 Risks related to Capital Management

When managing capital, the Company's objective is to ensure its ability to continue to provide returns to shareholders, and to maintain adequate seed capital to support its business. The Company may be exposed to the risk of capital mismanagement and loss of its ability to continue to provide returns to shareholders and support its business.

The Company manages the capital by monitoring returns on net assets and monitoring the ratio of the Company's total liabilities to its total assets, and it may make adjustments to the capital in proportion to changes in economic conditions in the future. For the purpose of maintaining or adjusting the capital, the Company may increase its capital in the future to ensure the achievement of its objectives and strategic plans. In the event that the Company's management is unable to make the necessary capital adjustments, it may face risks of non-continuity.

2-1-3 Risks related to Management Decisions

The results of the Company's business depend mainly on the ability of its management to take correct and appropriate decisions regarding the Company's business and activities. If the Company's management makes wrong decisions regarding its business, this will negatively affect the Company's performance, results of operations and profitability.

2-1-4 Risks related to Accumulated Losses

The Company recorded continuous losses that led to recording accumulated losses of about (136.9) million Saudi Riyals during the year 2018G (representing 55.9% of its capital of 245,000,000 million Saudi Riyals during the year). During the year 2019G, the Company recorded accumulated losses of about (153.4) million Saudi Riyals, representing (62.62%) of its capital.

The laws and regulations in the Kingdom of Saudi Arabia determine the status of companies that record accumulated losses. 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 with shares listed in the market and with cumulative losses amounted to (50%) or more of its capital in light of the companies' law. Their title was modified to become "**Procedures and instructions for Listed Companies with Accumulated Losses Reaching (20%) or More of Their Share Capital**", and they were implemented as of the date of 25/07/1438H (corresponding to 22/04/2017G). The fifth and sixth Articles of these procedures and instructions stipulate that the Company should, immediately and without delay, disclose to the public in a separate announcement when its Accumulated Losses reach 50% or more of its Share Capital. The market will add a mark next to the Company's name on the market's website, symbolizing that the accumulated losses have reached (50%) or more of its capital as soon as the Company's announcement is issued. After this announcement that the accumulated losses have reached (50%) or more of the capital, the Company shall announce (1) The date of the last day on which the Board of Directors may invite the extraordinary general assembly to convene, and the date of the last day for convening the

extraordinary general assembly to address the Accumulated Losses. (2) The Board of Directors' recommendation to the extraordinary general assembly regarding its Accumulated Losses immediately following its issuance- in accordance with the requirements of Article 150 of the Companies Law- either to increase or decrease the Company's capital, or to dissolve the Company before the prescribed date in its by-laws. (3) The date of the last day to complete the process of subscription of the capital increase to address the Accumulated Losses (where applicable). On the other hand, in the event of reducing the accumulated losses below (50%) of the capital, the Company must disclose this to the public immediately and without delay by making a separate announcement, provided that the announcement includes the measures taken by the Company to amend its conditions. After that, the market will delete the aforementioned mark, as soon as the Company announces the modification of its status. Note that in accordance with Article 6 of the procedures and instructions for listed companies with accumulated losses reached (20%) or more of their capital, the Company's shares will be delisted where the Company is dissolved by force of law according to paragraph (2) of Article (150) of the Companies' Law or when the extraordinary general assembly decides to dissolve the Company before the prescribed date.

In addition to the above, a Company with accumulated losses exceed (50%) or more of its capital is subject to the requirements of Article (150) of the Companies Law, which obligates any official in the Company or the auditor, upon his knowledge that the Company's accumulated losses have reached (50%) or more than its capital shall immediately notify the Chairman of the Board of Directors. The Chairman shall immediately inform the members of the Board of that, and the Board of Directors within (15) days of becoming aware of this shall invite the Extraordinary General Assembly to meet within (45) days from the date of the Board's knowledge of the losses, to decide either to increase the Company's capital or reduce it to the extent that the percentage of losses decreases to less than half of the paid-up capital, or to dissolve the Company before the term specified in the Company's bylaws. The Company will be considered terminated by the force of the law if the extraordinary general assembly does not meet within the period specified above, or if it met and was unable to issue a decision in the matter, or if it decided to increase the capital in accordance with the conditions prescribed in Article (150) of the Companies Law, and the subscription for each capital increase was not completed within (90) days from the issuance of the Assembly's decision to increase.

Pursuant to the requirements of the above-mentioned rules and regulations, the Extraordinary General Assembly, held on 07/03/1441H (corresponding to 04/11/2019G), agreed to reduce the Company's capital from two hundred and forty-five million (245,000,000) Saudi riyals to ninety-two million (92,000,000). Saudi riyals by canceling fifteen million three hundred thousand (15,300,000) shares of the Company's shares. On 21/04/1442H (corresponding to 06/12/2020G), the Extraordinary General Assembly agreed to increase the Company's capital through the issuance of rights issues of ten million (10,000,000) shares, with a value of one hundred million (100,000,000) Saudi riyals to become one hundred and ninety-two million (192,000,000) Saudi riyals. In the event that accumulated losses are recorded in the future, the Company will be obliged to take legal measures to extinguish these losses. In the event that the Company is unable to restructure its capital in accordance with the above-mentioned requirements, it may be considered expired by the force of the system, which will have a negative impact on its legal status as an existing entity.

2-1-5 Risks related to Fluctuations of the Financial Performance

The Company incurred losses amounting to about (27.5) million Saudi riyals during the year 2019G, which turned into profits estimated at about 15.7 million Saudi riyals for the year 2020G as a result of a decrease in the Company's expenses from (127.2) million Saudi riyals during 2019G to (102.7) million Saudi riyals during the year 2020G. As a result, the gross profit margin increased from (18.8%) in 2019G to (27.9%) in 2020G, while the net profit margin increased from a negative margin of (5.2%) to a positive margin of (3%), respectively.

Although the Company's revenues increased to (588.8) million Saudi riyals in the fiscal year 2021G, the total profit decreased from (136.1) million Saudi riyals on the account of an increase of (17.5%) in the cost of revenues, and the corresponding increase in revenues exceeded (10.7%) during the same period of the year.

On the other hand, despite the decrease in the total profit and the increase in operating expenses between 2019G and 2020G, the Company's net profit increased from 15.7 million Saudi riyals in the year 2020G to 30.8 million Saudi riyals in the year 2021G, and the corresponding net profit margin increased from (3%) to (5.2) %, respectively. This difference was mainly driven by the one-time litigation proceeds, which amounted to (15.3) million Saudi riyals during the fiscal year 2021G. Noting that the proceeds of litigation are related to the case of selling land and manipulating the accounting entries of the Company during the year 2017G. The judgment was passed in favor of the Company, obliging the buyer to pay an amount of (17.3) million Saudi riyals in favor of the Company. It was executed, which led to an increase in the Company's revenues amounting to the collected funds (For more information, please see subsection No. (10-8) "**Litigation**" of Section No. (10) ("**Legal information**" of this prospectus).

The Company went through fluctuations in its financial performance over the past years, and there is no guarantee that it will maintain a positive performance and will not incur any losses or decline in its revenues in the future, which will have a negative impact on its financial condition and future prospects.

2-1-6 Risks related to Losses Resulting from the Sale of Subsidiaries

During the year 2019G, based on a Sale Undertaking Agreement, the Company sold one of its subsidiaries in the Kingdom of Morocco which is the Moroccan Paper Manufacturing Company. This Moroccan Paper Manufacturing Company has been classified as a non-current asset held for sale in accordance with the requirements of IFRS 5. The net assets of the divested subsidiary amounted to (16.9) million Saudi riyals as in December 2019G, and the corresponding balance of receivables from the sale amounted to (13.6) million Saudi riyals, which resulted in a loss of (3.2) million Saudi riyals during the mentioned fiscal year. During the fiscal year ended in December 2020G, the Company filed a lawsuit to cancel the sale agreement and retained the reserve of the factory after the Company and the buyer entered into a legal dispute due to the delay in settling the sales amount. As a result, a provision of SAR (13.6) million was booked against the previously recorded accounts receivable balance. During the year 2021G, the Company regained possession of the Moroccan Paper Manufacturing Company by the court order. Accordingly, the investment was re-invested and the assets of the Moroccan Paper Manufacturing Company were entered into the Company's fixed assets register, which had a book value of zero (0) Saudi riyals.

Moreover, the Company liquidated its non-operating subsidiary in the United Arab Emirates during the year 2021G, and the net liquidation effect amounted to (66,418) Saudi riyals. The legal procedures related to the liquidation process were completed during the year.

In the event that the Company, in the future, concludes deals to sell its subsidiaries without having a positive impact on its revenues, or incurring losses as a result, or if these deals lead the Company to enter into legal disputes, it will have to incur their costs without guaranteeing their outcome, and this will have a negative and material impact on the Company's business, financial condition, results of operations and future prospects.

2-1-7 Risks related to Having a Number of Inactive Subsidiaries

As at the date of this prospectus, the Company has five (5) inactive subsidiaries, which are:

1. Al-Madar Company - Jordan: The value of its assets is about (2.9) million Saudi riyals.
2. Saudi Paper Manufacturing Company - Jordan: The value of its assets is about (2.5) million Saudi riyals.
3. Al-Madar Company - Morocco: The value of its assets is about (4.2) million Saudi riyals.
4. The Saudi Company for Investment and Industrial Development: The value of its assets is about (32.7) million Saudi riyals.
5. The Moroccan Paper Manufacturing Company, added. It was sold based on a **"sales undertaking agreement"**. However, the Company later filed a lawsuit to cancel the sale agreement and accordingly the court issued a ruling to terminate the contract and return the factory to the Company.

The inability of the Company to reactivate the companies referred to above and make them active companies and exploit their resources, will make the Company face risks including, but not limited to, the risk of losing the value of their assets by depreciation, which will have a negative impact on the Company's financial condition and future prospects.

2-1-8 Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates

The Company is required to obtain and maintain various statutory licenses, permits and certificates in relation to its activities. These licenses, permits and certificates include, but not limited to, certificates of registration in the commercial registry, membership certificates of Chambers of Commerce and Industry, Zakat and Value-added Tax Registration certificates, and General Organization for Social Insurance (GOSI) subscription certificates. This is in addition to certificates issued by the Ministry of Human Resources and Social Development such as certificates of Saudization and Compliance with the Wages Protection System, Nitaqat, Safety Certificates and Municipality Licenses, as well as operating licenses, industrial licenses, and environmental licenses and permits for operation (For more information, please refer to subsection No. (10-2) **"Licenses and Permits obtained by the Company"** of Section No. (10) **"Information Legal"** of this prospectus).

The Company, as the **"license holder"**, must comply with the terms and conditions of each license, permit or certificate obtained. In the event that any of the companies is unable to do so, it may not be able to renew these licenses, permits and certificates or obtain new licenses, which it may need from time to time for the purposes of expanding its activities. This may result in the suspension or faltering of the Company's business or imposing financial fines on it from government agencies, which will negatively and significantly affect the Company's business, financial condition, results of operations and future prospects.

1. The subsidiary Company, the Saudi Company for Investment and Industrial Development (with Commercial Registration (CR) No. 1010232713) in Riyadh, did not comply with obtaining the Chamber of Commerce and Industry subscription certificate. Also, the subscription certificate of the Chamber of Commerce and Industry was not issued to the branch of the subsidiary Company, the Saudi Paper and Waste Recycling Company (with CR No. 4030299113) in Jeddah. Failure to obtain a Chamber of Commerce and Industry subscription certificate will be considered a violation of Article (5) of the Commercial Registry System, which requires everyone who is registered in the Commercial Registry to file with the Commercial Registry Office, within thirty (30) days from the date of registration, a certificate of subscription in the Chamber of Commercial and Industry. This may expose the violating Company to the fine stipulated in Article (15) of the Commercial Register System, with a value not to exceed fifty thousand (50,000) Saudi riyals for each violation, in addition to the Company's inability to benefit from the services provided by the Chambers of Commerce, which will result in disruption of the Company's operations in this regard.

2. The Company must obtain Municipal and Civil Defense licenses to carry out its activities. As of the date of this prospectus, the Company did not obtain municipal licenses for four (4) of its subsidiaries (which are: (1) Branch of the Saudi Paper Converting Company, CR No. (5855071810) in Khamis Mushayt, (2) Branch of the Saudi Paper Converting Company, CR No. (2050106080) in the city of Dammam, (3) Branch of the Saudi Company for Recycling of Paper and Waste, CR No. (2050142796) in the city of Dammam, (4) Branch of the Saudi Paper and Waste Recycling Company, CR No. (4030299113) in the city of Jeddah). The Company also has (3) expired municipal licenses as of the date of this prospectus (which are for: (1) Branch of the Saudi Paper Converting Company, CR No. (4030177125) in Jeddah, (2) the municipal license for the subsidiary, the Saudi Paper and Waste Recycling Company, CR No. (1010146513) in Riyadh, (3) Municipal license for the subsidiary Company's branch, the Saudi Paper and Waste Recycling Company, CR No. (4030177125) in Jeddah). Accordingly, the Company is not committed to the requirements of the Ministry of Municipal and Rural Affairs and Housing in terms of renewing and issuing municipal licenses for the branches through which it conducts its commercial activity. This is considered a violation that may expose the violating Company to the penalties stipulated in the sanctions regulation for municipal violations (issued on 05/02/1442H corresponding to 22/09/2020G), which may reach five hundred thousand (500,000) Saudi riyals, in addition to closing the branches of the Company, which will negatively affect the Company's operations, results of operations and financial condition.

3. On the other hand, the civil defense system 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) obligating the adherence to the requirements of Security and Safety. The Company did not comply with issuing civil defense licenses for all the sites and branches it operates. Four (4) branches remained without issuing these licenses to them (which are (1) the branch of the Saudi Paper Converting Company, CR No. (5855071810) in the city of Khamis Mushayt, (2) the branch of the Saudi Paper Converting Co. CR No. (2050106080) in Dammam, (3) the branch of the Saudi Paper and Waste Recycling Company, CR No. (2050142796) in Dammam, (4) Branch of the Saudi Paper and Waste Recycling Company, CR No. 4030299113 in Jeddah In addition to (5) the Saudi Paper and Waste Recycling Co. CR No. (1010146513) in the city of Riyadh. On the other hand, the Company did not commit to renewing two civil defense licenses belonging to (1) the branch of the Saudi Paper Converting Company, CR No. (4030177125) in Jeddah and (2) the branch of the Saudi Paper Converting Company, CR No. (1010614245) in Riyadh. Therefore, failure to comply with this system will expose the Company to the penalties and fines stipulated in Article (30) thereof, which stipulates imposing a penalty on the violator of any provision of this system, its regulations or the decisions issued based on it, with imprisonment for a period not exceeding six months, or a fine not exceeding thirty thousand (30,000) Saudi riyals, or both. The Company's failure to obtain civil defense licenses will also result in the Company not being able to obtain new municipal licenses or renew the existing licenses. In the event of its inability to obtain safety licenses from the Civil Defense, this may lead to the closure of the branch headquarters until the completion of the regular procedures for obtaining civil defense licenses.

4. The subsidiary Company, the Saudi Paper Converting Company, with CR No. (2050106080) did not comply with renewing its industrial license. The non-compliance of the subsidiary Company with the terms and conditions of the license, may lead to the withdrawal of the license by the Ministry of Industry and Mineral Resources, in addition to the disruption of the factory's business, which will negatively affect its operations, production and financial results.

5. The subsidiary Company, the Saudi Paper Converting Company, had an environmental permit bearing the number (35464), expired since 26/11/1443H (corresponding to 06/07/2021G). This permit has not been renewed as of the date of this prospectus, which may expose the violating Company to penalties stipulated in the Violations and Penalties Regulations attached to the Public Environment Law issued by Royal Decree No. (M/34) dated 28/07/1422H (corresponding to 15/10/2001G), which specified a fine not to exceed ten thousand (10,000) Saudi riyals, and obligated the Company to remove the violation. The penalty may reach the point of closing

the facility for a period determined by the Meteorology and Environmental Protection Authority, in addition to bearing the costs of damages in the event that the violation of environmental standards, specifications and requirements results in a harm to the environment and to others, which will adversely affect the violating Company's operations, in particular, and the Company's business, results of operations and financial condition, in general.

6. The subsidiary Company, the Saudi Paper Converting Company (Registration No. 2050039697) has not renewed its Saudization certificate. The Saudization certificate is one of the basic documents required to be attached to the file applied for government and private tenders and bids. Therefore, the non-renewal of the Saudization certificate may be caused by the Company's non-compliance with the regulations and instructions of the Ministry of Human Resources and Social Development and the Company may miss the opportunities to participate in tenders and apply for new projects, which may adversely affect the Company's productivity, revenues and financial condition.

Accordingly, the Company is not committed to some of the requirements of the Ministry of Municipal and Rural Affairs and Housing in terms of renewing and issuing municipal licenses for the branches through which it conducts its commercial activity. This is considered a violation that may expose the violating Company to the penalties stipulated in the sanctions regulation for municipal violations (issued on 05/02/1442H corresponding to 22/09/2020G), which may reach five hundred thousand (500,000) Saudi riyals, in addition to closing the Company's branches, which will negatively affect the Company's operations, results of operations and financial condition. Also, it violates Article (5) of the Commercial Register System, which requires everyone who is registered in the Commercial Register to file with the Commercial Registry Office, within thirty (30) days from the date of registration, a certificate of subscription in the Chamber of Commerce and Industry. This may expose the violating Company to a fine stipulated in Article (15) of the Commercial Register System, of a value not to exceed fifty thousand (50,000) Saudi riyals for each violation. In addition, the Company will not be able to benefit from the services provided by the Chambers of Commerce, which will result in disruption of the Company's operations in this matter.

Accordingly, the inability of the Company to renew its current licenses, permits and certificates or obtain any of the licenses necessary for its business, or if any of its licenses are suspended or expired, or if any of these licenses are renewed on conditions that are not suitable for the Company, or in the event that the Company is unable to obtain additional licenses, permits and certificates that may be required in the future, this will expose the violating Company to suspension and prevention from carrying out its business, which will result in disrupting the Company's operations and incurring additional costs. The aforementioned will have a materially negative impact on the Company's business, financial condition, results of operations and future prospects.

2-1-9 Risks related to the Outbreak of Infectious Diseases or Other Threats to Public Health, including the Ongoing Global Spread of the Coronavirus Pandemic (COVID-19)

Due to the negative effects on the economy of the Kingdom and the global economy as a whole resulting from the consequences of the outbreak of the Corona pandemic (Covid 19), which began to spread since late December 2019G, starting in China and then all over the world, and the accompanying decisions issued by the competent authorities in the Kingdom of Saudi Arabia regarding the precautionary and preventive measures to address and limit the spread of the pandemic, which required, for example, but not limited to: a partial or complete curfew in some cities and governorates of the Kingdom, closing shopping centers and retail showrooms, reducing the number of working hours for some sectors, or obligating some of them to work remotely, and so on. Also, there was suspension of all domestic flights, buses, taxis and trains, suspension of entry for the purposes of Umrah and visiting the Prophet's Mosque from outside the Kingdom, and the imposition of temporary restrictions on all pilgrims and Umrah performers residing in the Kingdom to prevent them from visiting the cities of Makkah

and Madinah, and the closure of commercial complexes and all activities within them except for food stores and pharmacies. In addition to the health measures taken by the government to contain the outbreak of this pandemic, the government has taken economic measures to contain the consequences of the pandemic through financial support for citizens and those affected by the pandemic, family and sick leave paid by the state, expansion of unemployment compensation, delaying tax payments, and other measures to support companies.

As for the Company's operations, it did not witness a negative impact during the pandemic, but with the spread of (Covid 19) mutations- especially the Omicron, Delta and other mutations that may appear in the future - which may lead to the rapid spread of the virus again. In the event of any outbreak of infectious diseases- for example: Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS)- in the Middle East or any other region, which may require the re-imposition of complete or partial closures in some cities of the Kingdom and thus will negatively affect the Kingdom's economy in general. It is difficult to predict the impact of the Corona pandemic on the Company's activity if the full or partial curfew is re-imposed in the cities of the Kingdom, which will have a negative and fundamental impact on the Company's business, financial condition, results of operations and future prospects.

2-1-10 Risks related to Fixed Assets

The depreciation rate of machinery and equipment was (67.2%) and the depreciation rate for furniture and office equipment was (88.5%), in addition to the Company's vehicle depreciation at a rate of (92.4%) as on December 31, 2021G, respectively. The net present value of the Company's total fixed assets decreased from (606.6) million Saudi riyals for the year 2019G to (567) million Saudi riyals for the year 2020G and then to (551.1) million Saudi riyals for the year 2021G. This is due to the continuous depreciation of the assets in addition to the expense resulting from the decrease in the asset valuation. The Company also has unused fixed assets with a net book value of about (24.1) million Saudi riyals, and the Company recorded a decrease in the value of assets by (3.2) million Saudi riyals, (0.6) million Saudi riyals and (1.9) million Saudi riyals for the fiscal years 2019G, 2020G and 2021G, as a result of reassessing the value of the assets.

The Company follows a capitalization policy that stipulates that any assets with a purchase cost of less than (5,000) Saudi riyals are considered expenses and are recognized during the year of purchase. In the absence of full implementation of this policy, a number of assets with a net book value of (1.4) million Saudi riyals that meet these criteria have been capitalized as part of the fixed asset register as of December 2020G.

It is worth noting that the Company transferred trucks with a net book value of (0.4) million Saudi riyals from one subsidiary of the group to another. Although at the time of transfer these trucks had a remaining life of one year, the receiving subsidiary treated the assets as new purchases with an estimated useful life of (8) years. As a result, the corresponding depreciation expense was reduced by (0.3) million Saudi riyals and an amendment was passed in the first quarter of 2021G to take into account the difference and address the incorrect transaction.

Conversely, the fixed assets are not marked. In the event that physical verification exercises are not conducted on a periodic basis, the Company will not be able to maintain a higher frequency of physical verification operations in order to strengthen its control and ensure that it needs to dispose of these assets or replace them, which will affect the financial condition of the Company and the results of its operations.

2-1-11 Risks related to the Aging of Some Current Assets

The Company made advance payments to a number of suppliers in the amount of (3.1) million Saudi riyals, while these payments are still pending as a result of the Company's disputes with a number of suppliers about the quality of the products that should be delivered to the Company. As at the date of this prospectus, the Company has not made any related provisions.

Customs duty advances amounted to (3.6) million Saudi riyals and have been pending for more than a year. A provision has been made in the amount of (2.9) million Saudi riyals in respect of the outstanding balances.

The inability of the Company to settle its disputes with suppliers and the fact that these amounts remain suspended, the Company will not be able to use them to finance daily operations and pay current expenses, and as such will affect the Company's business and financial condition.

2-1-12 Risks related to the Availability of the Main Raw Materials and the Change in their Prices

The production process in the Company's factories is affected by the availability of raw materials and their prices. The main raw materials for the Company's products are tree pulp imported from the global market and waste paper supplied from the local market, where paper pulp represents (90%) of the Company's total needs of raw materials, while paper waste represents (10%) of the Company's total needs of raw materials. The prices of tree pulp are subject to changes according to supply and demand in the global market, so that the price per ton ranged from one thousand eight hundred and thirty-eight (1,838) Saudi riyals to three thousand one hundred and eighty-eight (3,188) Saudi riyals in the year 2019G, from one thousand six hundred and thirty-one (1,631) Saudi riyals to two thousand three hundred and eighty-one (2,381) Saudi riyals in the year 2020G and from one thousand six hundred and thirteen (1,613) Saudi riyals to three thousand five hundred and sixty-three (3,563) Saudi riyals in the year 2021G.

The Company depends mainly on the availability of raw materials, and its operations may be directly and negatively affected in the event of any delay in those supplies or any change in the conditions of their availability or in case of interruption. The change in the prices of the main raw materials used in production will affect the results of the Company's operations. The Company's profitability may be affected by the rise in raw materials prices if the Company does not succeed in raising the selling prices of its products or covering the deficit by reducing other operating costs, which will have a negative impact on the Company's business, financial condition and future prospects.

2-1-13 Risks related to Non-compliance with Quality Standards and Specifications Required by Customers

The Company seeks to maintain the satisfaction of its customers by continuing to maintain the level of quality of its products provided, which is mainly based on the effectiveness of the quality control system, which in turn depends on a number of factors, including the design of the system, the quality control training program, and ensuring that employees comply with quality control policies and standards. The Company's failure to comply with the quality standards and specifications required for its customers results in the receipt of returned sales from them, which amounted to five million twenty-eight thousand one hundred and forty-nine (5,028,149) Saudi riyals during the year 2019G and four million five hundred and seventy thousand and forty (4,570,040) Saudi riyals during the year 2020G, compared to three million nine hundred twenty-two thousand four hundred and twenty-seven (3,922,427) Saudi riyals for the year 2021G.

In the event that the Company is unable to continue to provide its products with the same level of quality, this will negatively affect its reputation with its customers and consequently make them reluctant to deal with it, which will negatively and materially affect its sales and accordingly its results of operation, financial condition and future prospects.

2-1-14 Risks related to Malfunctions in the Company's Factories

For the continuation of its operations, the Company depends on the functioning and effectiveness of its production lines and work systems. Industrial facilities are, in all cases, subject to significant operational risks as a result of several factors, including: The Company's failure to comply with periodic maintenance, obsolescence of spare parts, fire and natural disasters, interruption of production lines and computers, electrical equipment, or power supply. These risks may cause great damage to the facilities of industrial installations or their workforce, or cause disruption to the production process and the Company's ability to deliver its products, which will result in losses to the Company which will adversely and materially affect the Company's business, results of operation, financial condition and future prospects.

2-1-15 Risks related to Unexpected Accidents

The Company's factories consist of several production lines and machines, and in the event of any sudden malfunction, defect or interruption in the work of these lines, this would negatively affect the Company's production for the duration of the defect, malfunction or interruption- especially in the event of malfunction of more than one production line at the same time, thus adversely affecting the Company's business, prospects and results of operations throughout the production halt.

Accordingly, the Company's business and results are completely dependent on the operations of its factories and their continuity. Therefore, if any matter occurred that would negatively affect its business, whether for technical reasons such as the interruption of electricity, energy or water supplies, or its exposure to any accident or emergency that affects the continuity of its business, whether temporarily or permanent, or any of the natural disasters, this will materially affect the Company's business, results of operations, financial condition and future prospects.

2-1-16 Risks related to Stock Obsolescence

The Company's inventory consists of raw materials, finished goods, in-progress goods, spare parts and consumables. The Company's stock balance amounted to an amount of one hundred and nine million four hundred and ninety-one thousand five hundred and eighteen (109,491,518) Saudi riyals, one hundred and nine million nine hundred and ninety-three thousand and eighty-three (109,999,083) Saudi riyals, and ninety-seven million seven hundred and forty-four thousand four hundred and sixty (97,744,460) Saudi riyals, as of December 31, 2019G, 2020G, and 2021G, respectively. As for the inventory provision, it amounted to twenty million and eighty thousand four hundred and seventy-four (20,080,474) Saudi riyals, twenty-one million two hundred twenty-five thousand two hundred and sixty (21,225,260) Saudi riyals and twelve million four hundred and thirty-two thousand two hundred and twenty-eight (12,432,228) Saudi riyals as of 31 December 2019G, 2020G and 2021G, respectively.

The value of the stock according to the ages is as follows:

- From (0) days to (180) days: about (63.3) million Saudi riyals.
- From (180) days to (361) days: about (6.8) million Saudi riyals.
- From (361) days to (720) days: about (4.9) million Saudi riyals.
- From (720) days or more: about (38.5) million Saudi riyals.

Slow moving inventory mainly includes spare parts to be used for maintenance and repair activities and are considered as useful. The provision for slow moving inventory amounted to about (20.1) million Saudi riyals, (21.2) million Saudi riyals, and (12.4) million Saudi riyals as of December 31, 2019G, 2020G and 2021G, respectively. The reason for that is the slight increase in the provision between 2019G and 2020G with an additional provision of (2.2) million Saudi riyals to cover the risk of obsolescence of old spare parts. Note that in order to alleviate the problem of old stock, the slow-moving spare parts (and consumables) are gradually being sold at low prices. This was affected by the decrease in the provision for slow moving inventory as of December 2021G, as a result of the sale of the old stock of (7.7) million Saudi riyals sold in the fiscal year 2021G.

If the Company is not able to maintain optimum stock levels and monitor stock periodically, this will lead to a severe decrease or to an excess of stock levels, which may cause losses to the Company as it could not meet customers' requirements, in the first case, to dispose the stock, in the second case. This may negatively and material the Company's business operations, financial condition, and results of operations.

2-1-17 Risks related to Relying on Major Customers

The Company mainly depends on a specific customer base of ten (10) customers. The percentage of the Company's dealings with major customers is (20.7%), (18.9%) and (22.4%) of the Company's total sales as on December 31, 2019G, 2020G and 2021G, respectively.

Accordingly, in the event of a decrease in demand from major customers, bankruptcy, collapse or severance of the relationship with one or a group of major customers, or the Company's failure to establish the necessary relationships with new customers upon the termination of contractual relationships with existing customers, this will lead to a decrease in sales and profits of the Company and the decrease of its net profit, which will have a negative and material impact on the Company's future business, financial results, prospects and financial condition.

2-1-18 Risks related to Relying on Major Suppliers

In its activities, the Company relies on ten (10) main suppliers, whereby the Company's purchases constitute (42.5%), (43.8%) and (59%) of the Company's total purchases as of December 31, 2019G, 2020G and 2021G, respectively. Note that the Company's purchases from the three main suppliers amounted to (6.7%), (14.8%) and (40.1%) of the Company's total purchases for the years ending on December 31, 2019G, 2020G and 2021G, respectively. It is worth noting that the Company does not have any agreement with suppliers as it relies on purchase orders.

The Company may be exposed to the risk of the inability of the parties dealing with it to fulfill its obligations. The parties the Company deals with may breach their obligations for any reason, including its bankruptcy results, financial insolvency or disruption of its operations, and the risks that arise from dealing with these parties become more difficult under the difficult conditions of the market.

Nor can it be certain that these parties will be up to the Company's aspirations. In the event that the Company or the parties dealing with it 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 results, future prospects and financial condition.

2-1-19 Risks related to the Concentration of the Company's Revenue

The Company's sales consist of two main sectors: (1) manufacturing and (2) trade and other sectors. The manufacturing sector amounted to approximately (536.9) million Saudi riyals, (539.7) million Saudi riyals and (577.9) million Saudi riyals. This represents (96.1%), (95.2%) and (95.2%) of the Company's total sales for the fiscal years 2019G, 2020G and 2021G, respectively. The Company's revenues in the manufacturing sector are concentrated on tissue products and facial tissues, which accounted for (53.7%), (58.7%) and (53.2%) of the Company's total revenues for the years 2019G, 2020G and 2021G, respectively.

The Company's revenues are also concentrated according to geographical regions within the Kingdom of Saudi Arabia from the central region, as the Company's revenues from this region amounted to about (229.8) million Saudi riyals, (241.1) million Saudi riyals, and (255.9) million Saudi riyals, or about (49.6%), (50%) and (49.7%) of the Company's total revenues for the years 2019G, 2020G and 2021G, respectively.

Therefore, any decrease in sales of the manufacturing sector, or a decrease in the sales of tissues and facial tissues, or a decrease in the Company's sales in the central region will have a negative impact on the Company's revenues and financial condition.

2-1-20 Risks related to Lower Profit Margins in the Manufacturing Sector

The Company's profit margin reached (3.9%) for the year 2019G, and the profit margin increased to (13%) for the year 2020G and then decreased to (9.1%) for the year 2021G, noting that the increase in profitability for the year 2020G is mainly due to the decrease in the costs of raw materials and the procedures imposed during the Corona pandemic, which led to a decrease in the volume of imports and thus increased the Company's share in the local market. As for the decrease in the profit margin between 2020G and 2021G, this is due to the increase in the intensity of competition.

In contrast to the decrease in the profit margin from the revenues of the manufacturing sector, the profit margin from the revenues of the trade and other sectors increased from (25.4%) for the year 2019G to (27.2%) for the year 2020G and then (54%) for the year 2021G.

It should be noted that the Company has a concentration in the Company's revenues from the manufacturing sector (for more details, please see Risk No. (2-1-19) "**Risks related to the Concentration of Company revenues**" of this section) and in the event of a decrease in future profit margins for the manufacturing sector, this will negatively and materially its financial results, future prospects and financial condition.

2-1-21 Risks related to the Concentration of the Company's Product Distribution Channels

The Company has a number of channels for distributing its products, and despite their multiplicity and formation of a network consisting of more than (11) different channels, the main channel is the one associated with the paper roll industry, which realized to the Company sales estimated at about (247.8) million Saudi riyals and (222) million Saudi riyals and (269.1) million Saudi riyals for the years 2019G, 2020G and 2021G, respectively, which represents about (47%), (41.7%) and (45.7%) of the Company's total sales for the same years, respectively.

The occurrence of any factor that may lead to a decline in the distribution of the Company's products through the distribution channel associated with the paper roll industry, will have a negative and fundamental impact on its revenues and financial condition.

2-1-22 Risks related to the Export of the Company's Products

The percentage of export sales outside the Kingdom of Saudi Arabia amounted to (17.1%), (15%) and (17.7%) of the Company's total sales as on December 31, 2019G, 2020G and 2021G, respectively. In addition to the Gulf Cooperation Council countries, the Company's exports are concentrated to its subsidiary Company in Algeria, with the percentage of export sales to these two countries accounting for (10.2%), (6.9%) and (2.2%) of the Company's total export sales as on December 31, 2019G, 2020G and 2021G, on straight.

Exports abroad may be affected by various reasons, including, but not limited to: restrictions imposed by importing countries to protect local products from foreign competition, restrictions imposed by international agreements and treaties, high shipping costs or a change in local laws and regulations in the Kingdom of Saudi Arabia regarding the export of the Company's products. In the event of occurrence of any of these factors or other factors that may affect the Company's ability to provide its products to its customers in the importing countries and thus raise the cost of its products and affect the net profit margins, which will have a negative and material impact on the Company's business, financial results, future prospects and financial condition.

2-1-23 Risks related to Changes in the Prices of the Company's Products

The Company's sales mainly consist of sales of sanitary paper rolls and recycled paper, in addition to sales of tissue papers of all kinds. The prices of the Company's products change locally and in global markets as a result of the change in supply and demand for these products. The average selling price of sanitary paper rolls, per ton, was four thousand eight hundred and eighty-three (4,883) Saudi riyals for the year 2019G, four thousand two hundred (4,200) Saudi riyals for the year 2020G, and four thousand four hundred and six (4,406) Saudi riyals for the year 2021G. The average price of recycled paper per ton was three thousand one hundred and eighty-three (3,184) Saudi riyals for the year 2019G, three thousand eight hundred and fifty-one (3,851) Saudi riyals for the year 2020G and four thousand one hundred and ten (4,110) Saudi riyals for the year 2021G. As for tissue paper, the average price of this product amounted to eight thousand three hundred thirty-nine (8,339) Saudi riyals for the year 2019G, eight thousand four hundred thirty-two (8,432) Saudi riyals for the year 2020G, and eight thousand two hundred thirty-two (8,232) Saudi riyals for the year 2021G. Accordingly, any decrease in the market price of the Company's products will have a negative impact on its business, results of operations and financial condition.

2-1-24 Risks related to Contracts with Third Parties

The Company has entered into many framework contracts and agreements in order to facilitate its business and practice its commercial activities, such as contracts of supply, transport, sale and others (For more information, please see subsection No. (10-5) "**Summary of the Essential Contracts**" of Section No. (10) "**Legal information**" of this prospectus). It cannot be confirmed that these parties will meet the Company's aspirations, and the Company may be exposed to the risk of the contracting parties being unable or unwilling to fulfill their contractual obligations, and the contracting parties may breach their obligations for any reason, including bankruptcy, insolvency, or disruption of operations. These risks that may arise from dealing with these entities become more acute in difficult market conditions. On the other hand, the Company or any of its subsidiaries may breach the contractual terms of these contracts concluded with third parties, or its inability to renew any of these contracts or renew them on unsuitable terms, will have a negative and material impact on the Company's business, results of operations, financial condition and future prospects.

2-1-25 Risks related to Agreements that are Subject to Foreign Laws and to the Jurisdiction of Foreign Courts or International Arbitration

The subsidiaries (outside the Kingdom), in the course of their business, have entered into a number of agreements that are governed in their interpretation and implementation by non-Saudi foreign laws, including: agreements for the sale and purchase of materials and the lease of sites and assets owned by companies. These agreements also provide that any dispute arising therefrom shall be referred to foreign courts for adjudication, and in the event of a dispute with one of the contracting parties and the issuance of a foreign court judgment or arbitration judgment against the subsidiaries based on the applicable foreign law, the legal and financial consequences that it may be exposed to arising from such a judgment are greater than if issued by the applicable Saudi system. The judgment may include compensation for indirect damages, and indirect interest and losses (missing the opportunity) which will negatively affect the Company's operations.

2-1-26 Risks related to the Auditor's Qualified Opinion

The financial statements for the financial year ending on December 31, 2019G included a Qualified opinion of the external auditor. The basis of this qualified opinion is based on three basic items:

- The Company has made an assessment for the impairment of the Company's trade receivables as on December 31, 2019G. Based on the results of this assessment, an amount of SAR 31.4 million was reversed from the provision for impairment of trade receivables during the year ended December 31, 2019G. Whereas the Company did not assess the impairment in the value of the Company's trade receivables as on December 31, 2018G, in accordance with the requirements of IFRS 9 "**Financial Instruments**" and did not show the impact of the results, if any, in the financial position statement and profit and loss statement for the year ended December 31, 2018G. Therefore, the external auditor was unable to determine whether there was any necessary adjustment for the book value of the trade receivables, the provision for impairment and the related accumulated losses of the Company as on December 31, 2018G and on the results of the financial year ending on December 31, 2019G.
- During the year 2019G, and based on the "**Sale Undertaking Agreement**", the Company sold one of its subsidiaries, the Moroccan Paper Manufacturing Company, which had previously been classified as a "**held for sale**" Company under the requirements of IFRS (5) "**Non-current Assets Held for Sale and Discontinued Operations**". According to the Company, its ownership has been transferred to the new buyer as part of the agreement. As on December 31, 2019G, the balance of accounts receivable against the sale of the Moroccan Paper Manufacturing Company amounted to 13.6 million Saudi riyals, which had not been received until the date of the financial statements for the year 2019G. The Company filed a lawsuit to cancel the sale agreement and made a precautionary confiscation of the Moroccan Company for the Paper Industry's factory. As of December 31, 2019G, these legal procedures were in effect. The external auditor was unable to assess the recoverability of the receivable/investment balance.
- The Company incurred losses of 114.9 million Saudi riyals as on December 31, 2018G, while it amounted to 27.47 million Saudi riyals during the fiscal year ended on December 31, 2019G. The accumulated losses amounted to 136.9 million Saudi riyals as on December 31, 2018G, while they amounted to 11.8 million riyals Saudi as on December 31, 2019G. The Company conducted an assessment of the impairment of property, plant and equipment as on December 31, 2019G and accordingly, no impairment loss was recognized during the financial year ended December 31, 2018G, amounting to 6.5 million Saudi riyals. This assessment includes assumptions regarding future sales volume, prices, annual growth rates, terminal growth rates, discount rates, net realizable value and other relevant factors. The outcome of these assumptions is fundamentally dependent on the success of future operations and market conditions in accordance with the Company's estimates and the realization of its plans in the future. The external accountant was unable to assess the reasonableness of the assumptions

used in evaluating the impairment of the Company's assets. The Company considers that the assumptions are realistic and can be achieved in light of its operational restructuring plans and is confident of its ability to meet these future plans. The Company believes that the carrying amount of the property, plant and equipment will be recovered from future operations.

It should be noted that the external auditor did not register any reservation in the financial statements for the financial year ending on December 31, 2020G and 2021G, and if the interim or annual financial statements in the future include any reservation by the external auditor, this will negatively affect the Company's operations and financial condition.

2-1-27 Risks related to Developments of the International Accounting Standards or the Application of New International Accounting Standards (IFRS) in the Future

The audited consolidated financial statements of the Company for the financial years ending on December 31, 2019G, 2020G and 2021G, and the accompanying notes, were 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 Chartered Public Auditors & Accountants (SOCPA).

The Company is obligated to implement the amendments or changes that occur to the approved standards from time to time. Therefore, any changes in these standards or the mandatory application of some new standards could adversely affect the financial statements and, consequently, the Company's financial results and financial condition.

2-1-28 Risks related to the Company's Transactions with Related Parties

In the course of its normal business, the Company deals with related parties represented in gas purchases and distribution of dividends received with East Gas Company Limited (for more details about these transactions, please see subsection No. (10-5-1) "**Contracts and Transactions with Related Parties**") of Paragraph No. (10-5) "**Summary of Substantive Contracts**" of Section No. (10) "**Legal Information**" of this Prospectus). On 22/04/1442H (corresponding to 12/06/2020G), the Extraordinary General Assembly approved the business and contracts with the East Gas Company Limited, in which a member of the Board of Directors, Eng. Fahd bin Mohammed Al-Daoud has an indirect interest, which is the supply of gas to the Company's factory in the Second Industrial City in Dammam, note that the value of transactions in 2019G amounted to six million seven hundred and seventy-seven thousand one hundred and two (6,777,102) Saudi riyals. The value of transactions amounted to nine million seven hundred and eighty-eight thousand two hundred and forty-four (9,788,244) Saudi riyals for the year 2020G, and eleven million four hundred and seventy-five thousand six hundred and ninety-nine (11,475,699) Saudi riyals for the year 2021G.

Transactions with related parties must be subject to the approval of the Company's Ordinary General Assembly. In the event of any future related party dealings or previous transactions that have not yet been approved, they must be presented to the nearest General Assembly. It should be noted that on 10/11/1443H (Corresponding to 09/06/2022G), all transactions with related parties were presented to the Extraordinary General Assembly and were approved for the year 2021G.

In the event that the Company's General Assembly does not approve of these transactions, the Company will have to search for other parties other than the related parties to deal with them to carry out the work assigned to the related parties. The inability of the Company to renew or conclude contracts with related parties, or if they are renewed on terms that do not suit the Company, this will negatively and materially affect the Company's business, financial condition, results of operations and future prospects.

2-1-29 Risks related to Lease Contracts

The Company and some of its subsidiaries have concluded a number of lease contracts in its capacity as the lessee, among these contracts are those concluded with the Saudi Authority for Industrial Cities and Technology Zones and others concluded with private parties (for more details, please see subsection No. (10-5-2) “ **Lease Contracts**” of Subsection No. (10-5) “**Summary of Substantive Contracts**” of Section No. (10) “**Legal Information**”

The subsidiary Company, the Saudi Paper Converting Company, did not commit to registering four lease contracts in the electronic network “**Ejar**”, noting that Cabinet Resolution No. (292) was issued not to consider the lease contract not registered in the electronic network as a valid contract that produces its administrative and judicial effects. Whereas the electronic network for rental services was launched in cooperation between the Ministries of Justice and Housing on 17/05/1439H (corresponding to 03/02/2018G), and a circular was issued by the Ministry of Justice approving the application of this to all contracts concluded after 05/05/1440H (corresponding to 11/01/2019G). Note that the electronic lease contract is considered an executive document and the two parties can request its implementation directly, even if by force, through the enforcement courts, without the need to file a lawsuit in the event that either party breaches its essential obligations arising from the contract. Therefore, in the event that any dispute arises between the subsidiary Company and any of the lessors in relation to the lease contracts that are not registered electronically, it may not be considered by the Saudi courts and therefore the Company, as a plaintiff, may not be able to protect its rights in the event that any of the lessors breach their contractual obligations and this will adversely and fundamentally affects the Company’s business and future aspirations.

2-1-30 Risks related to Non-compliance with the Terms of Credit Facility Agreements

The financing needs of the Company depend on its capital, its financial condition, the results of its operations, its cash flows, and the financing it obtains from the financing entities and banks (For more information, please refer to subsection No. (10-5-5) “**Loans and Facilities**” of Section No. (10). “**Legal Information**” of this prospectus). The financing agreements include restrictions, obligations and pledges on the Company, and it is required to provide guarantees accordingly. Among the most prominent obligations and pledges of the Company, is to notify the financiers of the Company’s intention to change its capital or obtain the prior approval of the financier in the event of a change in the Company’s capital or ownership, or the distribution of dividends to shareholders. It should be noted that the Company has obtained all the necessary approvals for this and has notified the financiers according to the terms of the facility agreements entered into (please refer to subsection No. (10-5-5) “**Loans and Facilities**” of Section No. (10) “**Legal Information**” of this Prospectus). The Company is bound by this condition in order to issue new shares by offering rights shares, and the Company’s failure to comply with the terms of the facilities agreement may lead to the cancellation of the agreement and the acceleration of payments and installments, which may negatively affect the Company’s obligations and its financial condition. Noting that the Company has notified the financiers of its intention to offer rights shares and has obtained all the necessary approvals for this and has notified the financiers in accordance with the terms of the facility agreements concluded.

The Company has also not committed to the debt-to-equity ratio, which was determined under a number of financing agreements, and it has not committed to obtaining the prior approval of the financiers in order to distribute profits.

Also, if the Company does not comply with its payment obligations under these agreements, or breaches in the future any of the obligations or commitments related to the debts arising from it, the financiers may request payment of the debt immediately and collect the guarantees provided by the Company. In this case, there is no guarantee that the Company will be able to obtain sufficient alternative sources of financing to meet the repayment of those debts, and any of these factors will generally have a material negative impact on the Company’s business and financial condition.

2-1-31 Risks related to the Availability of Financing in the Future

The Company may need to obtain loans and bank facilities to finance its expansion plans in the future. It is worth noting that obtaining financing depends on the Company's capital, its financial condition and its cash flows and collateral. The Company does not give any confirmation or guarantee that it can obtain the appropriate financing if needed. So, the inability of the Company to obtain the financing it needs from financiers, or financing with acceptable preferential terms commensurate with the Company, will have a fundamental and negative impact on the Company's performance, operations and future plans.

2-1-32 Risks related to Credit and Collection

Credit risk arises when one party fails to meet a specific financial obligation of the other party. The Company or any of its subsidiaries may face credit risks in several temporary or permanent cases, including the existence of debit balances from customers, and the failure of other creditors to fulfill their obligations towards the Company. Note that the net receivables of the Company amounted to an amount of two hundred and forty-one million six hundred and fifty-two thousand five hundred and eighty-two (241,652,582) Saudi riyals, two hundred and nineteen million four hundred and forty-four thousand four hundred and fifty-five (219,444,455) Saudi riyals, two hundred and three million five thousand six hundred and fifty-two (203,005,652) Saudi riyals as of December 31, 2019G, 2020G and 2021G, respectively. The trade account receivables with a life of more than (120) days constitute one hundred and thirty-eight million three hundred and ninety-five thousand seven hundred and forty-five (138,395,745) Saudi riyals for the year 2019G compared to one hundred and eight million one hundred and twenty-six thousand nine hundred (108,126,900) Saudi riyals for the year 2020G, to decrease to fifty-five million seven hundred and sixty thousand eight hundred and fifty (55,760,850) Saudi riyals for the year 2021G.

The balance of obsolete trade receivables amounted to (32.2) million Saudi riyals as of December 2021G, related to a period exceeding (365) days, noting that most of the mentioned amount's date back to before the year 2019G.

The Company offers its customers a credit period ranging from (30) to (90) days, and the main reason behind the delay in collecting balances is largely due to the lack of a strong collection management process in place for the period before the year 2019G. This requires the Company to study and adopt policies for dealing with suppliers. Accordingly, the Company has filed a number of lawsuits against customers who failed to settle their obligations during the pre-specified credit period.

Accordingly, the Company cannot guarantee that the parties it deals with will not fail to fulfill their obligations, and it also cannot accurately predict the future ability of those parties to comply. In the event of non-fulfilment of the obligation by these parties, the Company may resort to filing lawsuits against these parties to collect the dues, and this will lead to incurring additional expenses by the Company. In the event that the Company continues not to apply more stringent controls on trade receivables, including adopting risk mitigating means such as conducting credit checks for customers before penalizing business relationships; or if the financial statements include a qualified opinion of the chartered accountant due to insufficient impairment tests on trade receivables as required under IFRS 9 and the absence of any resulting effect (if any) in the Company's financial records, as is the case for the financial statements for the year ended December 2019G, this will result in the certified accountant not being able to assess the adequacy of provisions for doubtful debts as for their collection as in the fiscal year 2019G, or in the event that the Company does not commit to improving controls over receivables through the appointment of additional employees for collection and the use of credit reporting agencies, all of this will lead to delays in the collection processes, which will negatively affect the Company, its financial condition and results of operations. .

2-1-33 Liquidity Risks

The Company faces liquidity risk when it is unable to provide the funds necessary to meet its financial obligations arising from operating activities and liabilities on time. The Company's liquidity ratio reached (0.72), (0.62) and (1.05) times as on December 31, 2019G, 2020G and 2021G, respectively. In the event that the Company is unable to effectively manage the payables and pay them on time, the owners of the accounts may resort, for example, to stop dealing with the Company, and thus the Company may face difficulties in providing the revenues necessary to conduct its business. In addition, the Company may be subject to legal issues that may result in financial losses and damage to the Company's reputation, and accordingly, these risks will negatively and materially affect the Company's business, financial condition, results of operations and future prospects.

2-1-34 Risks related to the Existing and Potential Legal Zakat Entitlements

The Company, like other entities, is subject to Zakat, and the Company submitted its Zakat returns until the fiscal year ended on 31/12/2021G, and obtained a Zakat declaration certificate ending on 30/04/2023G. Note that the system of the Zakat, Tax and Customs Authority requires companies operating in the Kingdom to submit their Zakat and tax returns before April 30 of the year following the ended fiscal year (within 120 days from the end of the fiscal year). His movable and immovable funds are in accordance with the controls specified in Article (28) of the executive regulations for levying Zakat. In the event that the declarations are not submitted by the aforementioned date and the certificate is renewed, the Company will not be able to pay its dues and renew the rest of the licenses and will be held accountable by the Zakat Authority, and the services of the Labor Office and the Ministry of Commerce will be suspended, and this may negatively affect the Company's business.

During the fiscal year ending on December 31, 2020, the Company settled the Zakat assessment claim for the years from 2006G to 2007G in the amount of two million and one hundred thousand (2,100,000) Saudi riyals, where the amount of one million and fifty thousand (1,050,000) Saudi riyals was paid and the Company received the final assessment for these years. In addition, during the same fiscal year, the Company received Zakat assessments for the fiscal years 2014G, 2015G, 2016G, 2017G and 2018G, where the Zakat, Tax and Customs Authority demanded the Company an additional commitment of forty-two million (42,000,000) Saudi riyals. During the year 2020G, the Company settled the assessment claim amounting to fifteen million five hundred thousand (15,500,000) Saudi riyals, which relates to the year 2014G, and paid the amount of four hundred and eighty thousand (480,000) Saudi riyals and received the final assessment. On the date (corresponding to 04/03/2021G), an objection was submitted to the remaining assessments from 2015G to 2018G, amounting to twenty-six million nine hundred thousand (26,900,000) Saudi riyals. As on the date of this prospectus, there was no response from the Zakat, Tax and Customs Authority. Note that the Company has made a provision against the mentioned assessments in the amount of sixteen million two hundred and ten thousand one hundred and twenty-two (16,210,122) Saudi riyals as on December 31, 2021G (For more information on the Zakat status of each Company, please see subsection No. (10-4-2) **"Continuing obligations according to the requirements of the Zakat, Tax and Customs Authority"** of subsection No. (10-4) **"Continuing Obligations Imposed by Government Agencies on the Company in its capacity as the license holder"** from Section No. (10) **"Legal information"** of this prospectus).

Accordingly, and since the decision of the Zakat, Tax and Customs Authority regarding the Zakat assessments is not final as on the date of preparing this prospectus, the Company may be obligated to pay amounts to the Zakat, Tax and Customs Authority in excess of what has been allocated for those years, which will negatively affect the Company's financial condition. Also, the Company cannot predict whether the Zakat, Tax and Customs Authority will accept its Zakat estimates or require it to pay any Zakat differences in the future. If the Zakat, Tax and Customs Authority asks the Company to pay such differences, this will have a negative and material impact on the Company's profits, results of operations, financial condition and future prospects.

2-1-35 Risks related to Potential Liabilities

Some potential liabilities may arise for the Company, such as costs related to Zakat, taxes or lawsuits, in addition to any other obligations or costs such as end of service benefits for employees. As on December 31, 2021G, the Company has potential obligations represented in letters of credit and bank guarantees issued in the course of its normal business in an amount of 48.16 million Saudi riyals. If these obligations are realized, they will negatively and materially affect the Company's financial condition, financial position, results of operations and future prospects.

2-1-36 Risks related to Operating Systems and Information Technology

The Company relies on information technology systems to manage their business and facilities, which exposes the Company or any of its subsidiaries to the risks of failure of these systems, such as system collapse, failure of protection systems, penetration of Company systems, electronic viruses, natural disasters, fires, communication errors or lack of the necessary skilled labor to operate and manage these systems.

If the Company fails to maintain and develop information technology systems, or in the event of any malfunctions in its functions, major failures or frequent failures, this will adversely and materially affect the Company's business, financial condition, results of operations and future prospects. Also, failure to maintain an effective IT and operating systems strategy or to choose appropriate systems for the Company's operations will lead to a shortfall in the Company's competitiveness, which will negatively and fundamentally affect its business, financial condition, results of operations and future prospects.

2-1-37 Risks related to Relying on Critical Employees

The Company aims to attract and employ qualified people to ensure the efficiency and quality of its business through effective management and proper operation, given that the Company's success depends on its ability to attract and retain qualified workers. However, the Company may face what drives it to lay off its employees in order to reduce the volume of spending and monthly expenses, or it may have to pay higher salaries and benefits in exchange for keeping them. Accordingly, the Company's loss of important human elements or its inability to retain them or incurring additional expenses in order to keep them will negatively affect the Company's business, financial condition and future prospects.

2-1-38 Risks related to Relying on non-Saudi Workers

The percentage of non-Saudi workers is (74.06%) of the Company's total employees, and the percentage of non-Saudi workers in leadership positions is (77%). Noting that, according to the developed Nitaqat program, the Company's was classified as a medium entity (category C) operating in the industries sector and falls within the medium green range, so that the Saudization rate has reached (25.98%).

If the Company is not able to maintain its non-Saudi cadres or find replacements for them with the same skills and experience, or if there is a change in the policies and regulations of the Ministry of Human Resources and Social Development that resulted in an increase of the Saudization rate in the sector, the Company's business results and financial condition will be materially and adversely affected.

2-1-39 Risks related to the Calculation of End of Service Benefits

The Company's obligation to calculate the end of service benefits is estimated based on the actuarial valuation carried out by independent actuaries, according to the projected credit unit method as stipulated in IAS 19. It turns out that the assumptions used in the actuarial study for the fiscal year 2020G, were not fully consistent with the historical figures reported by the Company. For example, the actuarial study's reported salary growth rate of (1.3%) while the average historical rate of incremental salaries for the Company was (3.0%). As a result, the value of the end of service benefit obligation was hypothetically reduced by (2.1) million Saudi riyals.

In calculating the end-of-service benefits, the Company must follow standards that are compatible with international accounting standards, and its historical data should be consistent with the assessment of actuaries. The presence of any notable differences in the method of calculation may indicate the Company's non-compliance with international accounting standards, which will adversely affect its legal and financial condition.

2-1-40 Risks related to Saudization of Jobs

Compliance with the requirements of Saudization is a statutory requirement issued by the Ministry of Human Resources and Social Development in the Kingdom, whereby all companies operating in the Kingdom, including the Company, are obligated to employ and maintain a certain percentage of Saudi workers among their total employees. According to the developed Nitaqat Program issued by the Ministry of Human Resources and Social Development, the percentage of Saudization for the Company's entity was about (25.98%), and it is classified within the medium green range.

Note that on 11/10/1442H (corresponding to 23/05/2021G), the Ministry of Human Resources and Social Development launched the developed "**Nitaqat**" program, which offers three main advantages: The first: a clear-vision and transparent Saudization plan for the next three years with the aim of increasing organizational stability among private sector establishments; second: the direct relationship between the number of employees and the required Saudization rates for each establishment is based through a linear equation that is proportionally related to the number of employees at the establishment, instead of the current Saudization rates system based on classifying establishments into specific and fixed sizes; and the third: simplifying the design of the program and improving the customer experience by integrating the categories of activities with common characteristics to be 32 activities instead of 85 activities in Nitaqat. This program will also contribute to providing more than three hundred and forty thousand (340,000) jobs until 2024G. The developed Nitaqat program may impose requirements on the Company, and it may be difficult for the Company to maintain and retain the same percentage of Saudi citizens in the future, and thus it does not meet the requirements of the Nitaqat program. If the Company is not able to comply with the requirements of the Nitaqat program and its classification becomes within the red band, in this case the Company may be subject to a number of penalties, including:

- Suspension of its applications for new work visas.
- Suspending its requests to transfer sponsorship of a current employee or a potential employee.
- Preventing non-Saudi employees working with it from changing their professions on work visas
- Enabling a number of non-Saudi employees working for the Company to transfer their sponsorships to other Companies that fall within the green or (platinum) range without obtaining its approval.
- Excluding the Company from participating in government tenders or depriving it from obtaining government loans.

The Company may face challenges in maintaining Saudi nationals, and if the number of this category of workers decreases, this will lead to a decrease in its total Saudization ratio, which will have a fundamentally negative impact on the Company's business, financial condition, results of operations and future prospects.

2-1-41 Risks related to violating the Labor Law and its Implementing Regulations

As on the date of this prospectus, there is a difference in the number of non-Saudi workers registered with the Saudi Paper Manufacturing Company, being according to the data of GOSI (305) workers and the Labor Office (337) workers and the passport data of the resident (310) workers, i.e. a difference of (32) workers between the insurances and the Labor Office and (27) workers between the labor office and passports, and (5) workers between insurances and passports. The mismatch in the number of employees of the Company in various government agencies may indicate violations of the work and residency system, which may expose the Company to the penalties and fines stipulated in the aforementioned regulations, which may amount to a fine of one hundred thousand (100,000) Saudi riyals and may reach the point of closing the facility, which will negatively and materially affect the Company's business, financial condition and future prospects.

The Company's regulation organizing its work has not been updated in accordance with the labor system amended by Royal Decree No. (M/46) dated 05/06/1436H (corresponding to 25/03/2015G). The Company is obliged to update this regulation and inform all the Company's employees of it upon joining to work for the Company, and any amendments are sent via modern technology (e-mail) and are placed in the workers' offices.

In the event of a commitment to update in accordance with the requirements of the Labor system, the Company remains unable to avoid employee misconduct or mistakes such as fraud, intentional or unintentional errors, embezzlement, fraud, theft, forgery, misuse of its property and acting on its behalf without obtaining the required administrative authorizations. Therefore, these actions may result in consequences and responsibilities for the Company, legal penalties, or financial liability. Therefore, the Company cannot guarantee that the misconduct of its employees will not materially harm its financial condition or results of operations.

2-1-42 Risks related to Litigation and Lawsuits

As on the date of this prospectus, the Company was subjected to a number of lawsuits and collection claims that arose in the course of carrying out its activities. The value of the lawsuits filed by the Company as a plaintiff amounted to (68,786,715) riyals and as a defendant amounted to (2,988,379) riyals, which are as follows:

- Execution cases: the number of these cases amounted to (61) cases, with a balance of (38,738,164.42) riyals, and the Company created a provision for this in the amount of (39,124,709.28) riyals.
- Commercial and general cases: the number of these cases amounted to (32) with a balance of (14,934,550.91) riyals, and the Company created a provision for that amount of (14,915,535.44) riyals.
- Other cases: The number of those cases amounted to (9) cases, with a balance of (17,214,585.21) riyals, and the Company created a provision for that in the amount of (17,466,907.58) riyals.
- Labor cases: the number of these cases amounted to (3) cases, with a balance of (887,794.18) riyals, and the Company created a provision for that in the amount of (887,794.18) riyals.

Some of these cases are still pending. Some of them have final and enforceable rulings, but not all the amounts awarded have been collected in favor of the Company. It is possible that the Company will not be able to collect all the amounts claimed, or will be judged in its favor or judged in favor of the plaintiffs. While the Company has made a provision of (72,394,946) riyals (for more information, please see subsection No. (10-8) "**Litigation**" of Section No. (10) "**Legal Information**" of this prospectus), these provisions formed by the Company may not fulfill any potential obligations related to these cases and lawsuits, and such provisions may be insufficient to cover all the obligations that may arise on the Company as a result of these cases, and therefore this will affect the Company's business, results of operations, financial condition and future prospects.

The Company may also become a party to other cases and lawsuits, whether as the plaintiff or the defendant in the future. Any negative outcome regarding litigation and regulatory procedures would negatively affect the Company's business, financial condition, results of operations and future prospects. The Company cannot accurately anticipate the size of the cost of the lawsuits or judicial procedures that may be instituted or instituted against it in the future or the final results of those lawsuits or judgments issued in them and the compensation and penalties they include. These lawsuits may include - but are not limited to - issues of Zakat, tax, work system, errors, complaints and other damages that result from negligence or fraud by persons or institutions in a way that is outside the control of the Company. Therefore, any negative consequences of such issues will negatively affect the Company's business, results of operations, financial condition and future prospects.

2-1-43 Trademark Risks

The Saudi Paper Manufacturing Company and its two subsidiaries, the Saudi Paper and Waste Recycling Company and the Saudi Paper Converting Company, have registered ten (10) trademarks within the Kingdom of Saudi Arabia (for more information, please refer to subsection No. (10-9) "**Trademarks**" of the section No. (10) "**Legal Information**" of this Prospectus).

The Company's ability to market its products and develop its business depends on the use of its names, logos and trademarks, which support its products and its competitive position and give it a clear distinction in the market among customers. Noting that any illegal use of the Group's trademarks by third parties may affect the Company's reputation and bring lawsuits before the competent courts to protect these rights. Any prosecution and settlement of any claims on the Company's trademarks can be time-consuming and costly, as well as the effort exerted by the management in pursuing them.

The inability of the Company to prevent the violation of its rights in this regard will negatively affect its brands and will make the practice of its work more expensive and thus negatively affect its operational results.

2-1-44 Risks related to Insurance Coverage

The Company has a number of insurance contracts, including medical insurance for its employees and their families, in addition to other insurance policies, which are the mandatory motor insurance, property insurance against all risks, insurance against breach of trust, money insurance, general liability insurance, machinery insurance, boiler and pressure vessel insurance, marine and land insurance (For more information, please see subsection No. (10-10) "**Insurance**" of Section No. (10) "**Legal information**" of this prospectus).

These contracts include deductible amounts and factors excluded from insurance coverage, in addition to other restrictions related to the insurance cover to be negotiated with insurance companies. The Company's ability to obtain compensation due to it from the relevant insurance Company depends on its financial solvency and ability to meet the value of this compensation, Therefore, the insurance may not cover all the losses incurred by the Company and no guarantee is given that the Company will not incur losses that exceed the limits of the insurance policies or outside the scope of coverage contained in these policies. It is possible that cases may arise in which the value of the claim exceeds the value of the insurance held by the Company, or that the compensation claim submitted by the Company to the relevant insurance Company will be rejected, or the period of the claim and compensation may be prolonged, which will negatively affect the Company's business, results of operations and financial condition.

2-1-45 Risks related to the Application of the Companies Law

The Companies' law imposes some statutory requirements that the Company must comply with and take procedures and measures to comply with such requirements, which may affect its business plan or take a long time. The current corporate law also imposed more stringent penalties for violating its mandatory provisions and rules. According to Article (213) of the Companies Law, it amounted to five hundred thousand (500,000) Saudi riyals, while Article (214) stipulated the multiplication of penalties for recurred violations of the Companies law. Therefore, the Company will be subject to such penalties, in the event of non-compliance with those rules and provisions, which would adversely and materially affect the Company's business, financial condition and operations.

2-1-46 Risks related to Non-compliance with the Rules, Regulations and Policies related to Corporate Governance

The Company has a corporate governance regulation approved by the Board of Directors on 20/08/1438H (corresponding to 17/05/2017G) and has been prepared in accordance with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority pursuant to Resolution No. (2017-16-8) dated 16/01/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H, as amended by the decision of the Board of the Capital Market Authority No. (3-5-2019) dated 15/09/1440H (corresponding to 20/05/2019G) and its last amendment was by the Authority's Board Decision No. (1-7-2021) dated 01/06/1442H (corresponding to 14/01/2021G). The amended regulation includes mandatory clauses and more detailed provisions than those included in the previous regulation, and includes mandatory clauses on the formation of boards of directors and their committees, their competencies, responsibilities, meetings, the rights and duties of their members, in addition to provisions dealing with cases of conflict of interest between its members and the Company and to ensure clarity of the relationship between shareholders and the board of directors of the Company on the one hand, and the board of directors and the executive management team on the other. It was also concerned with the rights of shareholders in those companies, such as the right to fair treatment without discrimination, and to obtain information transparently so that they can exercise their statutory rights to the fullest extent (To review the extent of the Company's compliance with the requirements of the Governance Regulations Issued by CMA, please see Table No. (77) "**A summary of the most important provisions of the Corporate Governance Regulations that the Company has adhered to**" included in Subsection No. (10-4-5) "**Continuing Obligations as per the Requirements of the Capital Market Authority**" of Subsection No. (10-4) "**Ongoing Obligations Imposed by Governmental Entities on the Company as a License Holder**" of Section No. (10) "**Legal Information**" of this Prospectus).

The Company's failure to implement the Corporate Governance Regulations issued by the Authority and its violation of any of the rules or procedures imposed under it, may expose it to accountability by the Authority, which may do the following or any of them, namely:

- Warning the Company.
- Obliging the Company to take the necessary steps to avoid the occurrence of the violation, or to take the necessary corrective steps to address the consequences of the violation.
- Imposing a fine of no more than five million (5,000,000) Saudi riyals for each violation committed by the Company.

In the event that the Company is held accountable for its violation or failure to implement the governance regulation and a fine is imposed on it by the Capital Market Authority, this will have a negative and material impact on the Company's business, results of operations, financial condition and future aspirations.

2-1-47 Risks related to Poor Internal Audit

The Internal Audit Department has great importance as it is the body authorized to issue periodic reports to the Audit Committee, summarizing the results of all audit tasks, risk assessments and the Company's internal control systems, which aim to alert the most important risks immediately, and apply corrective measures to mitigate the impact of those risks on the Company. The effectiveness of this Department may not be enough to prevent any breach or violation of internal regulations and governance. The Company had previously suffered from a weakness in the internal audit that led to manipulation of the accounting entries during the year 2017G, so that the Company announced on 23/12/1441H (corresponding to 13/08/2020G) on its page in Tadawul, that a suspicion of manipulation in the accounting entries was discovered to be performed by the management of the Company and the Financial Affairs Department represented in negligence, by creating fictitious accounting entries to cancel previous receivables related to the sale of lands in both the cities of Riyadh and Jeddah owned by the Company. The sums suspected to negligence amounted to twenty-five million five hundred and fifty thousand and twenty-five (25,550,025) Saudi riyals. Although the Company filed a lawsuit before the General Court in Riyadh, the ruling issued in favor of the Company required the defendant to pay an amount of seventeen million three hundred thousand (17,300,000) Saudi riyals in its favor, and the amount was collected and deposited into the Company's account in the year 2020G. However, any future factor could lead to the weakness of the internal audit and its failure to perform its tasks in a way that guarantees the interest of the Company, which is therefore exposed to risks, including manipulation of accounting entries and having to file lawsuits to recover its right, which will have a negative impact on the overall performance of the Company and on the results of its operations.

2-1-48 Risks Related to Existence of Previous Rights Issues

During the year 2020G, the Company increased the capital through the issuance of priority rights of ten million (10,000,000) shares at an offer price of ten (10) Saudi riyals per share, with a value of one hundred million (100,000,000) Saudi riyals. The Company disclosed in the relevant prospectus that the proceeds of the offering will be used to purchase raw materials that are the pulp of the tree to feed the Company's production lines, rebuild the Company's assets to improve production quality, purchase machines to increase the production quantity in a subsidiary Company and pay part of the due bank loans on the Company.

If the Company did not succeed in raising sufficient funds through rights issues or using them optimally, or, after the capital increase process was completed, it modified the use of the proceeds of the offering from what was disclosed in the prospectus, and these uses had a negative impact on the Company, the possibility should be considered that the Company may incur large impairment charges on its facilities, as the significant decrease in revenues and operating cash flows may lead to a decrease in the value of the Company's non-current assets, which will negatively and materially affect the Company's business, financial condition and future prospects.

2-1-49 Risks related to the Non-compliance of the Activities contained in the Company's Articles of Association with the National Guide for Economic Activities

The Company did not match the activities mentioned in the Company's articles of association with the national guide for economic activities issued by the Ministry of Commerce and Industry.

The failure to amend the activities contained in the articles of association to be in accordance with the activities of the national classification of economic activities, and reflect that on the activities of the commercial register may lead to the suspension of the Company's services at the Ministry of Commerce, and some of the services of the Ministry of Human Resources and Social Development (the Labor Office), including the renewal of the residency of expatriate workers, where delay fines at the rate of one thousand (1,000) riyals are imposed on each worker whose residency is not renewed by the Company on time.

The inability of the Company to put in place the necessary measures to address such violations will negatively and materially affect the Company's business, financial condition and future prospects.

2-2 Risks related to Market and Sector

2-2-1 Risks related to Stopping Government Incentives in support of Industrial Development

The Company, "**The Saudi Paper Converting Company**", has benefited from the incentives offered by the government to investors to support industrialization in the Kingdom, including soft financing programs provided by the Saudi Industrial Development Fund to industrial facilities, in addition to the Company's benefit from companies' sustainability program offered by the Ministry of Finance on 16/11/1440H (corresponding to 19/07/2019G).

The mentioned loans fall within the incentives provided by the government to the industrial sector. These incentives have played an important role in the success of the projects implemented by the Company. Any halt or suspension of these incentives will negatively affect the Company's business, financial condition and business results.

2-2-2 Risks related to the Withdrawal of Industrial Licenses, Operating Licenses and Environmental Permits

The Company carries out its activities under a number of industrial licenses, operating licenses and environmental permits issued by the competent authorities (For more information, please refer to subsection No. (10-2) "**Licensing and permits obtained by the Company**" of Section No. (10) "**Legal Information**" of this prospectus). In the event that any of the Company's subsidiaries violates the instructions, conditions and obligations of each license, it will be subject to the withdrawal or suspension of its industrial licenses, operating licenses or environmental permits, and in the event of withdrawal of these licenses and permits, it will not be able to continue its activity. This will have a negative impact on the Company's business, results of operations, financial condition, future prospects and its share price in the market.

2-2-3 Risks related to Environmental Regulations and Standards

The Company's operations are subject to the laws and regulations related to the protection of the environment, health and safety in the Kingdom, which increasingly impose strict standards that the Company must adhere to on an ongoing basis. The costs of complying with these laws and regulations and the fines resulting from their violation may be significant. The adherence to new and strict standards requires incurring additional capital expenditures or the emergence of modified operational practices. Accidents related to the environment, health and safety may also arise; for example, the operations of the Company or any of its subsidiaries could result in a number of emitted polluting materials that could lead to a health problem if they are not properly controlled and managed, or if they are left without proper treatment or management, they will lead to the risk environmental pollution.

Failure to fully comply with environmental legislation and regulations- such as a violation of the commitment to self-monitoring programs on emission sources, or a violation of negligence in the maintenance of pollution control, observing and monitoring devices, or non-compliance with the procedures for dealing with emissions and leakage - could lead to the closure of the industrial facilities affiliated to the Group, and will expose the violating Company

to fines or penalties that may be imposed by the regulatory authorities, such as withdrawing or suspending the operating environmental permit issued by the National Center for Monitoring Environmental Compliance. The violating Company may be subject to a fine not exceeding ten thousand (10,000) Saudi riyals for committing any of the aforementioned violations or other violations, which will negatively affect the Company's operations in a way that limits the growth of its revenues or suspends its activities or permit, and thus negatively and materially affect the overall financial condition of the Group and the results of its operations and future prospects.

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

The expected future performance of the Company depends on a number of factors related to the economic conditions in the Kingdom in general, including, for example, factors of inflation, GDP growth, average per capita income, and so on. The Kingdom's macro and micro economy mainly depends on oil and oil industries, which still control a large share of the GDP, and 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 it is affected by government spending rates.

The continued growth of the Kingdom's economy also depends on several other factors, including the continuation of population growth and investments of the public and private sectors 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 future prospects.

2-2-5 Risks related to the Political and Economic Instability of the Region

Some countries in the Middle East suffer from economic, political or security instability at the present time. There are no guarantees that the economic, political and security conditions in these or any other countries will not have a negative impact on the Company's business, results of operations, financial condition and future prospects.

2-2-6 Risks related to Natural Disasters

Natural disasters outside the control of the Company, such as floods, earthquakes, storms, etc., that may damage the Company's facilities if they occur, resulting in high costs. They may also affect the Company's ability to continue conducting its operations and thus reduce its income from these operations. Accordingly, in the event of such disasters and damage to the Company's facilities, this will have a negative and material impact on the Company's business, results of operations and financial condition.

2-2-7 Risks related to Non-compliance with Existing Regulations and Laws and/or the Issuance of New Regulations and Laws

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

2-2-8 Risks related to Energy and Electrical Products and Related Services

The Company's operations depend on the availability of energy and electricity products, so any interruption or reduction in the supply of these products or any increase in their prices would greatly affect the volume of production and the degree of profitability of the Company's operations, which will lead to a reduction in its profit margins and accordingly will adversely affect its business, financial condition, results of operations and future prospects.

2-2-9 Risks related to the Competitive Environment

The Competitive position of the Company 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 be able to compete effectively with other companies in the market that operate in the same business sectors. The pricing policies of the Company's competitors also greatly affect its financial performance, and there is no guarantee that the Company will be able to constantly compete with these companies, which leads to a reduction in its market share and thus negatively and fundamentally affects its business, financial results and future prospects.

2-2-10 Risks related to Government Fees applicable to Non-Saudi Employees

During the year 2016, the Government of the Kingdom of Saudi Arabia approved a number of decisions aimed at carrying out comprehensive reforms of the labor market in the Kingdom of Saudi Arabia, including the approval of imposing additional fees for every non-Saudi employee working for a Saudi entity as of 14/04/1439H (corresponding to 01/ 01/2018G) at the rate of four hundred (400) Saudi riyals per month for each non-Saudi employee for the year 2018G, increased to six hundred (600) Saudi riyals per month for the year 2019G and then to eight hundred (800) Saudi riyals per month for the year 2020G. Any future increase in fees applicable to non-Saudi employees will lead to an increase in the Company's costs in general, which will adversely affect its business, financial performance and results of operations.

It is also worth noting that on 18/03/1442H (corresponding to 04/11/2020G), the Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia launched the initiative to improve the contractual relationship, which entered into force on 01/08/1442H (corresponding to 14/03/2021G). It aims to support the vision of the Ministry of Human Resources and Social Development in building an attractive labor market, empowering and developing human competencies, developing the work environment and eliminating the sponsorship system. The initiative provides three main services: the job mobility service, and the development of exit, return and final exit mechanisms. The initiative services include all expatriate workers in private sector establishments within specific controls that take into account the rights of both parties to the contractual relationship and the terms of the contract between the employer and the expatriate worker. The job mobility service allows the expatriate worker to move to another job upon the expiry of his work contract without the need for the employer's approval. Accordingly, and with the entry into force of this initiative, the Company does not guarantee that it will maintain its cadres of non-Saudi workers and renew their contracts on conditions satisfactory to them, which will push them to move to another job according to the mechanisms referred to above, and if the Company is unable to maintain its cadres of Non-Saudi workers or finding replacements to them with the same skills and experience required, this will lead to an increase in the financial cost of the Company, which would negatively and fundamentally affect the Company's business, financial results and future prospects.

2-2-11 Risks related to Value Added Tax (VAT)

On 02/05/1438H (corresponding to 30/01/2017G), the Saudi Council of Ministers decided to approve the Unified Agreement for Value Added Tax for Arab Countries of Gulf Cooperation Council (GCC), which came into force as of January 1, 2018, as a new tax amounting to (5%) of the selling price, in addition to the rest of the taxes and other fees on specific sectors in the Kingdom, including the sectors in which the Company operates.

On 17/10/1441H (corresponding to 09/06/2020G), the Board of Directors of the Zakat, Tax and Customs Authority issued Decision No. (20-3-2) to increase the value-added tax rate to become (15%) of the selling price, as of 10 /11/1441H (corresponding to 01/07/2020G). Accordingly, the Company has to adapt to the changes resulting from the application of VAT. Any violation or wrong application of the tax system by the Company's management, will expose it to fines or penalties or lead to damage to its reputation, which will also increase costs and operating expenses. This could reduce the competitive position of the Company and the level of demand for its products, which will have a negative impact on the Company's financial condition, results of operations and future prospects.

2-2-12 Risks related to Imposing New Duties or Taxes

Although the Company and its subsidiaries are not currently subject to any kind of taxes other than Sharia Zakat and value added tax (15%) of the Company's sales prices applied in the Kingdom of Saudi Arabia, and other statutory taxes and fees applicable in the countries where the subsidiaries are located, it is possible that other fees or taxes will be imposed by the Government in the future. Accordingly, in the event that new taxes or fees are imposed on the companies other than those currently applied, this will adversely affect the net profits of the Group.

2-2-13 Risks related to Fluctuations in Currency Exchange Rates

Some of the Company's transactions are subject to currencies other than the Saudi riyal, especially the euro, the pound sterling and the US dollar. Since the Saudi riyal is pegged to foreign exchange rates for specific exchange rates (3.75) Saudi riyals against (1) US dollars, therefore, there are no guarantees that the exchange rate of the Saudi riyal will be stable against these foreign currencies. Any depreciation in the value of the Saudi riyal against other foreign currencies will lead to an increase in the operating costs of the group. If the Company is unable to raise selling prices by passing the increases in operating costs resulting from the depreciation of the riyal to customers, this will negatively and fundamentally affect the Company's business, results of operations, financial condition and future prospects.

2-2-14 Risks related to Fluctuations in Supply and Demand in Local, Regional and Global Markets

The volume of production of the paper industry, like other sectors, is affected by fluctuations in supply and demand in the local and regional markets. Therefore, the failure to adapt local and regional production levels to the sharp drop in demand will affect the productivity and sales levels of paper manufacturers, which in turn will affect the performance of the sector in general, and thus affect the Company's performance, results of operations, financial condition and future prospects.

2-3 Risks related to the Offered Securities

2-3-1 Risks related to Fluctuation in the Price of the Rights

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

2-3-2 Risks related to Potential Fluctuations in the Share Price

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

The sale of large quantities of shares by the shareholders or the belief that such sale is likely to occur will 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 this happens after the investors subscribe to the new shares, the subscription cannot be canceled or modified, and therefore the 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 related to Unprofitability or Sale of 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 in the first place, which indicates that there is no guarantee of sufficient demand in the market to exercise the priority rights or receive compensation from the Company. Bearing in mind that the investor who did not subscribe or sell his rights, and the owners of fractional shares, may not get any consideration if the sale takes place during the remaining offering period at the offering price.

2-3-4 Risks related to Future Data

The future results and performance data of the Company cannot be actually predicted and may differ from those contained in this prospectus. As the achievements and ability of the Company to develop are what determine the actual results, which cannot be expected or determined. The inaccuracy of the data and results is one of the risks that the shareholder must identify so as not to affect his investment decision, as if the future results and performance data are fundamentally different from what is mentioned in this prospectus, this will lead to the shareholders losing part or all of their investments in the Company shares.

2-3-5 Risks related to the Possibility of Issuing New Shares

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

2-3-6 Risks related to Reduced Demand for Rights and Shares of the Company

There is no guarantee that there will be sufficient demand for the Rights during the Trading Period to enable the Rights Holder (whether a Registered Shareholder or a new investor) to sell the Rights and make a profit on them, or to enable them to sell the Rights at all. Also, there is no guarantee that there will be sufficient demand for the Company's shares by investment institutions during the remaining offering period. In the event that the investment institutions do 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 priority rights 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 market demand for the shares obtained by a subscriber either through the exercise of the rights of priority for these shares, or through the remaining offering or through the open market.

2-3-7 Risks related to the Decline of Ownership Ratios

If the rights holders do not fully subscribe to the new shares, their ownership and voting rights will be reduced. Also, there is no guarantee in the event that the restricted rights holder wishes to sell his priority rights 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 the increase in its capital. There is also no guarantee that there will be a compensation amount to be 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 during the remaining offering period did not submit offers for the remaining shares at a high price, or if the amount of compensation (if any) is sufficient to compensate for the decrease in the percentage of ownership in the capital of the Company.

2-3-8 Risks related to not Exercising the Priority Rights in a Timely Manner

The subscription period begins on Sunday 27/03/1444H (corresponding to 23/10/2022G) and will end on Wednesday 08/04/1444H (corresponding to 02/11/2022G). Rights holders and the financial intermediaries they represent must take appropriate measures to follow all necessary instructions before the expiry of the subscription period. If the Eligible Shareholders are not able to exercise the subscription rights properly by the end of the subscription period, based on their priority rights, there is no guarantee that there will be an amount of compensation distributed to the Eligible Shareholders who are not participating or who did not perform the procedures for exercising the subscription properly or for the holders of fractional shares.

2-3-9 Risks related to the Distribution of Dividends to Shareholders

The future earnings per share depend on a number of factors, including the Company's profitability, maintaining its good financial position, capital needs, its distributable reserves, the Company's available credit strength, and general economic conditions. Increasing the Company's capital may lead to a decrease in 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 any dividends on the shares that will be actually distributed, nor does it guarantee the amount that will be distributed in any particular year. The distribution of profits is also subject to certain restrictions and conditions stipulated in the Company's Articles of Association.

2-3-10 Risks related to Speculation in Priority Rights

Speculation in rights is subject to risks that may cause material losses. The permissible daily fluctuation range of the trading price of the rights priority is greater than the permissible daily fluctuation range of the market price (which represents 10% of rise and fall of the closing price of the previous day). There is also a direct relationship between the Company's share price and the indicative value of the right, where the indicative value of the right reflects the difference between the market value of the Company's shares during the trading period and the offering price. Accordingly, the daily price limits (i.e the daily volatility range) for rights trading will be affected by the daily price limits for shares trading. In the event that the shareholder has not sold, 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 that. In the event of failure to exercise the rights, the investor may be subject to a loss or decrease in the value of his investment portfolio, or profit in the event of selling shares during the remaining offering period at a price higher than the offering price. Therefore, investors should review the full details of the mechanism of listing and trading new rights and shares and their method of operation, and be familiar with all the factors affecting them, in order to make sure that any investment decision is based on full awareness and knowledge, (for more information, please see Section No. (13) "**Subscription Terms and Conditions**" of this prospectus).

2-3-11 Risks related to Suspension of Trading or Cancellation of the Company's Shares as a Result of not Publishing its Financial Statements within the Statutory Period

In the event that the Company is unable to publish its financial information within the statutory period (30 days from the end of the financial period for the initial financial statements and three months from the end of the financial period for the annual financial statements), the procedures for suspending the listed securities will be applied in accordance with the listing rules - approved by the decision of the CMA Board of Directors No. (1-22-2021) dated 12/07/1442H (corresponding to 24/02/2021G) - which stipulates that the market suspends trading of securities for a period of one trading session following the end of the statutory period. In the event that the financial information is not published within twenty trading sessions following the first suspended trading session, the Saudi Tadawul Company will 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, the Authority may cancel the listing of the Company's securities. The financial market lifts the suspension after one trading session has passed, following the announcement of the Company's financial results. But if the Company is late in announcing its financial results, or if it is unable to publish them within the statutory period referred to above, this will cause the Company's shares to be suspended or to cancel the listing of its shares, which will negatively and fundamentally affect the interest of the Company's shareholders and the Company's reputation and the results of its operations.



3.

Company Background and Nature of Business

3- Company Background and Nature of Business

3-1 Introduction

Saudi Paper Manufacturing Company (hereinafter referred to as the “**Company**” or “**Paper Manufacturing**”) is a Saudi joint stock Company, initially established as a branch of a sole proprietorship establishment under the name “**Saudi Pulp and Paper Manufacturing Establishment**” on 15/04/1410H (corresponding to 13/11/1989G) and was registered in the Commercial Register No. (19540). Later, it was converted to a limited liability Company under the name “**Saudi Paper Manufacturing Company**” with Commercial Registration No. (2050028141) dated 10/01/1415H (corresponding to 20/06/1994G) issued from the city of Dammam. It was transformed into a closed joint stock Company under Ministerial Resolution No. (635) dated 12/03/1427H (corresponding to 10/04/2006G) and the Company’s shares were listed on 17/05/1427H (corresponding to 14/06/2006G) on the Main Market.

The Company’s current capital is one hundred and ninety-two million (192,000,000) Saudi riyals, divided into nineteen million two hundred thousand (19,200,000) ordinary shares (the “**Shares**”) at a nominal value of ten (10) Saudi Riyals per share fully paid-up.

As on the date of publication of this Prospectus, the Substantial Shareholders (who own 5% or more of the capital) is Raed Abdul Rahman Abdulaziz Al Mishaal and he is one of the Founding Shareholders of the Company who owns (6,227,904) shares, representing (32.437%) of the Company’s shares before the Offering.

3-2 Founding Shareholders

The Founding Shareholders of the Company are:

1. His Royal Highness Prince Abdullah bin Musaed bin Abdulaziz Al Saud.
2. Raed Abdul Rahman Abdulaziz Al Mishaal (who currently owns 32.437% of the capital).

The Founding Shareholders named above do not have any roles in the Company.

3-3 Company’s History and Milestones of its Capital Development

- The Company was established on 15/04/1410H (corresponding to 13/11/1989G) as a branch of a sole proprietorship establishment owned by His Royal Highness Prince Abdullah bin Musaed bin Abdulaziz Al Saud under the name “**Saudi Pulp and Paper Manufacturing Establishment**” with commercial registration No. (19540) issued from the city of Dammam.
- 10/01/1415H (corresponding to 20/06/1994G) the Establishment branch was transformed on into a limited liability Company under the name “**Saudi Paper Manufacturing Company**” under Commercial Registration No. (2050028141), with a capital of one hundred million (100,000,000) Saudi riyals.
- On 16/01/1426H (corresponding to 15/02/2006G), the Company’s capital was increased from one hundred million riyals (100,000,000) to two hundred and forty million (240,000,000) Saudi riyals through capitalization of retained earnings.
- On 12/03/1427H (corresponding to 10/04/2006G), the Company was transformed from a limited liability Company to a joint stock Company under Ministerial Resolution (635).

- 30% of the Company's 24,000,000 shares were offered in the Exchange (i.e., seven million two hundred thousand (7,200,000) shares, at a nominal value of ten (10) riyals per share) on 17/05/1427H (corresponding to 14/06/2006G) after obtaining approval of the Capital Market Authority.
- On 06/04/1429H (corresponding to 12/04/2008G), the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to increase the Company's capital from two hundred and forty million (240,000,000) Saudi riyals to three hundred million (300,000,000) Saudi riyals by granting a bonus share for every 4 shares, bringing the number of shares to thirty million (30,000,000) shares. The increase was paid by transferring an amount of sixty million (60,000,000) Saudi riyals from the account of retained earnings.
- On 10/05/1433H (corresponding to 02/04/2012G), the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to increase the Company's capital from three hundred million (300,000,000) Saudi riyals to three hundred and seventy-five million (375,000,000) Saudi riyals by granting one bonus share for every 4 shares, bringing the number of shares to thirty-seven million five hundred thousand (37,500,000) shares. The increase was covered from the account of retained earnings and consensual reserve.
- On 05/07/1435H (corresponding to 04/05/2014G) the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to increase the Company's capital from three hundred and seventy-five million (375,000,000) Saudi riyals to four hundred and fifty million (450,000,000) Saudi riyals by granting one bonus share for every 5 shares, bringing the number of shares to forty-five million (45,000,000) shares. The increase was paid by transferring an amount of seventy-five million (75,000,000) Saudi riyals from the account of retained earnings.
- On 30/12/1439H (corresponding to 10/09/2018G), the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to reduce the Company's capital by (45.56%) from four hundred and fifty million (450,000,000) Saudi riyals to two hundred and forty-five million (245,000,000) Saudi riyals, thus reducing the number of the Company's shares from forty-five million (45,000,000) shares to twenty-four million five hundred thousand (24,500,000) shares, by canceling twenty million five hundred thousand (20,500,000) shares, at a reduction rate of (0.911) shares for every two shares.
- On 07/03/1441H (corresponding to 04/11/2019G), the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to reduce the Company's capital by (62.45%) from two hundred and forty-five million (245,000,000) Saudi riyals to ninety-two million (92,000,000) Saudi riyals, thus reducing the number of shares from twenty-four million five hundred thousand (24,500,000) shares to nine million and two hundred thousand (9,200,000) shares by canceling fifteen million three hundred thousand (15,300,000) shares, at a reduction rate of reduction of one share for every (1.601) shares.
- On 21/04/1442H (corresponding to 06/12/2020G) the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to increase the Company's capital by (108.70%) from ninety-two million (92,000,000) Saudi riyals to one hundred and ninety-two million (192,000,000) Saudi riyals through a rights issue of shares with a value of one hundred million (100,000,000) Saudi riyals bringing the number of shares to (19,200,000) nineteen million and two hundred thousand shares.

3-4 Vision, Mission and Strategy

Company Vision

The Company seeks to be one of the fastest growing major companies, and to always work on two parallel lines, developing the funds of its shareholders and raising the market values of the Company on the one hand, and developing innovative technical solutions with regard to our strict standards in preserving the environment on the other hand.

Company Mission

Developing the Company's returns to benefit its shareholders, by increasing production efficiency and sales growth.

Company Strategy

The Company continues to work on the main components of our strategy, which are: human capital, performance efficiency, and the ability to implement. These components require the Company to continue to attract and develop competencies and human talents for its business, and work to improve the Company's performance across its various units and departments.

The Company will also continue to focus on the local market and increase interest in areas that present an opportunity to achieve a higher market share.

The Company's strategy is based on the following pillars:

- **Sales and Marketing Strategy:** Finalizing the development of a sales and marketing strategy to enter the market, as follows: Developing products and specifications, redistributing sales channels and increasing the market share, to be among the best leading companies on a local and regional front, through:

Develop internal systems and activate the automation program for sales as follows:

- Complete all customer data along with linking them to the Company's electronic system.
- Launching a project to locate customers, distribution points, and expand footprint.
- Follow up on sales operations on a daily basis in the Kingdom of Saudi Arabia through the "sales buzz" program.
- **Building sustainable strategic relationships with our clients in the Saudi market.**
- **Raising production efficiency:** by raising the efficiency of machines while developing paper quality in terms of improving specifications to match the competition in the Saudi market with the development and modernization of quality measurement systems, as well as continuing to work to reduce product costs by reviewing all production processes and continuing work to reduce costs by developing production and packaging machines and investing in the automation of many machines. Contracting was made to develop and modernize some machines in order to achieve increased productivity and reduce operating costs, which achieved higher productivity at lower costs.
- **As for the subsidiaries:** With regard to the Roots Company in Kuwait, the expansion and operation work was completed during the year 2021G, and in Algeria, the Company's subsidiary Al-Madar Company continues its positive performance, and the Company is working to get rid of its useless foreign investments.

Summary Competitive Strength and Advantages

The group's competitive advantages include:

- **Strategic location:** the only factory for the production of paper rolls in the region and the largest in the Kingdom of Saudi Arabia.
- **High production capacity:** The Company's high production capacity, which constitutes approximately 45% of the local market share, and according to the Company's plan to purchase equipment, to increase its market share by approximately 59% of the local market.
- **Logistics services:** serving customers faster compared to competitors located outside the Kingdom of Saudi Arabia due to being the only largest factory in the region.

3-5 Subsidiaries

The Company conducts its activities in the Kingdom of Saudi Arabia through (3) subsidiaries, and outside the Kingdom through (6) wholly owned subsidiaries, except for the Roots Factory Company for the manufacture of paper towels. (For more information about the Company, please see subsection (10-3) "**Main Subsidiaries**" of section (10) "**Legal Information**" of this Prospectus.

Table No. (1): Subsidiaries

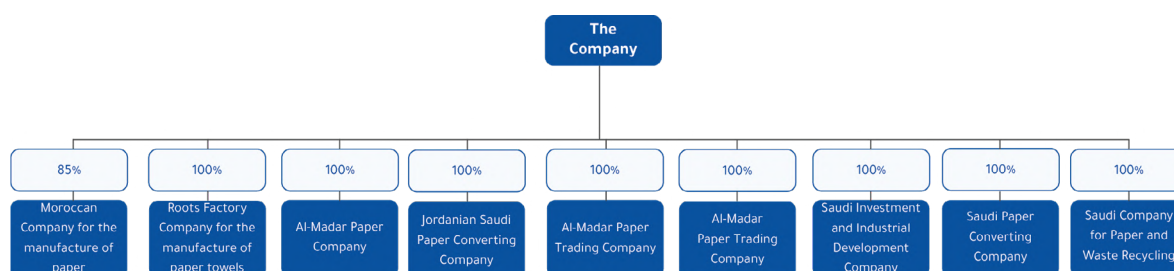
S/N	Subsidiary name	Capital (SAR)	Place of establishment	Main place of operations	Activity	Ownership percentage
1	Saudi Company for Paper and Waste Recycling	4,300,000	Saudi Arabia	Saudi Arabia	The Company collects, isolates, compresses and sells waste that includes paper, cardboard, plastic and glass waste	100%
2	Saudi Paper Converting Company	50,000,000	Saudi Arabia	Saudi Arabia	Production of paper tissues in local markets such as facial tissues, kitchen, bathroom, restaurants and maxi rolls	100%
3	Saudi Investment and Industrial Development Company	500,000	Saudi Arabia	Saudi Arabia	The main activity of the Company is to invest in various industries in the field of petroleum, petrochemical and support services, as well as the establishment of industrial projects for paper	100%

S/N	Subsidiary name	Capital (SAR)	Place of establishment	Main place of operations	Activity	Ownership percentage
4	Al-Madar Paper Trading Company	450,000	Morocco	Morocco	The Company collects, isolates, compresses and sells waste that includes paper, cardboard, plastic and glass waste	100%
5	Al-Madar Paper Trading Company	530,000	Jordan	Jordan	The Company collects, isolates, compresses and sells waste that includes paper, cardboard, plastic and glass waste	100%
6	Jordanian Saudi Paper Converting Company	265,000	Jordan	Jordan	The Company collects, isolates, compresses and sells waste that includes paper, cardboard, plastic and glass waste	100%
7	Al-Madar Paper Company	817,000	Algeria	Algeria	The Company collects, isolates, compresses and sells waste that includes paper, cardboard, plastic and glass waste	100%
8	Roots Factory Company for the manufacture of paper towels	2,835,000	Kuwait	Kuwait	Production of paper tissues in local markets such as facial tissues, kitchen, bathroom, restaurants and maxi rolls	100%
9	Moroccan Company for the manufacture of paper	-	Morocco	Morocco	Production of paper tissues in local markets such as facial tissues, kitchen, bathroom, restaurants and maxi rolls	85%

Source: The Company

The following figure shows the structure of the Company's subsidiaries:

Figure No. (1): The structure of the Company's subsidiaries



Source: The Company

3-6 Investments in other companies

The Company has an investment in another Company in the Kingdom of Saudi Arabia where it owns a non-controlling interest in East Gas Company. The table below shows a summary of the Company's ownership in East Gas Company:

Table No. (2): Investments in other companies as at the date of this Prospectus

Company's name	Place of Incorporation	Activity	Stock/ owned shares	Percentage
East Gas Company	Kingdom Saudi Arabia	Distribution of natural gas, operation of industrial facilities and wholesale trade in gas machinery and equipment	1,040,000	26%

Source: the Company

3-7 Company Activity

The Company's activities are divided into two main Segments:

- Manufacturing Segment
- Trading and Transportation Segment

Manufacturing Segment:

The Manufacturing Segment is represented in the field of manufacturing tissue paper, towels (rolls) and paper pulp, as well as converting rolls of sanitary paper to paper products sold in the markets.

The Company conducts manufacturing business through 3 subsidiaries, one of them inside Saudi Arabia, namely the Saudi Company for Paper Recycling, and 2 companies outside Saudi Arabia, which are the Saudi Jordanian Company for Paper Recycling, the Roots Factory Company for the manufacture of paper towels.

Trading and Transportation Segment:

The Trading and Transportation Segment is represented in the collection, sorting, compressing and selling of solid waste, including paper, cardboard, plastic, metal and glass waste.

The Company engages in Trading and Transportation Segment activity through 6 subsidiaries, two companies inside Saudi Arabia, namely Saudi Paper and Waste Recycling Company and the Saudi Company for Investment and Industrial Development, and 4 companies outside Saudi Arabia, which are Al-Madar Paper Trading Company (Al-Madar) (United Arab Emirates), Al-Madar Paper Trading Company (Al-Madar) (Morocco), Al-Madar Paper Trading Company (Jordan) and Al-Madar Paper Company (Algeria).

3-8 Production capacity of the Company's factories

Following is an overview of the capacity of the Company's factories until the date of this Prospectus:

Table No. (3): The Company's factories

Product name	The Producing Company	Production capacity (tons) per year
Paper rolls	Saudi Paper Manufacturing Company	110,000
Small rolls of clinker film for food packaging	Saudi Paper Manufacturing Company	100
Facial tissue	Saudi Paper Manufacturing Company	24,200
Maxi rolls and healthy bedding	Saudi Paper Manufacturing Company	8,000
Small rolls of aluminum for food packaging	Saudi Paper Manufacturing Company	1,200
Table napkins	Saudi Paper Manufacturing Company	1,500
Towels and toilet paper	Saudi Paper Manufacturing Company	5,000
Recycled paper	Saudi Paper Manufacturing Company	45,000

Source: The Company

3-9 Business interruption

On May 3, 2020, the Company announced the suspension of work in the Company's factories within the Second Industrial City in Dammam for a period of four days, starting from May 3, 2020, in implementation of the directives of the Kingdom's Government regarding Isolating the Second Industrial city in Dammam and preventing entry or exit from it. The Company continued to transport and ship goods and products from warehouses to all customers. On May 7, 2020, the Company announced the restart of its factories and its subsidiaries in the Industrial City.

There have also been no other interruptions in the past 12 months.

3-10 Employees and Saudization

As on the date of this Prospectus, the number of the Company's employees stands at (958), including (227) Saudi employees and (732) non-Saudi employees, with a Saudization rate of about (23.70%). The Company is currently classified under the "**medium green**" category of the Nitaqat Saudization Program of the Ministry of Human Resources and Social Development.

Following is the data on employees and localization in subsidiaries within the Kingdom of Saudi Arabia, as on the date of this Prospectus:

Table No. (4): Employee data and Nationalization in subsidiaries within the Kingdom of Saudi Arabia

Company	Number of Saudis	The number of non-Saudis	Total	Range	Nationalization rate
Saudi Company for Paper and Waste Recycling	20	71	91	Platinum	23.08%
Saudi Paper Converting Company	107	340	447	Low green	23.01%
Saudi Investment and Industrial Development Company*	-	-	-	-	-

Source: The Company

* There is only a commercial registration and there are no employees registered in the name of the Saudi Investment and Industrial Development Company.



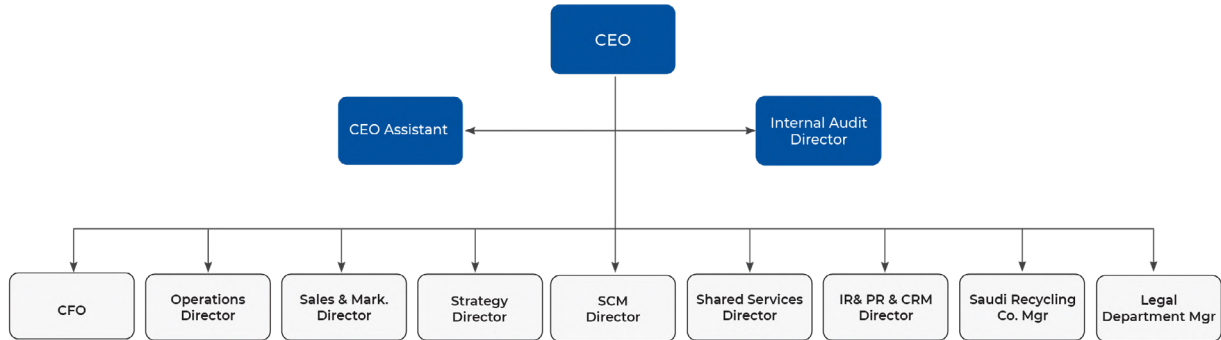
Organization Structure of the Company

4- Organization Structure of the Company

4-1 Organization Structure

The following figure shows the organizational structure of the Company:

Figure No. (2): The organizational structure of the Company



Source: The Company



Employees

5- Employees

5-1 Employees' Share Programs existing prior to submitting an application for Registration and Admission of listing Rights Shares

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

5-2 Arrangements that involve employees in the capital

As of the date of publication of this Prospectus, there are no arrangements involving employees in the Company's capital.



6.

Financial Information and Management Discussion and Analysis

6- Financial Information and Management Discussion and Analysis

6-1 Introduction

The Financial Information and Management Discussion and Analysis section includes an analytical review of the performance of the Company “**The Saudi Paper Manufacturing Company**” and its financial position during the financial years ending on 31 December 2019G, 2020G and 2021G (hereinafter referred to as the “**analysis period**”), which is based and should be read in conjunction with the section (“**Summary of Financial Information**”) and the Company’s audited financial statements. The Company’s financial information for the financial years ending on 31 December 2019G, 2020G and 2021G has been extracted from the financial statements for the years 2019G, 2020G and 2021G, respectively, and this information has not been subject to any material modification unless otherwise indicated.

The Company’s financial statements, for the years 2019G, 2020G and 2021G, were prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom and the standards and other issuances issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), and were audited by the Company’s auditor - Ibrahim Ahmed Al-Bassam & Partners Company (Certified Public Accountants) - as listed in their audit reports.

The chartered accountants, by themselves or through any of their sister companies, do not own any contribution or interest of any kind in the Company as at the date of this Prospectus. The chartered accountants also provided their written consent to use their name, logo and statement that they did not withdraw as on the date of this Prospectus in relation to the reference in this Prospectus to their role as auditors of the Company for the financial years ending on 31 December 2019G, 2020G and 2021G.

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

This section may include forward-looking statements related to the Company’s future expectations based on management’s current plans and expectations regarding the Company’s growth, results of operations, and financial position, which may involve risks and uncertain scenarios. The Company’s actual results may differ materially from the results indicated or included in these future statements due to various factors and future events, including those discussed below and elsewhere in this Prospectus, particularly in the “**Risk Factors**” section of this Prospectus.

6-2 Affidavits of Board Members Regarding Financial Information

The members of the Company’s board of directors acknowledge the following:

1. That the financial information contained in this Prospectus has been extracted from the financial statements without making any material modification to them, and that it includes financial information presented on a consolidated basis in a form consistent with the annual financial statements.
2. The Company and its subsidiaries do not have any holdings in contractual securities or other assets whose value is subject to fluctuations or whose value is difficult to ascertain, which may negatively affect the assessment of the financial position.

3. Except for what was disclosed in this Prospectus, there was no fundamental negative change in the financial and commercial position of the Company during the three fiscal years ending on 31 December 2019G, 2020G and 2021G, immediately preceding the date of submitting an application for registration and offering of securities subject to this Prospectus, in addition to the end of the period covered by the chartered accountant's report until the Prospectus is approved.
4. Except for what was disclosed in the subsection "**Factors Affecting the Company's Activity and Course of Work**" of this section, the Company or its subsidiaries do not have any seasonal factors or economic cycles related to the activity that may have an impact on the business and financial position of the Company and its subsidiaries.
5. The Company is not aware of any information related to governmental, economic, financial, monetary or political policies or any other factors that affect or have a material impact (directly or indirectly) on its operations, except for what has been disclosed in this section and other sections of this Prospectus.
6. The Company's capital registered an amendment between the year 2020G and 2021G. During the year 2021G, the Company increased its capital from SAR 92.0 million as on 31 December 2020G to SAR 192.0 million as on 31 December 2021G by issuing rights shares amounting to SAR 100 million via offering 10 million shares that were fully subscribed. All legal procedures related to the capital increase have been completed during the year 2021G. With the exception of the aforementioned amendment, the Company and its subsidiaries 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.
7. That the Company or its subsidiaries does not have any capital covered by an option right as of the date of this Prospectus.
8. Except as stated in Section 6-6, the Company does not have any loans or other indebtedness, including overdrafts from bank accounts. They also acknowledge that they do not have any security obligations (including personal guarantees or those not covered by a non-personal guarantees secured, or unsecured by a mortgage) or obligations under acceptance, acceptance credit or rental purchase obligations except as disclosed in this section of this Prospectus.
9. To the best of their knowledge, there are no mortgages, rights, or any burdens or costs on the property of the Company and its subsidiaries as on the date of this Prospectus, except for what has been disclosed in this section and in other sections of this Prospectus.
10. The Company and its subsidiaries do not have any potential obligations, guarantees, or any important fixed assets to be purchased or leased other than what has been disclosed in this section.
11. No commissions, discounts, brokerage fees or non-cash compensation were granted by the Company and its subsidiaries to any of the members of the Board of Directors, senior executives, those offering securities or experts during the three years immediately preceding the date of submitting an application for issuing priority rights shares subject to this Prospectus.

6-3 Summary of significant accounting policies

Basis of Preparation

Commitment List

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and issuances approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Accounting Basis

The consolidated financial statements have been prepared under the historical cost convention except cases where IFRS requires another basis of measurement.

The preparation of consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that may affect accounting policies and the amounts reported in the consolidated financial statements.

Functional Currency and Display Currency

These consolidated financial statements are presented in Saudi Riyals, which is the Group's functional and presentation currency.

Basis of Consolidation

The consolidated financial statements include the group's consolidated financial statements. Control is achieved when the group has:

- The ability to control the invested facility.
- Emergence of the Company's right to variable returns as a result of its association with the investee facility.
- The ability to use its control to influence investment returns.

The Company reassesses whether or not it controls any of the investee entities, if facts and circumstances indicate that there are changes to one or more of the elements of control referred to above.

When the Company's voting rights in an investee are less than the majority of the voting rights in it, the Company has control of that investee facility when the voting rights are sufficient to give it the practical ability to direct the activities related to the investee individually. The Company considers all relevant facts and circumstances when assessing whether the Company has voting rights in an investee to give it control. Those facts and circumstances include:

- The size of the Company's voting rights relative to the size and extent of ownership of other voting rights holders.
- Potential voting rights held by the Company and other voting rights holders or third parties
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that may indicate that the Company has, or does not have, the current ability to direct the relevant activities when decisions are needed, including how to vote at previous shareholder meetings.

The process of consolidating a subsidiary begins when the Company gains control of that subsidiary, and ceases when the Company loses control of the subsidiary. In particular, the income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and comprehensive income from the date the Company gains control until the date that the Company ceases to control the subsidiary.

The interim condensed consolidated statement of profit or loss and each component of other comprehensive income is attributed to the shareholders of the Company and to the non-controlling interests. The total comprehensive income of the subsidiaries is distributed to the shareholders of the Company, except for the Roots Factory for Manufacturing of Tissue Paper .

Adjustments are made to the financial statements of subsidiaries, when required, to bring their accounting policies into line with those used by the Company.

All transactions including assets, liabilities, equity, income, expenses and cash flows arising from intra-Company transactions are eliminated on consolidation.

New Standards, Amendments to Standards and Interpretations

A number of new standards, interpretations and other amendments to standards are effective from 01 January 2021G, but they do not have a material impact on the Group's consolidated financial statements.

Modifications to Standards	Description	Valid for annual periods beginning on or after the date of	Summary of modifications
International Financial Reporting Standard No. (9), International Accounting Standard No. (39), International Financial Reporting Standard No. (4) and International Financial Reporting Standard No. (16)	Adjustments to the Standard Interest Rate - Stage 2	01 January 2021G	These amendments modify specific requirements on hedge accounting to allow hedge accounting for the affected hedge to continue during the uncertainty period before the hedging items or hedging instruments affected by current interest rate standards are modified as a result of the current interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions made by the amendments to IFRS 9.
International Financial Reporting Standard No. (16)	Amendments to International Financial Reporting Standard No. (16) - Leasing - COVID 19 - Relevant lease benefits	01 April 2021G	This amendment extends the exemption from assessing whether a COVID-19 related lease concession is an adjustment to payments originally due for a lease on or before 30 June 2022G (instead of a payment due on or before 30 June 2021G).
International Accounting Standard No. (37)	Loss-laden contracts - contract fulfillment costs	01 January 2022G	The amendments specify that the " cost of performing " a contract includes costs directly related to the contract. These amendments apply to contracts in which the Company has not fulfilled all its obligations, starting from the first period in which the Company applies that amendment.

Modifications to Standards	Description	Valid for annual periods beginning on or after the date of	Summary of modifications
International Financial Reporting Standard No. (16), International Financial Reporting Standard No. (9), International Accounting Standard No. (41) and International Financial Reporting Standard No. (1)	Annual Amendments to International Financial Reporting Standards 2018G-2020G	01 January 2022G	<ul style="list-style-type: none"> • IFRS 16: The amendment removes the clarification of recompensation to pay for leasehold improvements. • IFRS 9: The amendment clarifies that when applying the “10 percent” test to assess whether to derecognize a financial liability that doesn't include the entity except for fees paid or received between the entity (the borrower) and the lender. The amendment must be applied prospectively to adjustments and exchanges that occur on or after the date on which the entity first applies the amendment. • International Accounting Standard No. (41): The amendment cancels the requirement of International Accounting Standard No. (41) for entities to exclude tax cash flows when measuring fair value. • International Financial Reporting Standard No. (1): The amendment provides an additional exemption for the subsidiary Company to become applied for the first time after the parent Company with regard to accounting for cumulative translation differences.

Source: Financial Statements

New and revised International Financial Reporting Standards issued but not yet effective

The Company has not applied the following new and revised International Financial Reporting Standards that have been issued and are not yet effective.

Modifications to Standards	Description	Valid for annual periods beginning on or after the date of	Summary of Modifications
International Accounting Standard No. (16)	Property, plant and equipment - proceeds before intended use	01 January 2022G	The amendments prohibit deducting from the cost of any item of property, plant and equipment any proceeds from the sale of items produced before that asset is available for use. In addition, the amendments also clarify the meaning of "testing whether an asset is working properly" .
International Financial Reporting Standard No. (3)	Financial Report Concepts Framework	01 January 2022G	The amendment as a whole to IFRS 3 has been updated to refer to the 2018G conceptual framework rather than the 1989G framework.
International Financial Reporting Standard No. (17)	insurance contracts	01 January 2023G	This new accounting standard is comprehensive for insurance contracts that cover recognition, measurement, presentation and disclosure. Once in force, IFRS 17 (together with its subsequent amendments) will replace IFRS 4 Insurance Contracts that was issued in 2005G.
International Accounting Standard No. (1)	Classification of liabilities as current or non-current	01 January 2023G	The amendment clarifies what is meant by the right to defer settlement, and that the right to deferment must exist at the end of the reporting period, and that this classification is not affected by the possibility that the entity will exercise its right to defer only if it includes the derivatives in a convertible liability that is itself an equity instrument and the terms of commitment will not affect its rating.
International Accounting Standard No. (1) and Practice Statement No. (2)	Disclosure of accounting policies	01 January 2023G	This amendment deals with assisting entities in determining the accounting policies that must be disclosed in the financial statements.

Modifications to Standards	Description	Valid for annual periods beginning on or after the date of	Summary of Modifications
International Accounting Standard No. (8)	Modify the definition of an accounting estimate	01 January 2023G	These amendments clarify the definition of accounting estimates to help organizations distinguish between accounting policies and accounting estimates.
International Accounting Standard No. (12)	Income Taxes	01 January 2023G	This amendment addresses clarification regarding deferred tax accounting for transactions such as leases and decommissioning obligations.
Amendment to International Financial Reporting Standard No. (10) and International Accounting Standard No. (28)	Sale or contribution of assets between an investor and a partner or joint venture	Not Applicable	The amendments to IFRS 10 and IAS 28 deal with situations in which there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control over a subsidiary.

Source: Financial Statements

The Management anticipates that these new standards, interpretations and amendments will be applied to the group's financial statements when they are effective, and the application of these new standards, interpretations and amendments will not have a material impact on the group's consolidated financial statements in the year of initial application.

The following is a summary of the significant accounting policies applied by the Company:

Property, Plant And Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Assets under construction are stated at cost less any impairment in value. These assets are classified into the appropriate line of property and equipment when complete and ready for their intended use. These assets are depreciated on the same bases as other assets when they are ready for their intended use.

Assets under construction for production, service or administrative purposes are stated at cost less any impairment losses. Cost includes professional fees and, for qualified assets, borrowing costs are capitalized in accordance with the Group's accounting policy. These assets are classified into the appropriate lines of property, plant and equipment when complete and ready for their intended use. These assets are depreciated on the same bases as other assets when the assets are ready for their intended use.

Property, plant and equipment (excluding owned land and property under construction) are depreciated over their useful lives using the straight-line method.

The estimated useful lives of the principal components of the assets are as follows:

	Years
Buildings and rental improvements	25 - 33
Plant, machinery and equipment	5 - 25
Furniture, fixtures and office equipment	5 - 15
Cars	4 - 8

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with any changes in estimate computed and applied on a prospective basis.

Capitalization of Costs within Property, Plant and Equipment

The cost of an item of property, plant and equipment consists of the following:

- The purchase price, including import duties and non-refundable purchase taxes, net of trade discounts and rebates, and
- Any costs directly associated with bringing the asset to the location and condition necessary to operate it in the manner contemplated by management

Capital work-in-progress represents the accumulated costs incurred by the Company relating to the construction of buildings and structures in the development phase. Initial costs incurred on capital work-in-progress are recorded and transferred to property and equipment when construction of the facilities is completed. Finance costs from borrowings related to the construction of qualifying assets are capitalized over the period of time necessary for its completion and preparation for its intended purpose.

Exclusion of Property, Plant and Equipment

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss resulting from the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is included in the consolidated statement of profit or loss and other comprehensive income.

Capital Spare Parts

The Company classifies capital spare parts into critical spare parts (strategic spare parts) and general spare parts, using the following guidelines:

- Critical spare parts are parts intended for urgent use, potentially a major component/part that should be kept on hand to ensure the continuous operation of production equipment. Usually, they are only used when malfunctions occur, and are not generally expected to be used routinely. The consumption of critical spare parts starts directly from the date of purchase.
- General spare parts are other major spare parts that are not considered important and are purchased in advance due to the planned replacement plans (in line with the scheduled maintenance program) in order to replace the existing major spare parts with new operable parts. These items are considered “**available for use**” only at a future date, so the depreciation process begins when they are installed as a replacement part. The

depreciation period for such general capital parts is over its useful life or the expected remaining useful life of the associated equipment, whichever is less.

Intangible Assets

Intangible assets that are expected to have a future benefit are included in non-current assets. Intangible assets consist of goodwill, computer software costs and the right to use leased land. The costs of developing an ERP system represent the costs incurred in implementing a new system and are amortized over a period of 4-7 years from the date of its full implementation. The right to use the leased land is amortized over the useful life of the buildings using the straight-line method.

Goodwill represents the excess of the cost of a business combination over the Company's share of the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

The cost consists of the fair value of the assets given, the liabilities assumed and the equity instruments issued, plus the amount of any non-controlling interest on acquisition. The contingent consideration is included in cost at acquisition date fair value and if the contingent consideration is classified as a financial liability, it is subsequently remeasured through profit or loss.

Impairment of Tangible and Intangible Assets

At the end of each financial reporting period, the Company reviews the book values of its tangible and intangible assets to determine whether there is any indication that these assets have suffered impairment losses. If such indication exists, the recoverable amount of the asset is estimated in order to determine impairment losses value (if any). If it is not possible to estimate the recoverable amount of a specific asset, the Company estimates the recoverable amount of the cash-generating unit to which the same asset belongs. When reasonable and constant bases of distribution can be determined, the joint assets are allocated to specific cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis of distribution can be determined.

Intangible assets with indefinite useful lives and intangible assets that have not yet been used are tested for impairment at least once annually, when there is an indication that the asset may be impaired.

The recoverable amount is the asset's fair value less cost to sell or value in use, whichever is higher. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows has not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revalued amount or recoverable amount, so that the revised carrying amount does not exceed the carrying amount of the asset (or cash-generating unit) if no impairment loss been accounted for in previous years. Impairment losses are immediately charged to the consolidated statement of profit or loss and other comprehensive income.

Investing in Associate Companies

Associates are those companies over which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in subsidiaries are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, it includes the Company's share of profit or loss and other comprehensive income of investees accounted for under the equity method, until the date when significant influence ceases.

Inventory

Inventory is valued at cost or net realizable value, whichever is lower. The cost incurred to bring each product to its current location and condition is calculated as follows:

- Raw materials, packing materials and spare parts on a cost-weighted basis and includes all purchase costs and other costs incurred in bringing the inventory to its current location and condition.
- Finished goods and products in progress on a weighted cost basis which includes the cost of materials and labor and an appropriate share of the indirect manufacturing overhead cost based on normal operating capacity, but excludes borrowing costs.

Net realizable value is the expected selling price in the ordinary course of business less the estimated costs necessary to complete the product and make the sale. A provision is made for slow moving inventory.

Spare parts represent items that may result in fixed capital expenditures but are indistinguishable from consumable spare parts, and accordingly are classified under spare parts as current assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and deposits with banks whose maturity period is 90 days or less and are available for use by the Company, unless otherwise stated. In the consolidated statement of financial position, bank overdrafts are shown in loans.

Short Term Deposits

Short-term deposits consist of time deposits with banks with a maturity of more than three months and less than one year from the date of acquisition.

Financial Instruments

Financial Assets at Amortized Cost

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

Business Model Evaluation

- The stated policies and objectives of the portfolio and the work mechanism of those policies from a practical standpoint. In particular, to find out whether management's strategy focuses on earning contractual interest income, maintaining a specific interest pricing history, matching the term of the financial assets to the term of the liabilities financing those assets, or generating cash flows through the sale of the assets;
- How to evaluate the performance of the portfolio and submit a report in this regard to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held in that business model) and how those risks are managed;
- How to compensate business managers - for example; whether the compensation is based on the fair value of the assets being managed or the contractual cash flows collected; and
- The number of deals, the volume and timing of sales in previous periods, the reasons for these sales and their expectations regarding future sales activity. However, information about sales activity is not considered separately but rather as part of a comprehensive assessment of how the Group's stated objective of managing financial assets is being achieved and how cash flows are achieved.

Evaluation of a business model is based on reasonably expected scenarios without taking into account "**worst case**" or "**stress case**" scenarios. If the cash flows after initial recognition are realized differently from the Company's expectations, the Company does not change the classification of the remaining financial assets held within that business model, but uses this information to go forward when valuing the newly formed or newly acquired financial asset.

Financial Assets At Fair Value Through Other Comprehensive Income

Assets that are held to collect contractual cash flows and sell financial assets, where the cash flow of the assets represents only the asset and interest on the debt, are measured at Fair Value Through Other Comprehensive Income.

Financial Assets At Fair Value Through Profit or Loss

Assets that do not meet the criteria for amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss. The gain or loss on debt investments that is subsequently measured is recognized in the statement of profit or loss and is shown in other profit / (loss) in the period in which it arises.

Classification of Financial Liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, according to amortized cost. Amortized cost is calculated by taking into account any discount or premium on the value of the funds issued, and costs that are an integral part of the effective interest rate.

Derecognition

Financial Assets

The Company derecognizes a financial asset when the contractual rights to receive cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows through a transaction in which it transfers substantially all the risks and benefits of ownership of the financial asset, or when the Company does not transfer or retain all the risks and benefits of ownership but does not retain control over the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount assigned to a portion of the asset disposed of) and the total of (i) the consideration received (including the acquisition of a new asset less a new liability) and (ii) the cumulative profit or loss that is recognized in the statement of other comprehensive income, is recognized in the statement of profit or loss.

Impairment

The impairment model applies to financial assets carried at amortized cost, contract assets, debt investments at fair value through other comprehensive income, and not investment in equity instruments. The decline methodology is based on the presence of a significant increase in credit risks. For trade receivables, the Company applies the simplified approach allowed by IFRS 9.

The Company assesses at each reporting date whether the financial assets carried at amortized cost are of low credit value. A financial asset is considered “**credit impaired**” when the occurrence of one or more events has a detrimental effect on the estimated future cash flows of the financial asset. The loss allowance for financial assets measured at amortized cost is deducted from the total value of those assets.

Financial Instruments Clearing

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle the transactions on a net basis or to realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

Effective Interest Rate Method

The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that is used to discount expected future cash payments (including all fees and points paid and received that are an integral part of the effective interest rate, transaction costs and other premiums and discounts) over the expected life of the debt instrument or a shorter period, if appropriate to the net book value on initial recognition.

Discontinued Operations and Non-Current Assets Held for Sale

The results of discontinued operations are presented separately in the statement of profit and loss and other comprehensive income. Non-current assets (or disposal groups) are classified as held for sale at their carrying value or fair value less costs to sell.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount is recovered through a sale transaction rather than continuing use. In that case, when the asset (or disposal group) is available for immediate sale in its present condition only, Subject to the usual and ordinary terms of sale of those assets (or disposal groups) the sale is considered highly probable.

A sale is considered highly likely if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active program to find a buyer and complete the plan has been initiated. Furthermore, the assets have been actively marketed for sale (or disposal group) at a reasonable price in relation to their current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one year from the date it is classified as held for sale.

Non-current assets for sale are not depreciated or amortized while they are classified as held for sale. Interest and other expenses associated with the obligations of the disposal group are recognized.

Non-current assets classified as held for sale and assets of disposal group classified as held for sale are classified separately from other assets in the statement of financial position. Disposal group liabilities classified as held for sale are categorized separately from other liabilities in the statement of financial position.

Foreign Currency Translation

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the end of each reporting period at the exchange rates prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items listed at fair value that are carried in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise, except for foreign exchange differences on monetary items that are required from or due to a foreign operation and are not likely or due to be settled (and therefore constitute part of the net investment in the foreign operation) which are initially recognized in other comprehensive income and are reclassified from equity to the consolidated statement of profit or loss and other comprehensive income when the monetary items are settled.

Upon disposal of a foreign operation (disposal of the Company's entire stake in a foreign operation, disposal involving loss of control over a subsidiary that includes a foreign operation), all cumulative exchange differences in equity in respect of that operation attributable to the shareholders of the Company are reclassified to the statement of profit or loss. In addition, for the partial disposal of a subsidiary that includes a foreign operation, which does not result in the Company losing control of the subsidiary, the proportionate share of the accumulated exchange differences is redistributed to the non-controlling interests and is not recognized in the statement of profit or loss. For all other partial disposals (such as partial disposals of associates or joint arrangements that do not result in the Company losing significant influence or joint control), the proportionate share of the cumulative exchange rate differences is reclassified to the consolidated statement of profit or loss and other comprehensive income.

Group Companies

The results and financial position of foreign subsidiaries that have a presentation currency other than the presentation currency of the parent Company are translated into the functional currency as follows:

1. Assets and liabilities for each financial reporting period are translated at the exchange rates prevailing at the end of the reporting period of the statement of financial position.
2. Revenue and expenses for each financial statement period are translated at average exchange rates.
3. Components of equity accounts are translated at the exchange rates prevailing on the date of the related items. Adjustments are inserted.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event. It is probable that the Company will have to settle the obligation and the amount of the obligation can be estimated reliably. The amount recognized as a provision is calculated based on the best expectations of the consideration required to settle the obligation at the end of the reporting period, after taking into account the

risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated 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 part or all of the economic benefits required to pay a provision are expected to be recovered from a third party, the receivables are recognized as an asset if the receipt and recompensating the amount is certain and can be measured reliably.

Right-of-Use Assets

The Company recognizes right-of-use assets on the commencement date of the lease (ie the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost less any accumulated depreciation and any impairment losses, adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease commitments recognized, initial direct costs incurred and lease payments made on or before the lease commencement, less any lease incentives received and return costs. Unless the Company is reasonably certain about obtaining title to the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over their estimated useful life or the lease term, whichever is shorter. If the Company is reasonably certain to exercise the purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset and the right-of-use asset is subject to impairment.

Lease Obligations

The Company, at the commencement of the lease, recognizes lease liabilities that are measured at the present value of the lease payments made over the term of the lease. Lease payments include fixed payments (including actual fixed payments) less any lease incentives receivable, index or rate variable rent payments, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of the purchase option reasonably certain to be exercised by the Company and payment of lease termination penalties if the lease reflects the Company's exercise of the option to terminate. Variable rent payments that do not depend on a specific index or rate are recognized as an expense in the period during which the event or circumstance causes the payment to be made.

When calculating the present value of the lease payments, the Company uses the incremental borrowing rate at the commencement of the lease if the interest rate implicit in the lease cannot be readily determined. The incremental rate is the rate an individual lessee would pay to borrow the funds necessary to obtain an asset of similar value to a right-of-use asset in a similar economic environment with similar terms, conditions and similar provisions. After the start date, after the lease start date, the amount of the lease commitments is added to reflect the increased interest and reduced by the lease payments made. In addition, the carrying amount of the lease liability is remeasured if there is a modification or change in the lease term; whether it is a change in the actual fixed lease payments or a change in the purchase valuation of the underlying asset.

Lease payments are distributed between capital and financing costs. The finance costs are charged to profit and loss over the lease term to obtain a constant periodic rate of interest on the remaining balance of the liability for each year.

Short-Term Leases and Leases with Low-Value Assets

The Company applies the short-term lease recognition exemption to its short-term leases of rental properties (i.e those leases with a term of 12 months or less from the start date that do not include a purchase option), and also applies the recognition exemption for leases with low-value assets to office equipment leases that are considered to be of low value. Lease payments relating to short-term leases and leases with low-value assets are recognized as an expense on a straight-line method over the term of the lease.

Employee Rewards

1. Short-Term Commitment

Liabilities relating to wages and salaries, including non-cash benefits and accumulated sick leave that are expected to be settled in full within 12 months after the end of the financial reporting period in which employees have rendered the related service, are recognized based on the services provided by employees up to the end of the reporting period and are measured against amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within the accrued expense in the consolidated statement of financial position.

2. Employees' end of service benefits

The defined benefit obligation is calculated annually by independent actuaries using the unit credit valuation method. The obligation recognized in the consolidated statement of financial position in respect of employee compensation is the present value of the defined benefit obligation at the end of the reporting period.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and whose terms are approximate to the terms of the related obligation.

The defined benefit costs are categorized as follows:

Service cost

Service costs include current service cost and past service cost, which are recognized immediately in the consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligation on plan modifications or reductions are recognized directly in the consolidated statement of profit or loss and other comprehensive income as past service costs.

Interest Cost

The interest cost is calculated by applying the discount rate at the beginning of the period to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Remeasurement Gain or Loss

Remeasurement gains or losses arising from adjustments or changes in actuarial assumptions in the period in which they occur are recognized directly in other comprehensive income.

Revenue from Contracts with Customers

The Company recognizes revenue when the customer obtains control over the goods at a specified time, i.e. upon delivery and acknowledgment of receipt of the goods, using the five-step model, which includes:

- a) Defining the contract with the client, i.e. agreements with the Company that create enforceable rights and obligations.
- b) specifying performance obligations in the contract, such as a promise in such contracts to transfer products or services.

c) determining the transaction price based on the consideration to which the Company expects to be entitled in exchange for fulfilling its performance obligations (and excluding any amounts collected on behalf of third parties).

d) Allocation of the transaction price for each performance obligation based on the independent estimated selling price of the products or services provided to the customer.

e) Revenue is recognized when (or as soon as) the entity satisfies the conditions for performance of the obligation, such as that the contracted products or services are transferred to the customer and the customer obtains control. This may be over time or at a certain point in time.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the payment terms specified in the contract and excluding taxes or fees. The specific criteria described above must also be met before revenue is recognized. In the absence of specific conditions, the above policy applies and revenue is recorded when earned and accrued.

Revenue is recognized when goods are delivered or shipped in accordance with the terms of the contract under which control of the goods/products is transferred to the customers and the Company has no effective control over these goods or continued management involvement with them.

Other Income

Other income includes refunds from scrap sales, profits from the sale of property, plant and equipment and other refunds. Recoveries of scrap sales are recognized in the consolidated statement of profit and loss on the date the Company's right to receive payment is established. Gain on the sale of property, plant and equipment is recognized in consolidated profit or loss on the date the Company's right to receive payment is established. Other refunds are recognized as revenue when actually confirmed.

Borrowing Costs

Borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred, except for borrowing costs on long-term funds that are directly attributable to the acquisition, construction or production of qualifying assets. Borrowing costs, if any, are capitalized over the time period necessary to complete and prepare the assets for the intended use.

Zakat and Income Tax

The Company is subject to the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. In addition, subsidiaries are subject to the relevant income tax regulations in the countries in which they conduct their activities. Zakat is deducted according to the accrual principle. Zakat is calculated on the basis of the zakat base or the adjusted net profit, whichever is greater. Any differences between the estimates and the final assessment are recorded when approved, at which point the provision is settled.

(a) Withholding Tax

The Company withholds taxes on specific transactions with non-resident parties in the Kingdom of Saudi Arabia, as required by the Saudi Income Tax Law.

(b) Value Added Tax

Expenses and assets are stated in net of value added tax, except for the following:

- When the value-added tax is not recovered from the General Authority of Zakat and Income and paid for the purchase of assets or services, then the value-added tax is recognized as part of the cost of acquiring the asset or as part of the expenses, as the case may be.
- When accounts receivables and payables are recorded at the value of the included VAT; The net value of VAT recovered from, or owed to the tax authority is included as part of accounts receivable or payable in the consolidated statement of financial position.

Statutory Reserve

In line with the Companies Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company establishes a statutory reserve by transferring 10% of the net profit, if available after covering the accumulated losses, until this reserve reaches 30% of the capital.

This reserve is not available for distribution as dividends.

Dividends

Dividends are recorded as a liability when approved at the annual general assembly meeting. Interim dividends are recorded when approved by the members of the Board of Directors.

Expenses

Expenses are classified according to their functions as part of cost of sales, cost of selling and distribution, or administrative activities. Selling and distribution expenses and general and administrative expenses include indirect costs that are not directly related to the cost of production in accordance with generally accepted accounting principles. Expenses are allocated, if necessary, between selling and distribution expenses, general and administrative expenses and the cost of production on a consistent basis.

Sectoral Reports

(a) Business Sector

The business sector is a group of assets and operations or companies that:

- Engage in income-generating activities.
- The results of its operations are continually analyzed by management in order to make decisions regarding resource allocation and performance assessment; and the
- Its financial information is available independently.

(b) Geographical Sector

A geographical sector is a group of assets and operations or companies that engage in revenue-producing activities in a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

Significant Accounting Judgments, Estimates and Assumptions

In applying the group's accounting policies, the Company's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are difficult to obtain from other sources. Relevant estimates and assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized in the period in which they are made if they affect only that period, or in the period of the adjustment and subsequent periods if the adjustments affect both current and future periods.

Significant Accounting Judgments

The following are the significant judgments that have a significant effect on the amounts recognized in the financial statements.

Recognition of Revenues

The Company recognizes revenue at a point in time including revenue from custom-made wipes where the revenue recognition criteria over time as required by IFRS are not met.

Main Sources of Uncertain Estimates

The following are the key assumptions regarding the future and other key sources of uncertain estimation at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Impairment of Non-Financial Assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss (if any) is recognized at the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the fair value of the asset after deducting selling costs and residual value for use, whichever is higher. For the purposes of estimating impairment, assets are grouped at the lowest levels for which there are independent identifiable cash flows. Non-current assets, other than intangible assets and those that have suffered impairment, are reviewed for possible reversal of the decline in value at each statement of financial position date. When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount shall not exceed the carrying amount that would have been determined, which will be as if no impairment loss had been recognized for the asset or cash-generating unit in prior years. The reversal of the impairment loss is recognized as direct income in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed.

(b) Impairment of Financial Assets, Including Trade Receivables

The loss provisions for trade and other receivables are based on assumptions about the risks of default and unexpected loss rates. The Company uses judgment about these assumptions and determines the inputs to the impairment calculation, based on the Company's historical experience, current market conditions as well as future estimates at the end of each estimation period.

(c) Provision for Slow Moving Inventory

Management makes provision for damaged and slow moving inventory. Estimates of the net realizable value of inventories are based on the most reliable evidence at the time the estimates were used. These estimates take into account fluctuations in prices or costs directly related to events occurring after the date of the statement of financial position to the extent that the circumstances of these events exist as at the end of the year.

(d) Provisions and Contingent Liabilities

Provisions are recognized when the Company has an obligation (legal or constructive) arising from past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

All contingent liabilities arising from past events, the existence of which is confirmed only by the occurrence or non-occurrence of an uncertain or incompletely controlled future event or events, or all current liabilities arising from past events but not recognized for the following reasons:

- (1) it is not likely that an outflow of resources embodying economic benefits will be required to settle the obligation, or
- (2) the amount of the obligation cannot be measured with sufficient reliability; therefore, it is assessed at the balance sheet date and disclosed in the group's financial statements under contingent liabilities.

(e) Useful Lives of Property, Plant and Equipment

Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the assets and the replacement and renewal of these assets. The management reviews the residual value and useful lives annually, and the change in depreciation expenses (if any) is adjusted in the current and future periods.

(f) Estimation of Defined Benefit Obligations

The cost of the defined benefit obligation and the present value of the obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. These factors include determining the discount rate and future salary increases. Due to the complexity of the valuation and the underlying assumptions and their long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each financial position date.

(g) Lease Contracts

In the event that the Company cannot easily determine the interest rate implicit in the lease, it uses the incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the rate of interest that a Company would have to pay in order to borrow the necessary financing over a similar term and with the same collateral to obtain an asset of the same value as the “**right-of-use**” asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Company “**must**” repay, which requires an estimate when notable rates are unavailable or when they need to be modified to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) as they become available and requires making some of its own estimates.

The Company defines the lease term as the non-cancellable term of the lease, together with any periods covered by the option to extend the lease if that option is certain to be exercised, or any periods covered by the option to terminate the lease, if that option is certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgment in assessing whether or not it is reasonably certain to exercise the option to renew or terminate the contract. In other words, all relevant factors that create an economic incentive to practice renewal or termination are taken into consideration. After the start date of the contract, the Company reassesses the term of the lease if there is a material event or change in circumstances that is under its control and affects its ability to exercise or not to exercise the option to renew or terminate.

Factors Affecting the Company's Activity and Course of Action

Macroeconomic Factors

The Company's financial performance may be directly affected by the general economic conditions in the Kingdom of Saudi Arabia, which affects the purchasing power of consumers and reduces the spending power of consumers. The spending power of consumers has a direct impact on their average purchases.

Moreover, any activities undertaken by the government to relieve financial pressure, including but not limited to additional reduction of government subsidies on fuel or other public services or imposing new taxes on residents and others, may affect business. Reducing or eliminating government subsidies may increase the prices of public services, fuel, and commodities, which may affect consumer spending and increase the cost of doing business for the Company. In addition, any new taxes/fees on expatriates may have a direct impact on the total number of transactions in the Company and may also lead to an increase in expenses. Moreover, the social events that take place in the Kingdom (such as the Riyadh and Jeddah seasons, etc.) and new changes in the policies applied in the country (such as the issuance of tourist visas, etc.) also affect economic activity.

Business Seasonality

The Company's business witnesses a fluctuation between seasons. For example, the consumption of paper products may witness a rise during religious occasions such as the blessed month of Ramadan (for which preparation begins from the middle of Sha'ban every year) and Hajj times (for which preparation begins in the middle of Dhul-qidah of every year). Sale levels are also sometimes affected by the timing of the start and end of the back-to-school season, as the percentage of sales usually increases in the periods leading up to the beginning of the school season.

Infectious Disease Outbreaks

In general, an outbreak of infectious disease or a similar threat to public health or fear of such events may have an impact on the Company's business, financial condition, results of operations and future prospects.

A new type of coronavirus (Covid-19) was discovered in Wuhan, Hubei Province, China in December 2019G. This disease has spread in most countries of the world, which has led many countries, including the Kingdom, to take multiple measures to limit the spread of the Corona virus, which included imposing temporary restrictions such as banning travel and imposing curfews and obligating people from other countries to quarantine for a specified period of time. The Company was also affected by preventive restrictions that had previously been imposed by the relevant authorities on business movements within the Kingdom, as this resulted in the temporary closure of some sites in the project services sector.

6-4 Key Performance Indicators

The following table shows the Company's main performance indicators for the financial years ending on December 31, 2019, 2020G and 2021G.

Table No. (5): Key Performance Indicators

(SAR' 000)	Display Unit	Year Ending 31 December		
		2019G	2020G	2021G
Revenue growth rate	%	(2.6%)	0.9%	10.7%
Earnings (loss) per share	#	(3.0)	1.6	1.6
General and administrative expenses as a percentage of revenue	%	(9.0%)	(7.4%)	(7.5%)
Gross Profit (Loss) Ratio	%	18.8%	27.9%	23.1%
Operating profit (Loss) Ratio	%	5.8%	11.6%	6.4%
Net Profit (Loss) Ratio	%	(3.6%)	3.7%	5.7%
Return on equity	%	(25.9%)	19.0%	20.2%
Current Assets/Current Liabilities	X	0.6	0.6	0.9
Non-Current Assets / Non-Current Liabilities	X	1.7	1.6	1.7
Assets / Equity	X	12.7	9.7	4.6
Return on assets	%	(2.8%)	1.7%	3.3%
Debt to Total Equity	X	9.5	7.0	2.8
Total Assets / Total Liabilities	X	1.1	1.1	1.3

Source: Management Information

6-5 Results of Operations - Income Statement

The following table shows the Company's income statement for the financial years ending on December 31, 2019G, 2020G and 2021G.

Table No. (6): Consolidated statement of profit or loss and other comprehensive income

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Revenues	527,126	532,091	588,799	0.9%	10.7%	5.7%
Cost of Revenue	(428,127)	(385,219)	(452,749)	(10%)	17.5%	2.8%
Gross profit	98,999	146,872	136,050	48.4%	(7.4%)	17.2%
General and administrative expenses	(47,651)	(39,397)	(43,441)	(17.3%)	10.3%	(4.5%)
Selling and distribution expenses	(52,202)	(49,049)	(54,024)	(6%)	10.1%	1.7%
Provision for impairment of trade receivables	31,393	2,845	(967)	(90.9%)	134.0%	N/A
Operating profit	30,539	61,271	37,618	100.6%	(38.6%)	11.0%
Financing charges	(42,732)	(33,517)	(22,473)	(21.6%)	(32.9%)	(27.5%)
Share of profit of an associate	3,071	3,620	3,275	17.9%	(9.5%)	3.3%
Other income (expenses), net	(9,952)	(11,663)	15,343	17.2%	(231.6%)	N/A
Net profit before Zakat	(19,075)	19,710	33,763	(203.3%)	71.3%	N/A
Zakat	(8,393)	(4,052)	(2,987)	(51.7%)	(26.3%)	(40.3%)
Net loss for the year from continuing operations	-	-	-	N/A	N/A	N/A
Net loss for the year from discontinued operations	-	-	-	N/A	N/A	N/A

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Net profit for the period	(27,469)	15,658	30,776	N/A	96.5%	N/A
Other comprehensive income/(loss): Items that will not be reclassified to profit or loss						
Profit/(loss) remeasurement of employee end of service indemnity	(2,833)	2,340	(2,329)			
Change in the fair value of equity investments through other comprehensive income	(1,067)	-	1,485			
Items that may be reclassified to profit or loss						
Differences in the translation of foreign currencies from foreign and other operations	(86)	(1,064)	(612)			
Other comprehensive income/(loss) for the period/year	(3,986)	1,275	(1,456)			
Total comprehensive income for the period/year	(31,455)	16,934	29,320			
Net profit attributable to:						
Shareholders of the Company	(27,883)	15,100	30,276			
Non-controlling interests	414	558	500			
Net profit for the period	(27,469)	15,658	30,776			

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Total comprehensive income attributable to:						
The Company's shareholders	(27,251)	16,439	28,844			
Non-controlling interests	(4,203)	494	476			
Total comprehensive income for the period	(31,455)	16,934	29,320	(153.8%)	73.1%	N/A

Source: Financial statements

The revenues recorded by the Company between the period between 2019G and 2021G are related to the various paper products produced by the Company's factories and its subsidiaries. In general, these products can be classified into two broad categories: manufacturing products and trade products.

The Company's revenue increased by 0.9% from SAR 527.1 million in 2019G to SAR 532.1 million in 2020G, with an additional increase of 10.7% to SAR 588.8 million in 2021G. It should be noted that the rise included the manufacturing and trade sectors and was affected by several factors, including: new sales and marketing policies followed by the Company to attract new customers, high value discounts granted to customers in order to stimulate sales and focus on new sales channels.

The cost of sales consisted mainly of the cost of raw materials and consumables used in the manufacturing process, which constituted 66.3%, 62.5% and 67.0% of the total cost of sales in 2019G, 2020G and 2021G, respectively. Cost of revenue decreased by 10.0%, or by SAR 42.9 million, from SAR 428.1 million in 2019G to SAR 385.2 million in 2020G. The decline was mainly affected by the decrease in the cost of raw materials, which decreased by 15.2% or by a value of SAR 43.1 million from SAR 428.1 million in 2019G to SAR 240.8 million in the year 2020. The aforementioned decline was affected by the decline in materials prices globally due to the impact of the spread of the Corona pandemic and the improvement in production efficiency and production processes. The cost of revenues increased again by 17.5%, or by a value of SAR 62.4 million, from SAR 385.2 million in the year 2020G to SAR 452.7 million in the year 2021G, after the raw materials prices reroose following the partial decline of the Corona pandemic.

Gross profit increased by 48.4% or an amount of SAR 47.9 million from SAR 99.0 million in 2019G to SAR 146.9 million in the year 2020G, as the increase was affected by the increase in revenues and the decrease in the cost of revenues between the two mentioned years. This increase resulted in an increase in the gross profit margin from 18.8% to 27.9% between 2019G and 2020G. Gross profit returned and decreased by 7.4%, or by SAR 10.8 million, from SAR 146.9 million in the year 2020G to SAR 136.1 million in the year 2021G as a result of the increase in the cost of revenue between the two years. As a result, the gross profit margin decreased from 27.9% to 23.1% between the two years.

The group's general and administrative expenses mainly include the salaries and benefits of general and administrative employees, which constituted 68.5%, 63.3% and 65.6% of the total general and administrative expenses during the year 2019G, 2020G and 2021G, respectively. General and administrative expenses decreased

by 17.3%, or by an amount of SAR 8.3 million, from SAR 47.7 million in 2019G to SAR 39.4 million in 2020G as a result of the decrease in salaries and administrative benefits. The decrease in salaries and administrative benefits came after some expenses were reversed, which mainly included end of service benefit expenses and actuarial valuation expenses that were recorded in previous years. It should be noted that the mentioned decrease in salaries and benefits was also affected by the termination of the service of a number of employees as part of the measures taken by the Company with the aim of saving and reducing the value of expenses following the spread of the Corona pandemic. General and administrative expenses increased again by 10.3%, or by a value of SAR 4.0 million, from SAR 39.4 million in the year 2020G to SAR 43.4 million in the year 2021G after the increase in salaries and benefits expenses by 14.2%, or the value of SAR 3.6 million from SAR 24.9 million to SAR 28.5 million between the two years. The aforementioned rise was driven by the employment of a number of administrative employees who were appointed by the Company in order to keep pace with the increase in the volume of activity and business after the decline of the Corona pandemic during the year 2021G.

Selling and distribution expenses mainly include freight and logistical costs incurred by the Company in the process of transporting and shipping goods to customers. Salaries and wages associated with distribution and marketing department employees are a major component of selling and distribution expenses. Selling and distribution expenses decreased by 6.0% or by an amount of SAR 3.2 million from SAR 52.2 million in 2019G to SAR 49.0 million in the year 2020G, as the decrease was affected by the decrease in marketing expenses due to the fact that marketing and advertising activities were low in value and scope during the COVID-19 pandemic and the accompanying lockdowns. Selling and distribution expenses increased again by 10.1% or by a value of SAR 5.0 million from SAR 49.0 million in the year 2020G to SAR 54.0 million in the year 2021G as a result of depreciation and marketing expenses between the two mentioned years.

The provision for impairment of trade receivables that was recorded between the years 2019G and 2020G includes provisions that were reserved in order to cover the debit balances that the Company was late or unable to collect. It should be noted that the collection period granted to customers to pay the Company's dues ranges between 30 and 90 days; however, the payment process may be delayed for several reasons, including the lack of liquidity with customers or the lack of effort made by the collection team to expedite the payment process by clients. It should be noted that the Company has taken several steps in order to improve the process of managing receivables and speed up the collection process. These steps led to a significant improvement in the speed of collection of receivables, which resulted in an almost complete absence of any new provisions during the period between 31 December 2019G and 31 December 2021G.

The Company annually conducts detailed studies in order to assess the status of the debit balances and determine the value of the provisions that are reserved. These provisions do not follow a specific trend and are not closely related to the business movement but rather, their value fluctuates periodically according to the collection movement.

The Company recorded an operating profit of SAR 30.5 million in 2019G. Operational profit increased by 100.6% or by a value of SAR 30.7 million from SAR 30.5 million Saudi riyals in 2019G to SAR 61.3 million in 2020G as a result of an increase in gross profit by 48.4% from SAR 98.9 million in the year 2019G to SAR 146.9 million in the year 2020G (as mentioned previously, the increase in gross profit was affected by the increase in revenues and the decrease in the cost of revenues between the two years). Operational profit decreased again by 38.6% from SAR 61.3 million in the year 2020G to SAR 37.6 million in the year 2021G, as the movement was mainly affected by the decrease in gross profit by 7.4% from SAR 146.9 million to SAR 136.1 million between the two mentioned years. It should be mentioned that the decrease in the profit of operations referred to in the year 2021G was also affected by the increase in administrative and general expenses, marketing and selling expenses between 2020G and 2021G.

The Company recorded financing expenses amounting to SAR 42.7 million, SAR 33.5 million and SAR 22.5 million in 2019G, 2020G and 2021G. Relatively high value financing expenses are associated with loans and bank facilities

obtained by the Company to finance its work requirements. The value of these financing expenses gradually decreased between 2019G and 2021G as a result of the repayment of a number of loans and the rescheduling of payments related to other loans.

The Company owns 26.0% shares in East Gas Company, a limited liability Company registered in the Kingdom of Saudi Arabia. The associate is primarily engaged in the distribution of natural gas, the operation of industrial facilities and the wholesale trade in gas machinery and equipment. The Company recorded its share of the results of the East Gas Company, as the value of this share amounted to SAR 3.1 million, SAR 3.6 million and SAR 3.3 million in 2019G, 2020G and 2021G.

The Company recorded other miscellaneous income and expenses between 2019G and 2021G. These expenses and revenues are related to various activities and are not closely related to the main activities of the Company. Other expenses amounting to SAR 10.0 million and SAR 11.7 million in 2019G and 2020G were mainly related to a set of provisions reserved by the Company to reflect a decrease in the value of investments owned by the Company in various companies, and provisions reserved to cover late debit balances. The Company recorded again another revenue of SAR 15.3 million, as the aforementioned revenue was linked to the confirmation of the judgment issued in favor of the Company in the case of selling the Company's lands, which obligated the buyer to pay an amount of SAR 17.3 million in favor of the group. It should be noted that the bulk of other revenues and expenses were recorded between 2019G and 2021G.

The Company recorded a pre-zakat loss of SR 19.1 million in 2019G. The loss was mainly related to the high-value financing banks that were recorded during the year, in addition to other expenses amounting to SAR 10.0 million during the same year. The aforementioned loss in 2019G turned into a profit of SAR 19.7 million in the year 2020G, as the increase was mainly driven by an increase in the gross profit, a decrease in operating expenses, and a decrease in zakat and financing expenses. The Company recorded a net profit before zakat, an additional increase from SAR 19.7 million to SAR 33.8 million between 2020G and 2021G. The rise was mainly affected by the Company's recording of another revenue of SAR 15.3 million.

The Company recorded zakat expenses of SAR 8.4 million, SAR 4.1 million, and SAR 3.0 million in 2019G, 2020G and 2021G, respectively. The gradual decrease in Zakat expenses was driven by continuous payments made by the Company. The Company settled the assessment claim amounting to SAR 15.5 million, which relates to the year 2013G, where it paid the amount of SAR 0.5 million and received the final assessment. With regard to evaluations related to the period between 2015G and 2018G, the management contracted with an external party to review these assessments, as it objected to the rest of the assessments for the years from 2015G to 2018G, which amounted to SAR 26.9 million. Management believes that the provision made against the above assessments is sufficient and no additional provision is required.

The net loss (after zakat) amounted to SAR 27.5 million in 2019G. The aforementioned loss was converted into a profit of SAR 15.7 million and SAR 30.8 million in 2020G and 2021G. On the other hand, the profit margin was negative by 5.2% in the year 2019G before it turned into a positive profit margin by 3.0% and 5.2% in the year 2020G and the year 2021G. The profit margin movement was closely related to the net income/loss movement.

Other items that will not be reclassified to profit or loss include remeasurement of employees' end of service indemnity and the change in the fair value of equity investments through other comprehensive income. End of service indemnity is assessed according to actuarial studies conducted on an annual basis. On the other hand, the change in the fair value of investments is related to a group of investments owned by the Company in unlisted securities, where the fair value is determined using the net asset value.

6-5-1 Revenue Breakdown by Activity

The following table shows the details of the Company's revenues for the fiscal years ending on 31 December 2019G, 2020G and 2021G.

Table No. (7): Revenue breakdown by activity

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Manufacturing	505,390	504,735	541,709	(0.1%)	7.3%	3.5%
Trade and other	21,736	27,355	47,091	25.9%	72.1%	47.2%
Total	527,126	532,091	588,799	0.9%	10.7%	5.7%

Source: Management Information

The Company's activities are classified into two main categories: manufacturing, trading, and others.

The manufacturing field is the main work field. Manufacturing products mainly include paper products of all kinds (premium paper, daily use paper, food paper and other types of paper).

Revenues for manufactured products did not witness any significant changes between 2019G and 2020G. On the other hand, the revenues of manufactured products increased by 7.3%, or by a value of SAR 37.0 million in the year 2020G, to SAR 541.7 million in the year 2021G. The aforementioned rise was affected by a number of factors, including the increase in discounts granted to customers to stimulate sales, and the adoption of new marketing policies and sales strategies that led to the activation of sales operations and the increase in the activity volume of a number of sales channels.

The products of trade mainly include consumer paper, which is the main product of this category. Revenues received from the trade and other sectors gradually increased by 25.9% from SAR 21.7 million in 2019G to SAR 27.4 million in 2020G, with an additional increase of 72.1% to SAR 47.1 million in the year 2021G. Although the aforementioned rise was affected by the new policies mentioned above, the high demand for the consumer paper product was one of the factors that contributed to raising the revenues of the trade and other sectors between 2019G and 2021G.

6-5-1-1 Adjustment of Gross Net Revenue

The following table shows a total adjustment to the Company's net income for the fiscal years ending on 31 December 2019G, 2020G and 2021G.

Table No. (8) : Adjustment of total net revenue

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Total revenue	558,595	567,026	625,020	1.5%	10.2%	5.8%
Minus Deductions:						
Discounts	(19,946)	(21,637)	(25,667)	8.5%	18.6%	13.4%
Rebates	(11,523)	(13,298)	(10,553)	15.4%	(20.6%)	(4.3%)
Total	527,126	532,091	588,799	0.9%	10.7%	5.7%
Sold size (units)	123,999	133,713	145,263	7.8%	8.6%	8.2%
Total revenue growth	(3.5%)	1.5%	10.2%	N/A	N/A	N/A
Growth in net revenue	(2.6%)	0.9%	10.7%	N/A	N/A	N/A
The growth of discounts and rebates	(16.3%)	11.0%	3.7%	N/A	N/A	N/A
Growth in sold volume	(6.1%)	7.8%	7.8%	N/A	N/A	N/A

Source: Financial statements and management information

It should be noted that the Company granted relatively high discounts during the period from 2019G to 2021G. The Company's orientation was to give high value discounts and rebates in order to stimulate purchase and attract new customers due to the Company's desire to expand its customer base.

In general, it includes discounts granted to customers within marketing campaigns and at early payment in addition to contractual discounts that are specified within contracts signed with customers, which are granted to customers when they purchase specific quantities of products. (For more information on discounts and rebates, please see the following table).

6-5-1-2 Discounts and Rebates

The following table shows the Company's discounts and rebates for the financial years ending on 31 December 2019G, 2020G and 2021G.

Table No. (9) : Discounts and rebates

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Rebates	11,523	13,298	10,553	15.4%	(20.6%)	(4.3%)
Offers	4,473	2,564	7,849	(42.7%)	206.1%	32.5%
Discounts	1,870	2,295	1,350	22.7%	(41.2%)	(15.0%)
Sale with discounts	13,603	16,778	16,469	23.3%	(1.8%)	10.0%
Total	31,469	34,936	36,221	11.0%	3.7%	7.3%

Source: Financial statements and management information

Discounts are rebates specified in contracts signed with certain customers. These discounts are given to customers when they purchase specific quantities of merchandise and products. The quantities that the customer must purchase in order to obtain the discounts are determined, and the percentage of discounts increases with the increase in the quantities purchased. The value of discounts granted to customers increased by 15.4% from SAR 11.5 million in 2019G to SAR 13.3 million in 2020G, before declining by 20.6% to SAR 10.6 million in 2021G. It should be noted that the movement of these discounts is not related to the movement of revenues in general, but rather to the volume of purchases acquired by customers whose contracts include discounts. It should be noted that the discounts referred to in this section are not granted to all the Company's customers, but are usually limited to a certain number of major customers.

Offers are marketing offers and discounts granted on the Company's merchandise displayed in stores and sales centers. Usually, these offers are intended to stimulate sales of slow-moving items. The value of these offers decreased by 42.7% from SAR 4.5 million in the year 2019G to SAR 2.6 million in the year 2020G, as the volume of offers and marketing campaigns decreased significantly during the period of the spread of the Corona pandemic and the period of closures that accompanied it. In the year 2021G, after the partial receding of the Corona pandemic, the marketing activity increased again so that the value of the offers increased by 206.1% from SAR 2.6 million in the year 2020G to SAR 7.8 million in the year 2021G.

Discounts are the discounts for early payments. The grace period granted by the Company to its customers in order to pay the Company's dues ranges between 30 and 90 days. Discounts on dues are granted to customers who pay in advance or earlier. The value of these discounts fluctuates according to the early payment movement, the number of customers who pay early, and the value of early bills.

Sale with discounts are discounts that the Company currently grants to customers of limited size (small stores and limited-sized sales centers). As mentioned above, the Company's current policy is to expand its customer base by attracting customers of different sizes. The value of these discounts gradually increased during the period between 2019G and 2021G.

6-5-1-3 Manufacturing Products

The following table shows the revenues of the Company's manufacturing products for the financial years ending on 31 December 2019G, 2020G and 2021G.

Table No. (10): Manufacturing products

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Paper towels:						
Paper - Cellulose pulp product	218,021	213,229	255,637	(2.2%)	19.9%	8.3%
Paper - Recycled product	29,819	8,752	13,446	(70.6%)	53.6%	(32.8%)
Other products	289,019	317,690	308,846	9.9%	(2.8%)	3.4%
Total	536,859	539,671	577,929	0.5%	7.1%	3.8%

Source: Financial statements and management information

Manufacturing products mainly consist of paper products, which fall into two categories: the cellulose pulp product category, which includes premium paper, and the recycled paper category, which includes more traditional products. While the prices of the cellulose pulp paper category are high, which is considered to be of higher quality because it is made of cellulose pulp materials, the prices of the recycled product category are usually low and accessible to the bulk of customers, as this category of paper is made of damaged paper, which is a lower purchase cost from the pulp of cellulose.

In addition to the products mentioned above, the manufacturing products include other products that mainly include facial tissues, food tissues and personal use tissues.

Sales of manufacturing products increased by 0.5% from SAR 536.9 million in 2019G to SAR 539.7 million in 2020G, with an additional increase of 7.1% to SAR 577.9 million in 2021G. The rise was mainly concentrated in the increase in sales of other products, which rose by 9.9% from SAR 289.0 million in 2019G to SAR 317.7 million in 2020G. In addition to the high discounts granted to customers, the mentioned rise was affected by the increase in sales through a number of distribution channels as a result of new strategies that focused on activating sales of sales channels whose sales were of limited value in previous periods.

The reported increase in sales of other products was offset by a decrease in sales of cellulose pulp and recycled paper. The decrease in cellulose pulp paper sales was affected by the decrease in the selling price, as a result of the decrease in the prices of raw materials, which led to a decrease in selling prices. Sales of cellulose pulp decreased by 2.2% from SAR 218.0 million in 2019G to SAR 213.2 million in 2020G. On the other hand, sales of recycled paper decreased by 70.6% from SAR 29.8 million in 2019G to SAR 8.8 million in 2020G. The decrease in sales of recycled paper was related to the decrease in the selling price of cellulose pulp paper, as the decrease in the selling price of cellulose pulp paper made this product accessible to a larger group of customers, which led to a temporary decrease in sales of recycled paper.

Sales of manufacturing products increased by 7.1% from SAR 539.7 million in 2020G to SAR 577.9 million in 2021G. The rise was mainly driven by the increase in sales of cellulose pulp paper products by 19.9% from SAR 213.2 million in 2020G to SAR 255.6 million in 2021G. The rise was driven by the increase in the selling price, which improved between 2020G and 2021G, after the prices of raw materials rose again. The increase in cellulose pulp paper sales was also affected by the increase in the sales quantity as a result of offering competitive prices and following effective marketing policies between 2020G and 2021G.

6-5-1-4 Trade and other products

The following table shows the group's trading and other products revenues for the financial years ending on 31 December 2019, 2020G and 2021G.

Table No. (11): Trade and other products

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Consumable paper	17,048	20,508	32,739	20.3%	59.6%	38.6%
Other Products	4,688	6,847	14,352	46.1%	109.6%	75.0%
Total	21,736	27,355	47,091	25.9%	72.1%	47.2%

Source: Financial statements and management information

Trade and other sales recorded a gradual increase in revenues between 2019G and 2021G. Sales increased by 25.9% from SAR 21.7 million in 2019G to SAR 27.4 million in 2020G, with an additional increase of 72.1% to SAR 47.1 million in 2021G. As in the case of manufactured sales, the rise in trade sales was affected by the discounts granted and the new sales strategy and policies that were followed. The rise was also affected by the increase in demand for consumer paper products.

6-5-2 Company's Cost of Revenue

The following table shows the details of the Company's sales cost for the financial years ending on 31 December 2019, 2020G and 2021G.

Table No. (12): The Company's cost of revenue

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Raw materials, consumables and change into finished products	283,891	240,779	303,222	(15.2%)	25.9%	3.3%
Depreciation	48,437	50,826	49,018	4.9%	(3.6%)	0.6%

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Benefits	36,530	35,107	37,893	(3.9%)	7.9%	1.8%
Salaries, wages and other employee benefits	30,776	32,791	35,077	6.5%	7.0%	6.8%
Maintenance	14,059	9,092	9,967	(35.3%)	9.6%	(15.8%)
Employment contracts	6,188	5,312	4,477	(14.2%)	(15.7%)	(14.9%)
Insurance	3,546	4,513	4,353	27.3%	(3.6%)	10.8%
Amortization	1,475	1,902	2,222	28.9%	16.8%	22.7%
Rental expense	1,367	1,250	1,272	(8.5%)	1.8%	(3.5%)
Impairment loss of property, plant and equipment	-	960	-	N/A	N/A	N/A
Other	1,858	2,686	5,246	44.5%	95.3%	68.0%
Total	428,127	385,219	452,749	(10.0%)	17.5%	2.8%

Source: Financial Statements

The cost of materials, cost of depreciation and direct employee fees for basic commercial activities constituted the largest share of the total cost of sales during the period between 2019G and 2021G, as it accounted for 65.4% of the total cost of sales during the mentioned period.

The cost of raw materials includes the costs of chemicals and pulp materials used in the production process. The cost of raw materials, consumables and change in finished products decreased by 15.2% from SAR 283.9 million in 2019G to SAR 240.8 million in 2020G. The decrease is due to the decrease in the cost of raw materials in the global market following the spread of the Corona pandemic. The cost of raw materials, consumables and change in finished products increased again by 25.9% from SAR 240.8 million in 2020G to SAR 303.2 million in 2021G after the decline in raw materials prices. It should be noted that the prices of raw materials may fluctuate continuously and be affected by the level of global supply and demand.

The depreciation cost included under the revenue cost field is mainly related to production machinery. The depreciation cost increased by 4.9% from SAR 48.4 million in 2019G to SAR 50.8 million in 2020G as a result of the impact of additions made to the corresponding assets (particularly machinery and equipment). Moreover, the Company's non-operating assets, which recorded an increase in depreciation, were reassessed due to their book value being higher than the fair value. Depreciation cost decreased by 3.6% from SAR 50.8 million in 2020G to SAR 49.0 million in 2021G and this decrease was within the normal course of business.

Utility cost includes the cost of water, electricity and other similar expenses incurred by the Company in the course of its daily production. The cost of benefits decreased by 3.9% from SAR 36.5 million in 2019G to SAR 35.1 million in 2020G, and the reason for this decrease is due to an improvement in the level of production efficiency.

The cost of benefits increased by 7.9% from SAR 35.1 million in 2020G to SAR 37.9 million in 2021G within the normal course of work and as a result of a partial increase in the level of production, which in turn led to an increase in revenues during the year 2021G.

Salaries, wages and other employee benefits increased by 6.5% from SAR 30.8 million in 2019G to SAR 32.8 million in 2020G. This increase resulted from the increase in the number of employees as a number of employees were appointed to support the operation Production, where the Company's current policy is to rely on full-time employees instead of relying on part-time employees. The expenses of salaries, wages and benefits continued to increase by 7.0% in 2021G to reach SAR 35.1 million mainly due to the incentives granted to employees, which amounted to SAR 1.1 million in that year. The aforementioned rise was also affected by the appointment of additional employees to support the continuous rise in the production process.

Maintenance expenses are incurred during the maintenance and repair operations that are carried out on an ongoing basis in the Company's factories. Maintenance expenses decreased by 35.3% from SAR 14.1 million in 2019G to SAR 9.1 million in 2020G. This decrease is due to the decrease in the scope and number of maintenance and repair operations during the year 2020G after the spread of the Corona pandemic. On the other hand, maintenance expenses increased by 9.6% from SAR 9.1 million in 2020G to SAR 10.0 million in 2021G after the Corona pandemic receded and a number of maintenance and repair operations were carried out with the aim of activating machinery and equipment.

The cost of the contracts is related to the employees who are recruited part-time, as the Company has contracted with a number of recruitment companies with the aim of securing temporary employment. The cost of work contracts decreased by 14.2% from SAR 6.2 million in 2019 to SAR 5.3 million in 2020G, and continued to decline by 15.7% during 2021G to reach SAR 4.5 million. This decrease is due to the new management trend to reduce dependence on temporary employees and hire full-time employees.

The insurance costs included the costs of insuring production machinery and equipment and the costs of medical insurance for the production staff. Medical insurance costs increased by 27.3% from SAR 3.5 million in 2019G to SAR 4.5 million in 2020G, as a result of the increase in the number of employees covered by insurance policies. The cost of insurance remained relatively stable between 2020G and 2021G.

Amortization expense relates to assets acquired by the Company through capital leases and intangible assets, which mainly include computer software. These expenses increased by 28.9% from SAR 1.5 million in 2019G to SAR 1.9 million in 2020G, with an additional increase of 16.8% to SAR 2.2 million in 2021G. The rise was related to the land acquired by the Company in Kuwait and the additions and increases that occurred to intangible assets.

Rental expenses stabilized at SAR 1.4 million in 2019G and 1.3 million in the two years between 2020G and 2021G. These expenses were related to the rents of factories, lands and vehicles that the Company acquired through capital leases.

Impairment losses of property, plant and equipment are expenses that have been recorded to reverse the impairment of property and equipment, as the Company conducts periodic operations to assess the condition of assets and property.

Other expenses are miscellaneous expenses that include cleaning costs, disposal of production backlog, material price differences in purchase orders and actual expenses incurred. These expenses fluctuate periodically in the normal course of business. These other expenses increased by 44.5% from SAR 1.9 million in 2019G to SAR 2.7 million, with an additional increase of 95.3% to SAR 5.2 million during the year 2021G

6-5-3 General and Administrative Expenses

The following table shows the details of the Company's general and administrative expenses for the financial years ending on 31 December 2019G, 2020G and 2021G

Table No. (13): General and administrative expenses

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Salaries, wages and other employee benefits	32,659	24,937	28,490	(23.6%)	14.2%	(6.6%)
Depreciation	1,880	1,729	1,673	(8.1%)	(3.2%)	(5.7%)
Provision for advance payments of custom duties	-	1,884	931	N/A	(50.6%)	N/A
Legal, professional and consulting fees	2,676	1,788	1,745	(33.2%)	(2.4%)	(19.2%)
Communications and information technology	2,079	1,442	2,467	(30.6%)	71.0%	8.9%
Provision for slow moving inventory	-	1,000	-	N/A	(100%)	N/A
Travel	1,257	460	444	(63.4%)	(3.5%)	(40.6%)
Government fees and charges	922	619	465	(32.9%)	(24.9%)	(29%)
Rentals	298	122	81	(58.9%)	(33.5%)	(47.7%)
Repair and maintenance	408	240	532	(41.2%)	121.7%	14.2%
Other	5,473	5,176	6,614	(5.4%)	27.8%	9.9%
Total	47,651	39,397	43,441	(17.3%)	10.3%	(4.5%)

Source: Financial Statements

Salaries, wages and other employee benefits constituted 66.0% of the total general and administrative expenses between 2019G and 2021G. These salaries, wages and other employee benefits mainly include the salaries and wages of administrative employees (management divisions, accounting divisions, and purchasing division). The expenses of salaries, wages and other employee benefits witnessed a decrease of 23.6% from SAR 32.7 million in 2019G to SAR 24.9 million in 2020G. While salaries, wages and other employee benefits in 2021G increased by 14.2% from SAR 24.9 million in 2020G to SAR 28.5 million in 2021G. The decrease in the year 2020G was affected by the reversal of the actuarial expenses and end of service expenses that the Company had recorded in previous years. The subsequent rise in the year 2021G was affected by the appointment of a number of administrative employees to keep pace with the increase in the volume of activity.

Depreciation expense decreased by 8.1% from SAR 1.9 million in 2019G to SAR 1.7 million in 2020G in the normal course of business, while the depreciation cost remained stable between 2020G and 2021G at SAR 1.7G million.

The value of the provision against advance payments for customs duties amounted to SAR 1.9 million and SAR 0.9 million in 2020G and 2021G. It should be noted that advance payments for customs duties are expenses paid on products that are imported from external suppliers. When the imported goods are subject to customs exemption, the Company can recover this fee. The provision has been reserved to cover any uncollectible long-term customs advance payments.

Legal, professional and consulting fees expenses decreased by 33.2% from SAR 2.7 million in 2019G to SAR 1.8 million in 2020G, and this decrease is due to the reversal of consulting fees paid to the financial advisor who was appointed to manage Capital raisings. While the expenses of legal, professional and consultancy fees settled in 2021G at SAR 1.7 million in the year 2021G. It should be noted that the expenses of legal, professional and consulting fees include the expenses of the Company's advisor, the external auditor, the financial advisor and other related expenses.

Communications and information technology expenses decreased by 30.6% from SAR 2.1 million in 2019G to SAR 1.4 million in 2020G. This decrease is due to the reversal of licensing fees for SAP programs, which amounted to SAR 0.6 million, which the Company had registered as an increase. Communications and information technology expenses increased again in 2021G by 71.0% to reach SAR 2.5 million as a result of the Company's acquisition of new applications related to computer softwares.

The provision for slow moving inventory that was recorded between the year 2020G and the year 2021G is a provision related to slow moving spare parts that were monitored during the evaluation and inventory operations that the Company conducts periodically.

Travel expenses decreased by 63.4% from SAR 1.3 million in 2019G to SAR 0.5 million in 2020G. Business trips for employees and administrators are limited to urgent business matters only. Travel expenses stabilized in 2021G at SAR 0.4 million.

The government fees and expenses included fees for renewing residence permits, expenses for transferring sponsorships, fees for renewing subscriptions, in addition to other government expenses. These expenses gradually decreased from SAR 0.9 million in the year 2019G to SAR 0.6 million in the year 2020G and SAR 0.5 million in the year 2021G. The decline came as a result of discounts and discounts obtained by the Company after achieving high Saudization rates, after which privileges were granted from government agencies.

The rental expenses are related to a number of offices, buildings and housing units that the Company rented between 2019G and 2021G. These expenses decreased from SAR 0.3 million in 2019G to SAR 0.1 million in 2020G and 2021G. The decrease came as a result of reversing some rental expenses that were recorded in previous periods and years.

Repair and maintenance expenses are associated with maintenance and repair operations that are performed in offices and residential units. Repair and maintenance expenses decreased from SAR 0.4 million in 2019G to SAR 0.2 million in 2020G during the period of the spread of the Corona pandemic. Then expenses returned and increased to SAR 0.5 million as a result of structural repairs that were carried out in a number of buildings.

Other general and administrative expenses decreased by 5.4% from SAR 5.5 million in 2019G to SAR 5.2 million in 2020G. Then, other general and administrative expenses increased by 27.8% from SAR 5.2 million in 2020G to SAR 6.6 million in 2021G. These expenses include various expenses such as hospitality expenses, insurance expenses, utilities expenses and other expenses.

6-5-4 Selling and Distribution Expenses

The following table shows the details of the Company's selling and distribution expenses for the financial years ending on 31 December 2019G, 2020G and 2021G.

Table No. (14): Selling and distribution expenses

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Salaries, wages and other employee benefits	13,369	15,590	18,404	16.6%	18.1%	17.3%
Transportation and logistical costs	15,911	16,228	17,376	2.0%	7.1%	4.5%
Marketing expenses	8,954	1,514	5,331	(83.1%)	252.0%	(22.8%)
Sales car rental	2,038	2,793	479	37.1%	(82.8%)	(51.5%)
Commission sales	2,283	3,802	3,072	66.5%	(19.2%)	16.0%
Travel expenses	1,255	1,085	1,502	(13.5%)	38.3%	9.4%
Warehouse Rental	1,071	762	1,142	(28.9%)	50.0%	3.3%
Other	7,322	7,275	6,718	(0.6%)	(7.6%)	(4.2%)
Total	52,202	49,049	54,024	(6.0%)	10.1%	1.7%

Source: Financial Statements

Transportation expenses, salary costs, wages and other employee benefits for workers in departments related to sales and distribution constituted the largest share of the total selling and distribution expenses during the period between 2019G and 2021G, as it accounted for 62.4% of the total selling and distribution expenses during the mentioned period.

Salary expenses, wages and other employee benefits related to the selling and distribution activity increased by 16.6% from SAR 13.4 million in 2019G to SAR 15.6 million in 2020G. Then it also continued to rise by 18.1% from SAR 15.6 million in 2020G to SAR 18.4 million in 2021G. The rise was due to the hiring of 39 new employees (including salesmen, marketing directors, directors of government agencies and merchants) who were hired in order to keep pace with the business. It should be noted that the expenses of salaries, wages and employee benefits referred to are related to the distribution and marketing team.

Transportation and logistics costs include shipping costs and the salaries of freight forwarding personnel. Transportation expenses and logistical costs increased by 2.0% from SAR 15.9 million in 2019G to SAR 16.2 million in 2020G, after the increase in the salaries of employees in the year 2020G, as this increase came in line with the increase in revenues between the year 2019G and 2020G. Transportation expenses and costs increased to reach SAR 17.4 million in 2021G as a result of the increase in the number of employees.

Marketing expenses are the expenses incurred on advertising campaigns and various marketing campaigns in the normal course of business. These expenses decreased by 83.1% from SAR 9.0 million in 2019G to SAR 1.5 million in 2020G as a result of the decline in the scope and number of advertising and marketing campaigns during the spread of the Corona pandemic. Then, marketing expenses increased by 252.0% to reach SAR 5.3 million in the year 2021G after the Corona pandemic receded.

Sales car rental expenses comprised rental cars for use by the sales and distribution team. These expenses increased by 37.1% from SAR 2.0 million in 2019G to SAR 2.8 million in 2020G as a result of renting a new number of cars to be used by new marketing staff hired during the same year. The same expenses returned and decreased to SAR 0.5 million during the year 2021 after capitalizing the rental expenses associated with a number of cars.

Sales commission increased by 66.5% from SAR 2.3 million in 2019G to SAR 3.8 million in 2020G. Then the sales commission decreased by 19.2% from SAR 3.8 million in 2020G to SAR 3.1 million in 2021G. Management pays these commissions to sales and marketing employees after they achieve specific sales goals in written policies, and therefore these commissions fluctuate according to the number of employees who have achieved the required sales goals.

Travel expenses are airfare and accommodation expenses incurred during the sales and marketing team's business trips. These expenses decreased by 13.5% from SAR 1.3 million during the year 2019G to SAR 1.1 million during the year 2020G, as business trips were limited to necessary tasks during the spread of the Corona pandemic. These expenses increased again by 38.3% to SAR 1.5 million after the pandemic receded.

The Company incurs warehouse rental expenses on more than 17 warehouses operated by the Company. Warehouse rental expenses decreased by 28.9% from SAR 1.1 million in 2019G to SAR 0.8 million in 2020G as a result of reviewing a number of lease contracts, which led to a decrease in the rental price. These expenses increased again by 50.0% to SAR 1.1 million in the year 2021G after reclassifying part of the rental expenses, which were classified among other expenses in the year 2020G to rental expenses (as a separate item) in the year 2021G.

Other selling and distribution expenses stabilized at SAR 7.3 million in 2019G and 2020G. Then it decreased by 7.6% from SAR 7.3 million in 2020G to SAR 6.7 million in 2021G. This decrease is mainly due to the reversal of the provision for finished products, in addition to the reclassification of the rents of the paper manufacturing company's warehouse from "other expenses" to rental expenses.

Financing Expenses

The following table shows the financing costs - net for the financial years ending on 31 December 2019G, 2020G and 2021G.

Table No. (15): Finance expenses

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Long term loans	29,365	18,085	15,707	(38.4%)	(13.2%)	(26.9%)
Short Term Loans	7,655	5,767	3,947	(24.7%)	(31.6%)	(28.2%)
Bank fees and other expenses	5,308	9,222	1,981	73.7%	(78.5%)	(38.9%)

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Interest on the rental obligation	404	443	839	9.7%	89.5%	44.2%
Total	42,732	33,517	22,473	(21.6%)	(32.9%)	(27.5%)

Source: Management Information

Finance charges include finance charges related to loans, bank charges and interest on the lease commitment.

Financing expenses related to long-term loans decreased by 38.4% from SAR 29.4 million in 2019G to SAR 18.1 million in 2020G, with an additional decrease of 13.2% from SAR 18.1 million in 2020G to SAR 15.7 million in 2021G. This decrease was mainly related to ongoing loan repayments, rescheduling payments for commercial loans and other loans.

Financing expenses related to short-term loans decreased by 24.7% from SAR 7.7 million in 2019G to SAR 5.8 million in 2020G, with an additional decrease of 31.6% from SAR 5.8 million in 2020G to SAR 3.9 million in 2021G as a result of ongoing loan repayments and rescheduling payments for commercial and other loans (as mentioned above).

Bank fees and other expenses increased by 73.7% from SAR 5.3 million in 2019G to SAR 9.2 million in 2020G. This increase is due to the company's incurring the expenses of rescheduling loans made during the year 2020G. Bank fees and other expenses decreased by 78.5% from SAR 9.2 million in 2020G to SAR 2.0 million in 2021G. It should be noted that these expenses fluctuate periodically and are affected by the volume and scope of banking transactions that are conducted.

The interest on the lease commitment remained stable at SAR 0.4 million in 2019G and 2020G. The interest on the lease obligation increased by 89.5% from SAR 0.4 million in 2020G to SAR 0.8 million in 2021G. This increase is mainly due to additions to the assets of the lease obligations.

6-5-5 Other Expenses and Income, Net

The following table shows the details (expenses) of other income - net for the fiscal years ending on 31 December 2019G, 2020G and 2021G.

Table No. (16): Other income and expenses, net

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Land sale money back in 2017	-	-	17,300	N/A	N/A	N/A
Provision against other receivables	-	(13,654)	-	N/A	(100%)	N/A

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Provision against accounts receivable	(6,875)	-	-	N/A	N/A	(100%)
Impairment loss of unused property, plant and equipment	(3,223)	(616)	(1,294)	(80.9%)	110.1%	(36.6%)
Loss of disposal of a subsidiary	(3,237)	-	-	N/A	N/A	(100%)
Gain on sale of property, plant and equipment	1,216	364	159	(70.1%)	(56.2%)	(63.8%)
Payable balance refund	2,656	96	-	(96.4%)	(100%)	(100%)
Other, net	(489)	2,146	(822)	(539.2%)	(138.3%)	29.7%
Total	(9,952)	(11,663)	15,343	17.2%	(231.6%)	N/A

Source: Management Information

The year 2021G witnessed the recovery of the money from the sale of land in 2017G, amounting to SAR 17.3 million. It should be noted that the aforementioned amount, which was recorded as revenue in the year 2021G, is related to the upholding of the judgment issued in favor of the company in the case of selling the company's lands, obligating the buyer to pay an amount of SAR 17.3 million in favor of the company. It should be noted that the mentioned revenue, which is a non-recurring revenue and is not closely related to the company's core operations, was the most prominent factor that led to the increase in the company's net income between 2020G and 2021G.

Provision against other receivables was related to the sale of one of the companies, the Moroccan Company for the Paper Industry, in Morocco. An amount of SAR 13.7 million was recorded in other receivables after the sale. The company returned and sued to cancel the sale. On this impact, a provision was recorded against the amount of SAR 13.7 million that had been recorded previously. The mentioned expense, which was recorded in the year 2020G, is a non-recurring expense and is not related to the company's core operations.

The company recorded a provision against accounts receivable amounting to SAR 6.9 million in the year 2019G. The provision was related to past receivables which the Company determined to be uncollectible. It should be noted that the company periodically conducts studies in order to assess the status of debit balances.

Impairment losses on assets, property and equipment amounting to SAR 3.2 million, SAR 0.6 million and SAR 1.3 million were recorded in 2019G, 2020G and 2021G, respectively. These losses resulted from assessments of the condition of assets and equipment, where the company conducts annual assessment studies to determine whether it is necessary to reserve any provision for impairment in the value of assets and equipment.

The company recorded a loss of SAR 3.2 million, which was related to the sale of one of the companies owned by the company in Morocco. The value of the company's sold assets amounted to SAR 16.9 million, compared to SAR 13.7 million, and a loss of SAR 3.2 million was recorded during the year of sale. This loss is considered a non-recurring expense that is not related to the company's daily operations, and therefore it is not expected that a similar expense will be recorded in the normal course of business.

A profit of SAR 1.2 million, SAR 0.4 million and SAR 0.2 million was recorded in 2019G, 2020G and 2021G, respectively. These losses resulted from the sale of separate machinery and equipment. It should be noted that the value of these losses or profits associated with the sale of assets fluctuates in the normal course of business and is related to the number, value and condition of the assets sold.

Revenue from creditors' balance amounting to SAR 2.7 million and SAR 0.1 million was recorded in 2019G and 2020G. The mentioned revenue was linked to credit balances to a number of suppliers, which the company decided to reverse, after the shipped goods did not conform to the required specifications that were specified in the purchase orders. It should be noted that said revenue is a non-recurring revenue that is not normally recorded in the normal course of business.

Another item, among other expenses, shifted from losses of SAR 0.5 million in 2019G to profits of SAR 2.1 million in 2020G, before turning again to a loss of SAR 0.9 million in 2021G. These expenses and profits include various revenues and costs that are not closely related to the company's day-to-day operations.

6-6 Consolidated statement of financial position

The following table presents the statement of the company's financial position as of 31 December 2019G, 2020G and 2021G.

Table No. (17) : Interim Consolidated statement of financial position

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Assets						
Non-current assets						
Property, plant and equipment	606,649	586,320	551,065	(3.4%)	(6.0%)	(4.7%)
Intangible assets	30,541	25,150	24,817	(17.7%)	(1.3%)	(9.9%)
Investing in an associate Company	21,253	22,273	21,908	4.8%	(1.6%)	1.5%
Non-current assets	658,443	633,743	597,790	(3.8%)	(5.7%)	(4.7%)
Current assets						
Inventory	89,411	88,774	85,312	(0.7%)	(3.9%)	(2.3%)
Trade receivables	137,972	118,609	149,739	(14%)	26.2%	4.2%
Short term deposits	-	-	34,000	-	-	-
Payments, advance payments and other assets	37,962	20,019	67,794	(47.3%)	238.7%	33.6%

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Cash and Cash Equivalents	11,959	15,723	43,068	31.5%	173.9%	89.8%
Current assets	277,305	243,125	379,914	(12.3%)	56.3%	17.0%
Assets	935,747	876,868	977,704	(6.3%)	11.5%	2.2%
Equity and Liabilities						
Equity						
Capital	92,000	92,000	192,000	-	108.7%	44.5%
Regular reserve	-	330	3,357	N/A	917.8%	N/A
Other Reserves	(7,476)	(6,136)	(6,804)	(17.9%)	(87.5%)	(68%)
Retained earnings	(11,802)	2,969	(764)	(125.2%)	734.4%	N/A
Equity attributable to the Company's shareholders	72,723	89,162	212,561	22.6%	138.4%	71.0%
Non-controlling interests	1,222	1,443	1,025	18.1%	(29.0%)	(8.4%)
Equity	73,945	90,605	213,586	22.5%	135.7%	70.0%
Liabilities						
Non-current liabilities						
Medium and long-term loans - non-current portion	358,824	366,241	329,223	2.1%	(10.1%)	(4.2%)
Employees' end of service benefits	19,828	18,018	20,597	(9.1%)	14.3%	1.9%
Lease obligations - non-current portion	7,569	7,079	11,557	(6.5%)	63.3%	23.6%
Non-current liabilities	386,222	391,338	361,377	1.3%	(7.7%)	(3.3%)
Current liabilities						
Short term loans	140,023	119,176	168,063	(14.9%)	41.0%	9.6%

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Medium and long-term loans - the rolling part	206,622	151,285	93,154	(26.8%)	(38.4%)	(32.9%)
Trade payables	69,607	67,897	71,660	(2.5%)	5.5%	1.5%
Accrued expenses and other liabilities	42,595	40,887	49,675	(4%)	21.5%	8.0%
Zakat provision	16,209	14,227	16,210	(12.2%)	13.9%	0.0%
Lease commitments - current part	525	1,453	3,977	176.6%	173.8%	175.2%
Current liabilities	475,580	394,925	402,740	(17%)	2.0%	(8%)
Liabilities	861,802	786,263	764,118	(8.8%)	(2.8%)	(5.8%)
Total equity and liabilities	935,747	876,868	977,704	(6.3%)	11.5%	2.2%

Source: Financial Statements

Non-current assets mainly include balances of property, plant and equipment and intangible assets as well as an investment in an associate. Non-current assets decreased by 3.8% from SAR 658.4 million as on 31 December 2019G to SAR 633.7 million as on 31 December 2020G. This decrease is mainly due to a decrease in the balance of property, machinery, equipment and intangible assets. Non-current assets completed their decline by 5.7% from SAR 633.7 million as of 31 December 2020G to SAR 597.8 million as on 31 December 2021G. This decrease is due to a decrease in the balance of property, plant and equipment by 6.0% between the two periods mentioned. It should be noted that the decrease in the balance of property and equipment during the period between 31 December 2019G and 31 December 2021G was affected by continuous depreciation and the depreciation of these assets during the mentioned period.

Current assets consist of inventory balances, trade receivables, advance payments and other assets in addition to cash and cash equivalents.

Current assets decreased by 12.3% from SAR 277.3 million as on 31 December 2019G to SAR 243.1 million as on 31 December 2020G. This decrease is due to a decrease in the balance of trade receivables in 2020G in addition to a decrease in payments and payments. Introduction and other assets. The decline was affected by the acceleration in the collection of receivables and the recording of provisions against a number of other receivables. While current assets increased by 56.3% from SAR 243.1 million as on 31 December 2020G to SAR 379.9 million as on 31 December 2021G as a result of the increase in trade receivables and short-term deposits. The rise in trade receivables was affected by the rise in the level of business in general between 2020G and 2021G.

Equity consists of capital, statutory reserve, other reserves, accumulated losses or retained profits in addition to non-controlling interests. Equity increased by 22.5% from SAR 73.9 million as of 31 December 2019G to SAR 90.6 million As on 31 December 2020, this increase was driven by the transformation of accumulated losses of SAR

11.8 million as on 31 December 2019G to retained profits of SAR 3.0 million as on 31 December 2020G as a result of the profits recorded by the company in the year 2020G. Equity continued to increase by 135.7% from SAR 90.6 million as on 31 December 2020G to SAR 213.6 million as on 31 December 2021G. This increase is attributed to the increase in capital in 2021G of SAR 100.0 million from SAR 92.0 million to SAR 192.0 million between 31 December 2020G and 31 December 2021G.

Non-current liabilities consist of medium and long-term loans - the non-current portion, employees' end of service benefits and lease obligations - the non-current portion. Non-current liabilities increased slightly by 1.3% from SAR 386.2 million as of 31 December 2019G to SAR 391.3 million as of 31 December 2020G, as a result of the increase in medium and long-term loans. Non-current liabilities decreased by 7.7% from SAR 391.3 million as on 31 December 2020G to SAR 361.4 million as on 31 December 2021G. This decrease was mainly related to the decrease in the non-current portion of medium and long-term loans by 10, 1% from SAR 366.2 million as on 31 December 2020G to SAR 329.2 million as on 31 December 2021G. While the increase in loans between 31 December 2020 and 31 December 2021 was affected by new loans obtained by the company between the two periods, the subsequent decrease came as a result of partial repayments of these loans.

Current liabilities included short-term loans, medium and long-term loans - the current portion, trade payables, accrued expenses and other liabilities, zakat provision in addition to the lease obligations liabilities - the non-current portion. Current liabilities decreased by 17.0% from SAR 475.6 million as on 31 December 2019G to SAR 394.9 million as on 31 December 2020G. This decrease was mainly caused by the decrease in medium and long-term loans - the current portion in addition to the decrease in short-term loans after part repayment. While current liabilities increased by 2.0% from SAR 394.9 million as of 31 December 2020G to SAR 402.7 million as of 31 December 2021G, this increase is attributed to the increase in the balance of short-term loans.

6-6-1 Non-Current Assets

The following table presents the company's non-current assets as on 31 December 2019G, 2020G and 2021G.

Table No. (18): Non-current assets

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Property, plant and equipment	606,649	586,320	551,065	(3.4%)	(6%)	(4.7%)
Intangible assets	30,541	25,150	24,817	(17.7%)	(1.3%)	(9.9%)
Investing in an associate Company	21,253	22,273	21,908	4.8%	(1.6%)	1.5%
Total non-current assets	658,443	743,633	597,790	(3.8%)	(5.7%)	(4.7%)

Source: Financial Statements

The net book value of property, plant and equipment constituted 92.1%, 92.5% and 92.2% of the total non-current assets as on 31 December 2019G, 2020G, and 2021G, respectively.

6-6-1-1 Property, plant and equipment

The following table provides details of the net book value of the company's property, plant and equipment as of 31 December 2019G, 2020G and 2021G.

Table No. (19): Property, plant and equipment

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Lands	14,732	14,732	14,729	-	0.0%	0.0%
Buildings and household improvements	157,545	148,684	145,764	(5.6%)	(2.0%)	(3.8%)
Right of Use Assets	7,905	9,273	15,384	17.3%	65.9%	39.5%
Factory, plant and equipment	415,508	398,224	368,190	(8.8%)	(7.5%)	(5.9%)
Furniture, fixtures, and office equipment	1,431	1,871	2,207	30.7%	17.9%	24.2%
Cars	1,796	1,635	1,810	(9.0%)	10.7%	0.4%
Capital work in progress	7,731	11,901	2,982	53.9%	(74.9%)	(37.9%)
Total	606,649	586,320	551,065	(3.4%)	(6.0%)	(4.7%)

Source: Financial Statements

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as necessary, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any items that have been accounted for as separate assets are derecognised when they are derecognised. Other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation of property, plant and equipment is calculated after deducting its estimated residual value to allocate its cost on a straight line basis. Depreciation is charged to profit or loss knowing that the company does not intend to change this consumption policy.

The company has operating leases related to factory land, buildings, office equipment and vehicles, which were previously recognized as operating leases in accordance with International Accounting Standard No. 17. While the company adopted IFRS 16 starting from 01 January 2019G instead of IAS 17 IFRS 16 is based on a different accounting model whereby all major leases of a company are recognized on the balance sheet as finance leases (ie right-of-use assets). There are exceptions to operating leases, such as low-value leases or short-term leases (less than one year), which are accounted for as operating leases in the same form as set out in IAS 17 knowing that all company leases meet the conditions that require recognition of rentals as right-of-use assets. The depreciation

expense of right-of-use assets is recorded in the income statement. The net book value of the right-of-use assets amounted to SAR 7.9 million in 2019G.

Lands

These lands owned by the company are distributed between Riyadh, Bahrain, Jordan and Morocco. While the lands of Riyadh, Jordan and Morocco include operating factories, the lands of Bahrain are unused.

Buildings and Improvements

Buildings and Improvements comprises the various buildings owned by the Company and the improvements that take place in these buildings in the normal course of business.

Right Of Use Assets

Right-of-use assets are linked to assets acquired under capital leases. These assets include lands, cars and buildings that have been leased under capital leases with a period of five to twenty years.

Plant, Machinery and Equipment

This category mainly includes machinery and equipment used in the daily manufacturing operations of the company's various plants.

Furniture, Fixtures, and Office Equipment

This category includes office furniture, fixtures and equipment placed in various offices and residential units occupied by the company's employees.

Cars

It includes various vehicles used by employees, buses used to transport workers, and forklifts used in production operations.

The book value of property, plant and equipment decreased by 3.4% from SAR 606.6 million on 31 December 2019G to SAR 586.3 million as on 31 December 2020G, with an additional decrease of 6.0% to SAR 551.1 million as on 31 December 2021G. This decrease was mainly due to continuous depreciation and depreciation of property, plant and equipment during the mentioned period. It should be noted that the company has conducted several studies to determine if there is a need to reduce the value of property and equipment.

6-6-1-2 Intangible Assets

The following table provides details of the company's intangible assets as of 31 December 2019G, 2020G and 2021G.

Table No. (20): Intangible assets

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
With a definite useful life						
Computer software	4,430	3,185	3,266	(28.1%)	2.6%	(14.1%)
Right to use leased land	13,682	9,536	9,121	(30.3%)	(4.3%)	(18.4%)
With an indefinite useful life						
Goodwill	12,430	12,430	12,430	-	-	-
Total	30,541	25,150	24,817	(17.7%)	(1.3%)	(9.9%)

Source: Financial statements and management information

Intangible assets include the net book value of computer software, right to use leased land and goodwill. The net book value of computer software decreased by 28.1% from SAR 4.4 million in 2019G to SAR 3.2 million in 2020G and this decrease is mainly due to the continuous amortization while the net book value of computer software stabilized in 2021G to reach SR 3.3 million.

The net book value of the leasehold land use right decreased by 30.3% from SAR 13.7 million in 2019G to SAR 9.5 million in 2020G. This decrease is due to the continuous amortization while the net book value of the right to use the leased lands during the year 2021G stabilized at SAR 9.1 million.

Goodwill was recorded at SAR 12.4 million on acquisition of equity stakes in (Jothoor) in 2011G and the recoverable cash-generating unit amount is based on fair value less costs of disposal estimated using discounted cash flows. The valuation was categorized as a level 3 fair value based on the inputs to the valuation technique used. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and are based on historical data from external and internal sources. The discount rate has been estimated based on the historical industry average weighted average cost of capital, at a market interest rate of 5.6%. The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual growth rate before interest, tax, depreciation and amortization in line with the assumptions made by a market participant. The profit balance has been estimated taking into account past experience, and adjusted for expected revenue growth taking into account the average levels of growth experienced over the past five years and the estimated sales volume and price growth for the next five years.

6-6-1-3 Investment In An Associate

An investment in an associate company as on 31 December 2021G represents 26.0% of the company's equity in East Gas Company (the associate company), a limited liability company registered in the Kingdom of Saudi Arabia. The associate is primarily engaged in the distribution of natural gas, the operation of industrial facilities and the wholesale trade in gas machinery and equipment. The value of investment in an associate company witnessed a slight increase of 4.8% from SAR 21.3 million in 2019G to SAR 22.3 million in 2020G before stabilizing at SAR 21.9 million in 2021G.

6-6-2 Current Assets

The following table presents the company's current assets as on 31 December 2019G, 2020G and 2021G.

Table No. (21): Current assets

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Inventory	89,411	88,774	85,312	(0.7%)	(3.9%)	(2.3%)
Trade receivables	137,972	118,609	149,739	(14%)	26.2%	4.2%
Short term deposits	-	-	34,000	-	-	-
Payments, advance payments and other assets	37,962	20,019	67,794	(47.3%)	238.7%	33.6%
Cash and Cash Equivalents	11,959	15,723	43,068	31.5%	173.9%	89.8%
Current assets	277,305	243,125	379,914	(12.3%)	56.3%	17.0%

Source: Financial Statements

Cash and cash equivalents constituted 4.3%, 6.5% and 11.3% of the total current assets as on 31 December 2019G, 2020G and 2021G, respectively. Trade accounts receivable accounted for 49.8%, 48.8% and 39.4% of the total current assets as on 31 December 2019G, 2020G and 2021G, respectively. While the net inventory accounted for 32.2%, 36.5% and 32.2% of the total current assets as on 31 December 2019G, 2020G and 2021G, respectively.

6-6-2-1 Inventory

The following table provides details of the company's inventory as on 31 December 2019G, 2020G and 2021G.

Table No. (22): Inventory

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Raw materials	32,363	51,593	41,985	59.4%	(18.6%)	13.9%
Finished Goods	28,040	28,994	25,772	3.4%	(11.1%)	(4.1%)
Goods in process	1,448	1,580	1,653	9.2%	4.6%	6.9%
Stock, spare parts and other consumables	47,640	27,831	28,334	(41.6%)	1.8%	(22.9%)
Total before allowance for slow moving inventory	109,492	109,999	97,744	0.5%	(11.1%)	(5.5%)
Provision for slow moving inventory	(20,080)	(21,225)	(12,432)	5.7%	(41.4%)	(21.3%)
Total	89,411	88,774	85,312	(0.7%)	(3.9%)	(2.3%)

Source: Financial statements and management information

Inventory includes raw materials, finished goods, work in progress, spare parts and other consumables.

Raw materials include chemicals and other raw materials used in the daily production process.

Finished goods are products that are ready for shipment. It should be noted that the products ready for shipment may be stored in the company's warehouses for a period of two weeks to a month, according to the agreement concluded with the customer.

Goods in process are goods that are still in a stage of the manufacturing process.

Spare parts and other consumables mainly include spare parts that are used during the periodic maintenance and repair operations that are carried out in various factories.

The value of raw materials increased by 59.4% from SAR 32.4 million on 31 December 2019G to SAR 51.6 million on 31 December 2020G, before declining by 18.6% to SAR 42.0 million in 2021G. The company purchased high-value raw materials at the end of the year 2020G in order to support the business requirements. The bulk of these materials were used during the year 2021G, and shipments of new raw materials that the company had purchased in order to support production requirements in 2022G were delayed. This led to a decrease in the balance of raw materials between 31 December 2020G and 31 December 2021G.

The value of finished goods increased slightly by 3.4% from SAR 28.0 million in 2019G to SAR 29.0 million in 2020G. The value of finished goods decreased again by 11.1% from SAR 29.0 million in 2020G to SAR 25.8 million in 2021G. It should be noted that the value of finished goods fluctuates periodically and is not affected exclusively by the movement of business, but is related to the time of manufacture and the number and value of produced goods that are present in the company's factories at the end of the year.

Goods in process increased by 9.2% from SAR 1.4 million on 31 December 2019G to SAR 1.6 million on 31 December 2020G, with an additional increase of 4.6% to SAR 1.7 million as on December 31 December 2021G. It can be said that the mentioned increases were affected by the gradual rise in the level of production and business.

The inventory, spare parts and other consumables impaired by 41.6% from SAR 47.6 million in 2019G to SAR 27.8 million in 2020G, before rising again to SAR 28.3 million as on 31 December 2021G . The decline is due to the company selling a large part of the spare parts that were stored for a significant period in the company's factories. The company's tendency was to sell these spare parts to avoid having damaged or slow-moving stock.

The provision for slow moving inventory amounted to SAR 20.1 million, SAR 21.2 million and SAR 12.4 million as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively. The provision is recorded to cover slow moving inventory components. The decrease in the provision came between 31 December 2020G and 31 December 2021G, is in line with the decrease in the balance of spare parts and consumables. It is worth noting that spare parts and consumables constitute the main component of the inventory that is stored for a period that may extend to years since spare parts remain in a usable condition even after a long time has passed.

Table No. (23): Ages of Stock

(SAR' 000)	0-180 Day	181-360 Day	361-540 Day	541-720 Day	>720 Day
Inventory Balances	63,604	6,756	2,627	2,281	38,521

Source: Financial statements and management information

Inventory obsolescence analysis indicates that there is an inventory of SAR 38.5 million that has been stored for more than a year as on 31 December 2021G.

It mainly contained spare parts used in the repair and maintenance of machinery. As mentioned earlier, these spare parts remain in good condition despite keeping them for a long time in storage.

6-6-2-2 Trade Receivables

The following table provides details of the company's trade and other receivables as of 31 December 2019G, 2020G and 2021G.

Table No. (24): Commercial receivables

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Trade receivables	241,653	219,444	203,006	(9.2%)	(7.5%)	(8.3%)
Allowance for impairment of accounts receivable	(103,680)	(100,835)	(53,267)	(2.7%)	(47.2%)	(28.3%)
Trade receivables, net	137,972	118,609	149,739	(14.0%)	26.2%	4.2%

Source: Financial statements and management information

Net trade receivables decreased by 14.0% from SAR 138.0 million on 31 December 2019G to SAR 118.6 million on 31 December 2020G. This decrease is mainly due to the continuous collection movement between the two periods. Then the value of the net trade receivables increased by 26.2% from SAR 118.6 million on 31 December 2020G to SAR 149.7 million on 31 December 2021G as a result of the decrease in the provision for impairment in the value of receivables by 47.2% from SAR 100, 8 million in 2020G to SAR 53.3 million in 2021G.

A provision for impairment of receivables is recognized based on assumptions about the risk of default and unanticipated loss rates. The Company uses judgment about these assumptions and determines the inputs to the impairment calculation, based on the Company's historical experience, current market conditions as well as future estimates at the end of each estimation period. The provision for impairment of trade receivables decreased by 2.7% from SAR 103.7 million as on 31 December 2019G to SAR 100.7 million as on 31 December 2020G, with an additional decrease of 47.2% to SAR 53.3 million as on 31 December 2021G. The noticeable decrease came as a result of writing off some receivable amounts that the company deemed uncollectible.

Table No. (25): Ages of receivables

(SAR' 000)	Total	Non Due - 60 days	60-90 day	90-120 day	120-150 day
Total	203,005	138,254	5,932	3,058	55,761

Source: Financial statements and management information

A receivable aging analysis indicates that SAR 55.8 million (27.5%) has been outstanding for more than 120 days as on 31 December 2021, compared to a standard credit period of 30 to 90 days. The slow collection can be attributed to the presence of obsolete receivables, but there are cases filed and the company believes in its ability to collect these amounts, and the work team is keen to collect receivables periodically.

6-6-2-3 Payments, Advance Payments and Other Assets

The following table provides details of payments, advance payments and other assets of the company as on 31 December 2019G, 2020G and 2021G.

Table No. (26): Payments, advance payments and other assets

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Accounts receivable from the sale of a subsidiary	13,654	13,654	-	-	N/A	N/A
Provision for accounts receivable from sale of a subsidiary	-	(13,654)	-	(8.2%)	808.7%	188.9%
Advances to suppliers	11,856	9,580	41,557	(19.2%)	333.8%	87.2%
Prepayments	2,900	3,160	2,241	9.0%	(29.1%)	(12.1%)
Advance payments for customs duties	2,906	1,742	1,299	(40.1%)	(25.4%)	(33.1%)
Accrued Insurance Claims	1,519	1,103	201	(27.4%)	(81.8%)	(63.6%)
Staff accommodation and other advances	1,179	1,256	1,204	6.5%	(4.1%)	1.0%
Refundable deposits	873	855	182	(2.0%)	(78.7%)	(54.3%)
Value Added Tax - Net	545	-	-	N/A	N/A	N/A
Other	2,530	2,323	21,110	N/A	N/A	N/A
Total	37,962	20,019	67,794	(47.3%)	238.7%	33.6%

Source: Financial statements and management information

In the year 2019G, and based on the “**undertaking sale agreement**”, the company sold one of its subsidiaries, the Moroccan Company for the Paper Industry. The balance of accounts receivable against the sale amounting to SAR 13.6 million was presented in advance payments, payments and other assets as on 31 December 2019G and 31 December 2020G. In the year 2021G, the company made a provision in the amount of SAR 13.6 million against the receivables based on the recommendation of the company’s board of directors, given that the company filed a

lawsuit to cancel the sale agreement and recover the factory. The company regained possession of the subsidiary company by order of the court issued in the year 2021G.

Payments made to suppliers decreased by 19.2% from SAR 11.9 million in 2019G to SAR 9.6 million in 2020G as a result of payment realization. On the other hand, payments to suppliers witnessed a remarkable increase by 333.8% from SAR 9.6 million in 2020G to SAR 41.6 million in 2021G. This increase was driven by the increase in sales volume obtained during 2021G to support production requirements. It should be noted that there is no specific policy regarding the value of payments made to suppliers, but rather the size of payments is related to the quality and size of the goods purchased and the supplier itself.

The prepaid expenses included miscellaneous expenses including rent expenses, insurance expenses and other miscellaneous expenses. Prepaid expenses increased by 9.0% from SAR 2.9 million on 31 December 2019G to SAR 3.2 million on 31 December 2020G, then returned and decreased by 29.1% to SAR 2.2 million on 31 December 2021G. The value of prepaid expenses fluctuates periodically and is not related to business movement only.

Advance payments for customs duties decreased by 40.1% from SAR 2.9 million on 31 December 2019G to SAR 1.7 million on 31 December 2020G, with an additional decrease of 25.4% to SAR 1.3 million on 31 December 2021G. This decrease was affected by the continuous collection of these amounts. It should be noted that advance payments for customs duties are expenses paid on products that are imported from external suppliers. When the imported goods are subject to customs exemption, the company can recover this fee.

Insurance claims receivable are insurance expenses credited to a number of suppliers. The value of these expenses decreased by 27.4% from SAR 1.5 million on 31 December 2019G to SAR 1.1 million on 31 December 2020G, with an additional decrease of 81.8% to SAR 0.2 million as on 31 December 2021G. The value of these claims fluctuates continuously.

Staff accommodation and other advances are advances and payments made in advance to some employees after obtaining approval from the Group's senior management. There is no specific policy in this regard, but the value of the advances granted depends on the number of requests submitted by employees and the number of value requests approved by the company's senior management. It should be noted that employees with salaries above SAR 4,000 are not eligible for any advances or advance payments.

The value of the recovered deposits amounted to SAR 0.9 million, SAR 0.9 million and 0.2 million as on 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively. These deposits consist of insurance amounts paid to a number of real estate lessors and other parties.

VAT is the tax debited from the Income Tax and Zakat Authority. The value-added value fluctuates according to the value of the purchases.

Balance, prepayments and other assets decreased by 8.2% from SAR 2.5 million in 2019G to SAR 2.3 million in 2020G and this decrease came within the normal course of business. This item witnessed a significant increase of 808.7% to reach SAR 21.1 million in 2021G and this increase was mainly driven by the amount owed of 17.3 million related to the sale of the company's land in 2017G as previously mentioned

6-6-2-4 Cash and Cash Equivalent

The following table provides details of the company's cash and cash equivalents as on 31 December 2019G, 2020G and 2021G.

Table No. (27): Cash and Cash Equivalents

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Cash at banks - current accounts	9,634	14,855	42,887	54.2%	188.7%	111.0%
Cash in the hand	2,326	868	181	(62.7%)	(79.1%)	(72.1%)
Total	11,959	15,723	43,068	31.5%	173.9%	89.8%

Source: Financial statements and management information

Cash at banks constitutes 80.6%, 94.5% and 99.6% of the total cash and cash equivalents at the company as on 31 December 2019G, 2020G and 2021G, respectively.

The balance of cash and cash equivalents increased by 31.5% from SAR 12.0 million in 2019G to SAR 15.7 million in 2020G. This increase was linked to the increase in cash flows from operating activities after the improvement in the company's net profits during the period of 2020G and 2021G. The balance of cash and cash equivalents continued to increase by 173.9% from SAR 15.7 million in 2020G to SAR 43.1 million in 2021G, driven by the increase in cash flows from financing activities, where the cash inflows received from financing activities amounted to SAR 72.1 million in 2020G from the proceeds of the capital increase and additional loans obtained to support business requirements.

6-6-3 Ownership Rights

The following table presents the company's equity as on 31 December 2019G, 2020G and 2021G.

Table No. (28): Equity

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Capital	92,000	92,000	192,000	-	108.7%	44.5%
Regular reserve	-	330	3,357	N/A	917.8%	N/A
Other Reserves	(7,476)	(6,136)	(7,568)	(23.3%)	(87.5%)	0.6%
Retained earnings	(11,802)	2,969	24,772	(125.2%)	734.4%	N/A
Equity attributable to the Company's shareholders	72,723	89,162	212,561	22.6%	138.4%	71.0%

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Non-controlling interests	1,222	1,443	1,025	18.1%	(29.0%)	(8.4%)
Total Equity	73,945	90,605	213,586	22.5%	135.7%	70.0%

Source: Financial Statements

Capital

As of 31 December 2021G, the company's capital amounted to SAR 192.0 million divided into 19,200,000 at a value of SAR 10 per share. It should be noted that during 2021G, the company increased its capital through the issuance of rights shares amounting to SAR 100 million by offering 10 million shares that were fully subscribed. All legal procedures related to the capital increase have been completed during the year 2021G.

Statutory Reserve

In line with the Companies Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company establishes a statutory reserve by transferring 10% of the net profit, if available after covering the accumulated losses until this reserve reaches 30% of the capital. This reserve is not available for distribution as dividends.

Currency Differences Translation Precautions

These reserves relate to transactions made in foreign currencies. Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the end of each reporting period at the exchange rates prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value that are carried in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined.

Other Precautions

These reserves include the change in the fair value of financial assets through other comprehensive income and profit/(loss) remeasurement of Employees' End of Service Benefits.

Retained earnings

The company recorded retained losses of SAR 11.8 million as on 31 December 2019G, which later turned into SAR 3.0 million on 31 December 2020G as a result of the company recording net profits of SAR 15.1 million in the year 2020G. The balance completed its increase by 734.4% to SAR 24.8 million as of 31 December 2021G, after the company recorded net income of SAR 30.3 million as of 31 December 2021G.

6-6-3-1 Non-Current Liabilities

The following table presents the company's non-current liabilities as of 31 December 2019G, 2020G and 2021G.

Table No. (29): Non-current liabilities

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Medium and long term loans	358,824	366,241	329,223	2.1%	(10.1%)	(4.2%)
Employees' end of service indemnity	19,828	18,018	20,597	(9.1%)	14.3%	1.9%
Lease commitments - non-current portion	7,569	7,079	11,557	(6.5%)	63.3%	23.6%
Total non-current liabilities	386,222	391,338	361,377	1.3%	(7.7%)	(3.3%)

Source: Financial Statements

The balance of medium and long-term loans increased by 2.1% from SAR 358.8 million in 2019G to SAR 366.2 million in 2020G. This increase resulted from additional loans obtained by the company to support business requirements. Then, the balance of medium and long-term loans decreased by 10.1% from SAR 366.2 million in 2020G to SAR 329.2 million in 2021G. This decrease is mainly due to ongoing loan repayments.

The balance of employees' end of service benefits decreased by 9.1% from SAR 19.8 million in 2019G to SAR 18.0 million in 2020G. While the balance of employees' end of service benefits increased by 14.3% from SAR 18.0 million in 2020G to SAR 20.6 million in 2021G. The decline in the balance of employees' end of service benefits came as a result of the actuarial estimates that were used in evaluating the bonus balance during the year 2020G, as the rate of increase in salaries and benefits used in the actuarial study was relatively low. The balance of employees' end of service benefits returned and increased by 14.3% to SAR 20.6 million as of 31 December 2021G, as a result of the increase in the number of employees.

Lease commitments - the non-current portion decreased by 6.5% from SAR 7.6 million in 2019G to SAR 7.1 million in 2020G mainly due to the ongoing amortization operations. Lease commitments - the non-current portion increased by 63.3% from SAR 7.1 million in 2020 to SAR 11.6 million in 2021G. This increase is due to new assets (cars and new buildings) acquired during the year.

6-6-3-2 Medium and Long-Term Loans

The following table presents the company's long-term loans as on 31 December 2019G, 2020G and 2021G.

Table No. (30): Medium and long term loans

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Commercial Bank Loans	526,174	489,894	407,241	(6.9%)	(16.9%)	(12.0%)
Saudi Industrial Development Fund Loans	39,272	27,632	15,136	(29.6%)	(45.2%)	(37.9%)
Medium and long-term loans - the rolling part	(206,622)	(151,285)	(93,154)	(26.8%)	(38.4%)	(32.9%)
Total	358,824	366,241	329,223	(2.1%)	(10.1%)	(4.1%)

Source: Financial Statements

The value of loans from commercial banks decreased by 6.9% from SAR 526.2 million in 2019G to SAR 489.9 million in 2020G, with an additional decrease of 16.9% to SAR 407.2 million in 2021G . This decrease was mainly related to the ongoing loan repayments.

The value of Saudi Industrial Development Fund loans decreased by 29.6% from SAR 39.3 million in 2019G to SAR 27.6 million in 2020G, with an additional decrease of 45.2% to SAR 15.1 million in 2021G, and the decrease is due to continuous payments and rescheduling of payments.

The following is a summary of the company's loans as of 31 December 2021G.

Table No (31): Medium, long and short term loans

(SAR' 000)			
Medium and long term loans	Interest	Year of maturity	Balance as on December 31, 2021G
Alinma Bank	SAIBOR +2,25%	2026G	179,420
Riyad Bank	SAIBOR +2%	2026G	128,253
Al Rajhi Bank	SAIBOR +2%	2024G	51,505
Saudi Investment Bank	SAIBOR +2%	2025G	30,997
Samba Bank	SAIBOR +2%	2023G	8,411
Saudi National Bank	SAIBOR +2%	2022G	2,656

(SAR' 000)			
Medium and long term loans	Interest	Year of maturity	Balance as on December 31, 2021G
Industrial Bank of Kuwait	3.5%	2027G	5,998
Total	-	-	407,241
Short Term Loans	Non-Current Balance (December 31, 2021G)	Current Balance (December 31, 2021G)	Total Balance (As of December 31, 2021G)
Alinma Bank	68,985	13,202	82,188
Riyad Bank	44,336	-	44,336
SABB Bank	21,230	-	21,230
Samba Bank	-	20,310	20,310
Total	134,551	33,512	168,063

Source: Financial Statements

6-6-3-3 Rental Liabilities

The following table presents the Company's rental liabilities as on December 31, 2019G, 2020G and 2021G.

Table No. (32): Rental liabilities

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Opening balance	-	8,095	8,531	N/A	5.4%	N/A
Impact of applying IFRS 16	8,594	-	-	(100.0%)	N/A	(100.0%)
Opening balance	8,594	8,095	8,531	(5.8%)	5.4%	(0.4%)
Additions	-	890	10,373	N/A	1065.9%	N/A
Interest payable during the year	404	443	839	9.7%	89.5%	44.2%
Paying the lease obligations during the year	(903)	(895)	(4,208)	(0.9%)	369.9%	115.8%
End Balance	8,095	8,531	15,535	5.4%	82.1%	38.5%
Current portion	525	1,453	3,977	176.6%	173.8%	175.2%
Non-current portion	7,569	7,079	11,557	(6.5%)	63.3%	23.6%

Source: Financial statements and management information

When applying IFRS 16, the Company recognized lease obligations related to leases that were previously classified as **“operating leases”** in accordance with the principles of IAS 17 **“Leases”**. These liabilities are measured at the present value of the remaining lease payments discounted using the Company’s incremental borrowing rate as at 1 January 2019G.

Lease commitments (non-current portion) decreased by 6.5% from SAR 7.6 million in 2019G to SAR 7.1 million in 2020G and this decrease is due to the continuous amortization while lease commitments increased by 63.3% from SAR 7.1 million in 2020G to SAR 11.6 million in 2021G. This increase is attributed to new assets acquired through capital leases.

6-6-3-4 Employee benefit obligations

The following table presents the movement of the company’s employee benefits obligations as of 31 December 2019G, 2020G and 2021G.

Table No. (33): Employee benefits obligations

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Opening balance	15,542	19,828	18,018	27.6%	(9.1%)	7.7%
Current service cost	3,050	2,287	3,205	(25%)	40.2%	2.5%
Interest cost	700	564	409	(19.5%)	(27.4%)	(23.6%)
Actuarial profit / (loss)	2,833	(2,340)	2,329	(182.6%)	(199.6%)	(9.3%)
Paid during the year	(2,297)	(2,321)	(3,364)	1.0%	44.9%	21.0%
Closing Balance	19,828	18,018	20,597	(9.1%)	14.3%	1.9%

Source: Financial statements and management information

The company has a system of end-of-service benefits for employees within a defined benefit plan that is consistent with the labor system in the Kingdom of Saudi Arabia based on the last salary and number of years of service. Assessments of the obligation under the plan are performed by an independent actuary based on the projected unit credit method. It is mentioned that the costs related to this plan consist mainly of the present value of the benefits attributed on an equal basis in each year of service and the interest on this obligation in relation to the employee’s service in previous years.

Employee benefits obligations decreased by 9.1% from SAR 19.8 million on 31 December 2019G to SAR 18.0 million on 31 December 2020G as a result of actuarial estimates that were used in evaluating the bonus balance during the year 2020G. We had mentioned above that the rate of increase in salaries and benefits used by the actuary in the actuarial study is relatively low.

Employee benefits obligations increased by 14.3% from SAR 18.0 million in 2020G to SAR 20.6 million in 2021G. This increase is due to the increase in the number of employees, which rose from 935 employees in 2002G to 1,094 employees in 2020G.

6-6-4 Current Liabilities

The following table presents the company's current liabilities as of 31 December 2019G, 2020G and 2021G.

Table No. (34): Current liabilities

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Short Term Loans	140,023	119,176	168,063	(14.9%)	41.0%	9.6%
Medium and long-term loans - the rolling part	206,622	151,285	93,154	(26.8%)	(38.4%)	(32.9%)
Trade payables	69,607	67,897	71,660	(2.5%)	5.5%	1.5%
Accrued expenses and other liabilities	42,595	40,887	49,675	(4.0%)	21.5%	8.0%
Zakat provision	16,209	14,227	16,210	(12.2%)	13.9%	0.0%
Lease obligations - current part	525	1,453	3,977	176.6%	173.8%	175.2%
Total	475,580	394,925	402,740	(17.0%)	2.0%	(8.0%)

Source: Financial Statements

The part constituted medium and long-term loans - the current part represented 43.4%, 38.3% and 23.1 of the total current liabilities as on 31 December 2019G, 2020G and 2021G, respectively. Short-term loans represented 29.4%, 30.2% and 41.7% of the total current liabilities as on 31 December 2019G, 2020G and 2021G, respectively.

Total current liabilities decreased by 17.0% from SAR 475.6 million as on 31 December 2019G to SAR 394.9 million as on 31 December 2020G as a result of the decrease in loan balances (short-term, medium-term and long-term), which decreased from SAR 346 .6 million as on 31 December 2019G to SAR 270.5 million as on 31 December 2020G as a result of continuous payments.

The balance of current liabilities increased again by 2.0% from SAR 394.9 million as on 31 December 2020G to SAR 402.7 million as on 31 December 2021G, as the increase was driven by an increase in trade accounts payable, accrued expenses and other liabilities.

6-6-4-1 Trade payables

The following table provides details of the company's trade and other payables as of 31 December 2019G, 2020G and 2021G.

Table No. (35): Trade payables

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Unrelated parties	66,720	65,604	68,407	(1.7%)	4.3%	1.3%
Related parties	2,887	2,292	3,254	(20.6%)	41.9%	6.2%
Total	69,607	67,897	71,660	(2.5%)	5.5%	1.5%

Source: Financial statements and management information

Accounts payable includes amounts payable to various suppliers that deal with the company in addition to suppliers who are related parties.

Suppliers (related parties) include one supplier, which is the East Gas Company. We had mentioned that the company owns a 26.0% investment in the East Gas Company (a limited liability company that distributes natural gas and operates industrial facilities in wholesale trade in gas machinery and equipment). Transactions with East Gas Company include gas purchase transactions and dividend distribution transactions.

The company purchases gas from Al Sharq Natural Gas Company through purchase orders issued at the time of purchase.

Other suppliers are the local and external suppliers that the company deals with. It should be noted that most of the chemicals and raw materials are imported from foreign suppliers, while spare parts are obtained from local suppliers.

Trade payables from related parties decreased by 2.5% from SAR 69.6 million on 31 December 2019G to SAR 67.9 million on 31 December 2020G as a result of some payments made by the company between the two periods. The balance increased again by 5.5% from SAR 67.9 million on 31 December 2020G to SAR 71.7 million on 31 December 2021G. This increase is mainly due to a partial increase in the quantity of goods acquired during the year 2021G that the company purchased in order to support business requirements.

Table No. (36): Ages of receivables

(SAR' 000)	0-90 days	90-150 day	150-365 day	More than 365 day
Total	71,320	16,219	2,877	32,156

Source: Financial statements and management information

The analysis of the aging of payables indicates that an amount of SAR 32.2 million remained recorded for a period exceeding 365 days as on 31 December 2021G. The timing of supplier payments is affected by several factors, the most important of which is the presence of liquidity with the company. It should be noted that the process of paying the amounts credited to the suppliers accelerated in the year 2021G due to the company's desire to maintain the strong relationship with all suppliers.

6-6-4-2 Accrued Expenses and Other Liabilities

The following table presents the accrued expenses and other liabilities based on the company as of 31 December 2019G, 2020G and 2021G.

Table No. (37): Accrued expenses and other liabilities

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Accrued Employees indemnity	13,807	15,256	22,753	10.5%	49.1%	28.4%
Goods received but not invoiced	2,385	5,375	7,253	125.4%	34.9%	74.4%
Accrued sales commission and rebates	6,111	3,742	1,291	(38.8%)	(65.5%)	(54.0%)
Value Added Tax - Net	-	3,264	3,418	N/A	4.7%	N/A
Accrued utility expenses	2,242	2,699	4,106	20.4%	52.1%	35.3%
Advance payments from clients	197	2,621	2,837	1231.6%	8.3%	279.7%
Accrued transportation cost	2,619	1,861	1,390	(28.9%)	(25.3%)	(27.1%)
Accrued legal and professional expenses	3,190	1,499	1,745	(53.0%)	16.4%	(26.0%)
Marketing expense allowance	5,621	555	105	(90.1%)	(81.1%)	(86.3%)
Accrued clearance cost	2,846	273	1,117	(90.4%)	309.5%	(37.3%)
Other	3,578	3,743	3,660	4.6%	(2.2%)	1.1%
Total	42,595	40,887	49,675	(4.0%)	21.5%	8.0%

Source: Financial Statements

Accrued employee benefits include employee benefits and salaries. It should be noted that salaries are usually paid before the end of each month, except in exceptional cases. Accrued employee bonuses increased by 10.5% from SAR 13.8 million in 2019G to SAR 15.3 million in 2020G as a result of the accumulation of vacation allowances, especially since a large number of employees did not use their vacation balances in 2020G after the outbreak of the Corona pandemic and the accompanying travel restrictions. Accrued employee bonuses witnessed an additional increase of 49.1% to SAR 22.8 million as in December 2021G due to the increase in the number of the company's employees from 935 employees in the year 2020G to 1,094 employees in the year 2021G.

The balance of goods received but not invoiced constitutes credits to suppliers. Sometimes, the goods are shipped to the company's warehouse before the suppliers are issued invoices. In this case, the credit balance is recorded under accrued expenses instead of credit balances. The balance of goods received but not invoiced increased by 125.4% from SAR 2.4 million in 2019G to SAR 5.4 million in 2020G, with an additional increase to SAR 7.3 million as of 31 December 2021G. This increase is due to the delay in issuing invoices by a number of suppliers who provide the company with waste management services.

Accrued sales commission and rebates decreased by 38.8% from SAR 6.1 million in 2019G to SAR 3.7 million in 2020G. This is due to the decrease in discounts based on the recommendation of the external auditor, where the accrued discounts were deducted from accounts receivable. Accrued sales commission and rebates continued to decrease by 65.5% from SAR 3.7 million in 2020G to SAR 1.3 million in 2021G. We had previously mentioned that the value of commissions fluctuates continuously because it is related to the value of sales achieved by sales and marketing employees.

Value Added Tax (VAT) is the amount credited to the Department of Income and Zakat. The value of the tax fluctuates with the fluctuating value of sales from foreign suppliers and does not follow any particular trend.

The utilities charges payable are electricity and water charges. Accrued utility expenses increased by 20.4% from SAR 2.2 million in 2019G to SAR 2.7 million in 2020G, with an additional increase of 52.1% to reach SAR 4.1 million as this increase resulted from the increase in consumption due to the high level of production in 2021G, as well as the delay in issuing a number of invoices from fuel and water suppliers.

Transportation expenses represent the expenses of transporting and shipping goods to customers, as the company has contracted with a number of carriers responsible for shipping goods to customers. Accrued transportation costs decreased by 28.9% from SAR 2.6 million in 2019G to SAR 1.9 million in 2020G, with an additional decrease to SAR 1.4 million. The decrease was affected by the reversal of previously tabulated excess transportation costs.

Accrued legal and professional expenses include the expenses of the external auditor and the expenses of the group's legal and financial advisor among other expenses. The due legal and professional expenses decreased by 53.0% from SAR 3.2 million in 2019G to SAR 1.5 million in 2020G, due to the reversal of some of the intermittent tax expenses previously recorded by the company. It should be noted that the legal and professional expenses due were exceptionally high in the year 2020G as a result of the increase in legal expenses, given that the company has filed a large number of lawsuits against a number of clients who failed to pay the company's dues.

Due legal and professional expenses increased by 16.4% from SAR 1.5 million in 2020G to SAR 1.7 million in 2021G. This is due to the increase in activity.

Marketing expenses are expenses incurred on various advertising and marketing campaigns that are organized in the normal course of business. Provision for marketing expenses decreased by 90.1% from SAR 5.6 million in 2019G to SAR 0.6 million in 2020G and SAR 0.1 million in 2021G. The decline was affected by the decrease in the number and scope of campaigns and advertising activities organized by the company since the outbreak of the Corona pandemic.

Customs' Clearance cost includes expenses paid to a number of agents responsible for clearing and managing the affairs of imported goods. The due clearance cost decreased by 90.4% from SAR 2.8 million in 2019G to SAR 0.3 million in 2020G as a result of reversing some expenses booked in earlier times. The due clearance cost increased by 309.5% from SAR 0.3 million in 2020G to SAR 1.1 million in 2021G. This increase is due to the increase in the volume of goods imported in 2021G.

Other accrued expenses include actuarial expenses, car rental expenses, social insurance expenses, Capital Market Authority credit expenses and other miscellaneous expenses. These expenses did not witness any material fluctuations between 31 December 2019G and 31 December 2021G.

6-6-4-3 Zakat Provision

The following table presents the movement of Zakat payable by the company as on 31 December 2019G, 2020G and 2021G.

Table No. (38): Zakat provision

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
January 1	7,815	16,209	14,227	107.4%	(12.2%)	34.9%
Provision for the year	8,393	4,052	2,987	(51.7%)	(26.3%)	(40.3%)
Payments	-	(6,034)	(1,004)	N/A	(83.4%)	N/A
December 31	16,209	14,227	16,210	(12.2%)	13.9%	0.0%

Source: Financial statements and management information

The company is subject to zakat in accordance with the regulations of the General Authority for Zakat and Income Tax. Zakat is calculated based on the approximate zakat base or adjusted profit, whichever is greater, and is charged to profit or loss. Additional zakat payable, if any, is recognized when it is determined and required to be paid. The amounts payable to zakat expense for the period may have to be adjusted in a later period if the expense estimates for the year change.

Zakat provision decreased by 12.2% from SAR 16.2 million in 2019G to SAR 14.2 million in 2020G and this decrease was due to continuous payments while the Zakat provision increased by 13.9% from SAR 14.2 million in 2020G to SAR 16.2 million in 2021G in the normal course of business.

The company received the GAZT's assessments for the years 2014G to 2018G, in which the GAZT claims an additional commitment of SAR 42.4 million. The company settled the assessment claim amounting to SAR 15.5 million, which relates to the year 2014G, where it paid the amount of SAR 0.5 million and received the final assessment. The management submitted an objection to the remaining assessments for the years from 2015G to 2018G, amounting to SAR 26.9 million. Management believes that the provision recognized against the above assessments is sufficient and no additional provision is required.

6-6-4-4 Related Party Transactions

The following table provides details of the company's transactions with related parties for the financial years ending on 31 December 2019G, 2020G and 2021G.

Table No. (39): Related Party Transactions

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Key management personnel - compensation:						
Short term remuneration	7,176	5,088	5,999	(29.1%)	17.9%	(8.6%)
Remuneration of the Board of Directors and Related Committees	1,674	2,074	2,112	23.9%	1.8%	12.3%
Employees' end of service indemnity	289	260	319	(10.2%)	22.8%	5.0%
East Gas Company:						
Purchase gas	6,777	7,188	7,836	6.1%	9.0%	7.5%
Dividends distributed	1,560	2,600	3,640	66.7%	40.0%	52.8%

Source: Financial statements and management information

Transactions with related parties between 2019G and 2021G included transactions with key management personnel and transactions with the Gas Company.

Key Management Personnel

Key management personnel encompass senior management personnel, including directors and chief executives. Transactions with these employees included salaries, committee bonuses, attendance fees for board and committee sessions, in addition to end-of-service benefits.

- The short-term bonus includes the monthly salaries and any bonuses paid during the normal work contract.
- Board and committee remuneration mainly includes allowances for attending committee and board sessions.
- End of service benefits are the long-term benefits payable to these employees.

The value of compensation and bonuses payable to key management personnel has fluctuated. The value of transactions decreased from SAR 9.1 million in 2019G to SAR 7.4 million in 2020G, then increased to SAR 8.4 million in 2021G. It should be noted that the value of these transactions fluctuates periodically as a result of the fluctuation in the number of employees and the value of salaries and bonuses.

East Gas Company

We previously mentioned that the company owns a 26.0% investment in the Company's Gas Company (a limited liability company that distributes natural gas and operates industrial facilities in wholesale trade in gas machinery and equipment). Transactions with East Gas Company include gas purchase transactions and distributed profits transactions.

The company purchases gas from Al Sharq Natural Gas Company through purchase orders issued at the time of purchase.

As for the dividends, it represents the company's share in the results of East Gas Company.

6-7 Statement of Cash Flows

The following table presents the company's statement of cash flows for the financial years ending on 31 December 2019G, 2020G and 2021G.

Table No. (40): Summary statement of cash flows

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Net cash flows from/(used in) operating activities	38,074	83,969	(8,994)	120.5%	(110.7%)	N/A
Net cash flows from/(used in) investing activities	(8,577)	(7,325)	(6,831)	(14.6%)	(6.7%)	(10.8%)
Net cash flows used in financing activities	(40,296)	(72,057)	43,621	78.8%	(160.5%)	N/A
Net shortfall in cash and cash equivalents	(10,800)	4,588	27,796	(142.5%)	505.8%	N/A
Cash and cash equivalents at the beginning of the period	22,845	11,959	15,723	(47.6%)	31.5%	(17.0%)
Impact of changes in the exchange rate	(86)	(824)	(450)	864.0%	(45.4%)	129.5%
Cash and cash equivalents at the end of the year	11,959	15,723	43,068	31.5%	173.9%	89.8%

Source: Financial Statements

The company recorded a net cash outflow of SAR 10.8 million in 2019G, as the cash outflow was related to the loss recorded by the company during the same year. The company recorded again a net cash flow of SAR 4.6 million and SAR 27.8 million in 2019G and 2020G.

Net negative cash, which amounted to SAR 10.8 million in 2019G, was related to cash outflows from financing activities, which amounted to SAR 40.3 million. The cash outflows related to the financing activities were related to the repayments of the high-value loans that the company obtained before and during the period between 2019G and 2021G.

The net negative cash, which amounted to SAR 10.8 million in 2019G, turned into positive net cash of SAR 4.6 million in the year 2020G, as a result of the increase in cash flows achieved from operating activities from SAR 38.1 million in 2019G to SAR 84 million in the year 2021G as a result of the net profit achieved by the company during the same year, which amounted to SAR 15.7 million, compared to a realized loss of SAR 27.5 million in the year 2020G.

The net cash recorded by the company completed its increase from SAR 4.6 million in the year 2020G to SAR 27.8 million in the year 2021G after recording cash flows from financing activities amounting to SAR 43.6 million in the same year.

6-7-1 Flows from Operating Activities

The following table provides details of the flows from operating activities for the financial years ending on 31 December 2019G, 2020G and 2021G.

Table No. (41): Statement of cash flows from operating activities

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Net profit for the period	(27,469)	15,658	30,776	(157.0%)	96.6%	N/A
Modifications for:						
Depreciation of property, plant and equipment	50,317	53,114	54,450	5.6%	2.5%	4.0%
Other profits	-	-	(17,300)	N/A	N/A	N/A
Impairment loss of property, plant and equipment	3,223	1,575	1,916	(51.1%)	21.6%	(22.9%)
Financing expenses	42,732	33,517	22,473	(21.6%)	(32.9%)	(27.5%)
Provision for impairment of trade receivables	(31,393)	(2,845)	967	(90.9%)	(134%)	N/A

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Zakat expense	8,393	4,052	2,987	(51.7%)	(26.3%)	(40.3%)
Amortization of intangible assets	1,475	5,634	2,222	282.0%	(60.6%)	22.7%
Reverse provision of slow-moving inventory	-	2,200	158	N/A	(92.8%)	N/A
Write-off inventory	-	-	207	N/A	N/A	N/A
Share of profit of an associate	(3,071)	(3,620)	(3,275)	17.9%	(9.5%)	3.3%
Provision against other receivables	-	13,654	-	N/A	(100%)	N/A
Gain on sale of property, plant and equipment	(1,216)	(364)	(159)	(70.1%)	(56.2%)	(63.8%)
Amortizing investments at fair value	-	-	1,485	N/A	N/A	N/A
Investment loss	-	-	-	N/A	N/A	(100%)
Loss from disposal of a subsidiary	3,237	2,850	3,614	(24.0%)	26.8%	(1.8%)
Provision for employees' end of service indemnity	3,750	125,425	100,520	151.0%	(19.9%)	41.8%
	49,981	53,114	54,450	N/A	N/A	N/A
Changes in operating assets and liabilities:						
Trade receivables	56,616	22,208	(32,096)	(60.8%)	(244.5%)	N/A
Inventory	(14,419)	(23,407)	940	62.3%	(104%)	N/A
Payments, advance payments and other assets	25,028	3,445	(31,659)	(86.2%)	(1019.0%)	N/A
Short term deposits	-	-	(34,000)	N/A	N/A	N/A
Trade payables	(16,870)	(2,552)	3,763	(84.9%)	(247.5%)	N/A

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Accrued expenses and other liabilities	(21,189)	(1,708)	9,125	(91.9%)	(634.4%)	N/A
Cash generated from operations	79,148	123,412	16,593	55.9%	(86.6%)	(54.2%)
Paid financing charges	(38,778)	(31,088)	(21,235)	(19.8%)	(31.7%)	(26%)
Zakat paid	-	(6,034)	(988)	N/A	(83.6%)	N/A
Paid employee end of service benefits	(2,297)	(2,321)	(3,364)	1.0%	44.9%	21.0%
Net cash (used in) / generated from operating activities	38,074	83,969	(8,994)	120.5%	(110.7%)	N/A

Source: Financial Statements

The company was able to record positive cash flows from its operations. The value of these flows amounted to SAR 38.1 million and SAR 84.0 million in 2019G and 2020G. The value of these flows increased from SAR 38.1 million in 2019G to SAR 84.0 million in 2020G, where the improvement was mainly due to the increase in the net results achieved by the company from a loss of SAR 27.5 million in 2019G to a profit of SAR 15.7 million in the year 2020G.

The company recorded again a cash outflow of SAR 9.0 million in the year 2021G, as the aforementioned transformation resulted from an increase in the balances of accounts receivable and other debit balances between 31 December 2020G and 31 December 2021G.

6-7-2 Cash Flows From Investing Activities

The following table provides details of the flows from investment activities for the fiscal years ending on 31 December 2019G, 2020G and 2021G.

Table No. (42): Cash flow from investing activities

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Additions to property, plant and equipment	(11,354)	(10,209)	(10,199)	(10.1%)	(0.1%)	(5.2%)
Additions to intangible assets	1,560	2,600	3,640	66.7%	40.0%	52.8%

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Proceeds from disposal of property and equipment	-	(243)	(1,439)	N/A	492.6%	N/A
Redemption (deposit) of short-term Murabaha deposits	1,216	527	1,167	(56.7%)	121.5%	(2.1%)
Net cash flow used in investing activities	(8,577)	(7,325)	(6,831)	(14.6%)	(6.7%)	(10.8%)

Source: Financial Statements

The company recorded cash outflows of SAR 8.6 million, SAR 7.3 million and SAR 6.7 million in 2019G, 2020G and 2021G. These inflows relate mainly to equipment and property acquired by the Company to support production operations.

6-7-3 Cash flows from financing activities

The following table provides details of the flows from financing activities for the financial years ending on 31 December 2019G, 2020G and 2021G.

Table No. (43): Cash flows from financing activities

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Proceeds from the capital increase	-	-	95,738	N/A	N/A	N/A
Paid from lease obligations	(903)	(895)	(4,208)	(0.9%)	369.9%	115.8%
Change in short term loans	5,740	3,629	48,780	(36.8%)	1244.2%	191.5%
Incoming from medium and long-term loans	-	24,323	3,221	N/A	(86.8%)	N/A
Repaid from medium and long-term loans	(45,133)	(98,840)	(99,016)	119.0%	0.2%	48.1%

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019G-2021G
Dividends paid to minority interest	-	(273)	(894)	N/A	227.1%	N/A
Net cash flows used in financing activities	(40,296)	(72,057)	43,621	78.8%	(160.5%)	N/A

Source: Financial Statements

The Company has recorded cash outflows from financing activities. The value of these outflows amounted to SAR 40.3 million, SAR 72.1 million and SAR 10.5 million in 2019G, 2020G and 2021G. The cash outflow was related to the repayments made by the company in order to repay the various loans that it had obtained in previous periods. The value of outflows increased by 78.8% from SAR 40.3 million in 2019G to SAR 72.1 million in 2020G after the increase in the value of loan repayments.

The company recorded positive cash flows of SAR 43.6 million during the year 2021G as a result of proceeds from the capital increase during the year 2021G, which amounted to SAR 95.7 million.

6-8 Contingent liabilities and commitments

The following table provides a summary of the potential liabilities and liabilities of the company as on 31 December 2019G, 2020G and 2021G.

Table No. (44): Contingent liabilities and commitments

(SAR' 000)	Year Ending 31 December			Increase / (Decrease)		CAGR
	2019G	2020G	2021G	2020G	2021G	2019-2021G
Letters of credit	14,935	25,504	48,160	70.8%	88.8%	79.6%
Letters of guarantee	531	697	648	31.3%	(7.1%)	10.5%
Total	15,466	26,201	48,808	69.4%	86.3%	77.6%

Source: Financial statements and management information

The documentary credits included an amount of SAR 48.2 million as in 2021G, and it mainly consists of documentary credits issued to a number of suppliers.

As for the letters of guarantee, it included several letters of guarantee issued by the company and its companies owned by several third parties.



Using the Offering Proceeds

7- Using the Offering Proceeds

7-1 Net Offering Proceeds

The total proceeds from the Rights Issue is one hundred and forty-five million (145,000,000) Saudi riyals, of which about (3,905,000) Saudi riyals will be paid to cover the costs of the Offering, which include the fees of the Financial Advisor, Lead Manager, Underwriter, Legal Advisor, marketing, printing and distribution expenses, and other expenses related to the Subscription.

The net proceeds of the Offering will be about (141,095,000) Saudi riyals, which will be used in the following:

- Purchase of raw materials with a value of ninety-two million three hundred and two thousand four hundred and fifty-one (92,302,451) Saudi riyals.
- Purchase of fixed assets with a value of thirty-three million seven hundred and ninety-two thousand five hundred and forty-nine (33,792,549) Saudi riyals.
- Repayment of loans amounting to fifteen million (15,000,000) Saudi riyals

The Company will also disclose to the public on the website of the Saudi Tadawul Company (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.

7-2 Using Offering Proceeds

The following table shows the Expected use of the Offering Proceeds:

Table No. (45): Using the Offering Proceeds

Item (SAR)	Q3-2022G	Q4-2022G	Q1-2023G	Q2-2013G	Q3-2023G	Total
Purchase fixed assets	22,416,299	15,281,250	18,201,634	18,201,634	18,201,634	92,302,451
Purchase raw materials	18,321,954	15,470,595	–	–	–	33,792,549
Pay off bank loans	14,100,000	900,000	–	–	–	15,000,000
Offering expenses	3,905,000	–	–	–	–	3,905,000
Total	54,838,253	31,651,845	18,201,634	18,201,634	18,201,634	145,000,000

Source: The Company



Experts Statements

8- Experts Statements

Written consents were obtained from the Financial Advisor, Legal Advisor, Underwriter and Lead Manager of the Company to include their names, logos and statements in the form contained in this Prospectus. A written consent of the Company's Auditors was also obtained to include their names and logos in the form contained in this Prospectus. These consents have not been withdrawn as on the date of this Prospectus, and none of the above-mentioned parties, their employees or their relatives have any shares or any interest in the Company and its subsidiaries of any kind.



9.

Directors' Declarations

9- Directors' Declarations

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

- Other than what is mentioned in Section (3) "**The Company Background and its Nature of its Business**" of this Prospectus, there was no interruption in the business of the Company that could affect or have had a significant impact on the financial condition during the last (12) months.
- No commissions, discounts, brokerage fees, or any non-monetary compensation were granted by the Issuer or any of its subsidiaries during the three (3) years immediately preceding the date of submitting the application for registration and the Offering of securities in relation to the issuance or offering of any securities.
- There has not been any material negative change in the financial and commercial status of the Company or any of its subsidiaries during the three years immediately preceding the date of filing the securities registration and offering subject to this Prospectus, in addition to the accounting period covered by the auditors' report until the approval date of this Prospectus.
- Other than what is stated in page (vi), the members of the Board of Directors or any of their relatives do not have any shares or interest of any kind in the Company.
- The Company did not keep treasury shares, and the EGM of the Company did not approve the purchase of the Company's shares.



10.

Legal Information



10- Legal Information

10-1 Introduction of the Company and its most notable changes

10-1-1 Company Name

Saudi Paper Manufacturing Company is a Saudi joint stock Company incorporated under Commercial Registration Certificate No. (1010255690) dated 10/01/1415H (corresponding to 20/06/1994G), which expires on 10/01/1445H (corresponding to 28/07/2023G).

The Company was registered in the commercial register of joint stock companies in Dammam under the trade name **"Saudi Paper Manufacturing Company - Joint stock Company"**. It is the current trade name and there was no change to the name until the date of preparing this Prospectus.

10-1-2 Company Incorporation and Phases of Capital Development

- The Saudi Paper Manufacturing Company was initially established as a branch of a sole proprietorship establishment in the name of **"Saudi Pulp and Paper Manufacturing Establishment"**, which is a branch of the Establishment of His Royal Highness Prince Abdullah bin Musa'ed bin Abdulaziz Al Saud, and it was registered in the Commercial Registry No. (19540) on 14/05/1410H. (corresponding to 13/12/1989G).
- On 19/12/1414H (corresponding to 30/04/1994G), the establishment branch was converted into a limited liability Company with the participation of three partners and a capital of fifty-five million (55,000,000) riyals upon incorporation, under the Memorandum of Association (transferring the establishment into a Company) that was documented at the First Notary Public in Dammam under number (59/490/4) in the issue (171 and 172) dated 19/12/1414H (corresponding to 30/05/1994G), and it was registered in the Commercial Register under number (1010255690) on 10/01/1415H (corresponding to 20/06/1994G). On 17/04/1426H (corresponding to 26/05/2005G), the partners decided to amend the articles of association and increase the Company's capital from fifty-five million (55,000,000) riyals to two hundred and forty million (240,000,000) riyals, in accordance with the partners' decision documented by the Notary Public in charge of the Ministry of Commerce and Industry on page No. (79-87), issue (78) of volume (164), dated 17/04/1426H (corresponding to 26/05/2005G).
- On 10/03/1427H (corresponding to 08/04/2006G), the partners agreed to convert the legal entity of the Company from a limited liability Company to a closed joint stock Company, while retaining the same commercial name, number and date of the Commercial Registration of the Company when converting it into a joint stock Company. Ministerial Resolution No. (635) dated 12/03/1427H (corresponding to 10/04/2006G) approving the transformation of the Company from a limited liability Company to a closed joint-stock Company, and the Company was registered with the Commercial Registry Office in Dammam as a closed joint-stock Company under Commercial Registration Certificate No. (2050028141) dated 10/01/1415H (corresponding to 20/06/1994G), which expires on 10/01/1445H (corresponding to 28/07/2023G), and the Company's capital upon conversion to a joint stock Company amounted two hundred and forty million (240,000,000) riyals divided into twenty four million (24,000,000) shares, each with a nominal value of ten (10) riyals.
- On 12/03/1427H (corresponding to 10/04/2006G), the initial public offering of seven million two hundred thousand (7,200,000) shares, which constitutes thirty percent (30%) of the paid-up capital of two hundred and forty million (240,000,000) Saudi riyals. The Company was also listed on the Saudi Stock Exchange and converted into a Saudi joint stock Company on 18/05/1427H (corresponding to 14/06/2006G).

- On 06/04/1429H (corresponding to 12/04/2008G), the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to increase the Company's capital by 25% from two hundred and forty million (240,000,000) Saudi riyals to three hundred million (300,000,000) Saudi riyals by granting a bonus share for every 4 shares, bringing the number of shares from (24,000,000) million to thirty million (30,000,000) shares.
- On 10/05/1433H (corresponding to 02/04/2012G), the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to increase the Company's capital by (25%) from three hundred million (300,000,000) Saudi riyals to three hundred and seventy-five million (375,000,000) Saudi riyals by granting one bonus share for every 4 shares, bringing the number of shares
- On 05/07/1435H (corresponding to 04/05/2014G) the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to increase the Company's capital by (20%) from three hundred and seventy-five million (375,000,000) Saudi riyals to four hundred and fifty million (450,000,000) Saudi riyals by granting one bonus share for every 5 shares, bringing the number of shares from thirty seven five hundred thousand (37,500,000) to forty-five million (45,000,000) shares.
- On 30/12/1439H (corresponding to 10/09/2018G), the Extraordinary General Assembly of the Company approved the recommendation of the Company's Board of Directors to reduce the Company's capital from four hundred and fifty million (450,000,000) Saudi riyals to two hundred and forty-five million (245,000,000) Saudi riyals, at a reduction rate of (45.56%) and thus reducing the number of shares from forty-five million (45,000,000) shares to twenty-four million and five hundred thousand (24,500,000) shares. Accordingly, (0.911) shares were reduced for every (2) two shares by canceling the number of twenty million and five hundred thousand (20,500,000) shares. The main reason for reducing the capital is to restructure the Company's capital to extinguish the accumulated losses and support the Company's future growth.
- On 07/03/1441H (corresponding to 04/11/2019G), the Extraordinary Shareholders' General Assembly agreed to reduce the Company's capital from two hundred and forty-five million (245,000,000) riyals to ninety-two million (92,000,000) riyals, at a decrease rate of (62.45%). The number of shares before the reduction amounted to twenty-four million five hundred thousand (24,500,000) shares, and after the reduction, nine million and two hundred thousand (9,200,000) shares.
- On 21/04/1442H (corresponding to 06/12/2020G), the Extraordinary Shareholders' General Assembly agreed to increase the Company's capital from ninety-two million (92,000,000) riyals to one hundred and ninety-two million (192,000,000) riyals through a rights issdue of one hundred million (100,000,000) riyals and an increase in the number of shares from nine million two hundred thousand (9,200,000) shares to nineteen million two hundred thousand (19,200,000) shares.
- On 21/04/1442H (corresponding to 06/12/2020G), the Extraordinary Shareholders' General Assembly approved the amendment and updating of the Company's Articles of Association to conform to the new Companies Law, which was approved by the Ministry of Commerce - Corporate Governance Department - on 21/04/1442H (corresponding to 06/12/2020G)
- In accordance with the recommendation of the Board of Directors issued on 12/03/1443H (corresponding to 18/10/2021G) to increase the capital from one hundred and ninety-two million (192,000,000) riyals to three hundred and thirty-seven million (337,000,000) riyals through offering fourteen million five hundred thousand (14,500,000) rights with a value of one hundred and forty-five million (145,000,000) riyals, the approval of the EGM must be obtained within (6) six months from the date of approval by the competent regulatory authorities (Capital Market Authority "**the Authority**" and the Saudi Tadawul Company "**Tadawul**" and the Ministry of Commerce). If the Company fails to obtain the approval of the EGM during that period, the approval of the Authority shall be considered null and the Company must resubmit the application if it intends to increase its capital.

10-1-3 Substantial Shareholders

As on the date of publication of this Prospectus, there is only one Substantial Shareholder who owns 5% or more of the Company's shares, which is Mr. / Raed Abdul Rahman Abdul Aziz Al Mishaal, whose ownership percentage in the Company's capital as at the date of publication of this Prospectus is (32.437%).

10-1-4 Head Office

The head office of the Company is located in Dammam - Second Industrial City, Abqaiq Roads - PO Box: (8663) - Postal Code (31492) - Tel: (8121016). According to Article (5) of the Articles of Association, the Company may establish branches, offices or agencies inside or outside the Kingdom by a decision of the Board of Directors (for more information, please see subsection. (10-2-2) "**Company branches and points of sale**" of this section

10-1-5 Company's Term

Article (6) Six of the Articles of Association stipulates that the term of the Company shall be (99) ninety-nine Gregorian years starting from the date of its registration in the Commercial Register as a joint stock Company. The term of the Company may always be extended by a decision issued by the EGM at least one year before the expiry of its term. The Commercial registration data indicates the expiry of the Company's term on 20/05/1529H (corresponding to 06/03/2105G).

10-1-6 Bylaws

The current version of the Company's Articles of Association was issued based on the decision of the EGM on 21/04/1442H (corresponding to 06/12/2020G) and it was verified and approved by the Ministry of Commerce and Investment (Corporate Governance Department) on 27/05/1442H (corresponding to 11/01/2021G). The Articles of Association has been amended several times, the most prominent of which are the following:

- **Capital increase:** On 06/04/1429H (corresponding to 12/04/2008G), the Extraordinary General Assembly approved an increase in the Company's capital from two hundred and forty million (240,000,000) riyals to three hundred million (300,000,000) riyals, with an increase of twenty-five percent (25%) and increasing the number of the Company's shares from twenty-four million (24,000,000) shares to thirty million (30,000,000) shares, by granting one bonus share for every four (4) shares.
- **Amending the following** articles (11, 16, 19, 20, 22, 24, 31, 43, 44) of the Company's Articles of Association by the Extraordinary General Assembly held on 06/04/1430H (corresponding to 02/04/2009G).
- **Capital increase:** On 10/05/1433H (corresponding to 02/04/2012G) the Extraordinary General Assembly approved an increase the Company's capital from three hundred million (300,000,000) riyals to three hundred and seventy-five million (375,000,000) riyals, at an increase rate of 25 %, by granting free shares (one bonus share for every 4 shares). It was also approved to amend Article (7) and amend Article (8) of the Company's Articles of Association in accordance with the proposed capital increase. It also amended the introduction of Article No. (16) of the Company's Articles of Association by replacing the cumulative vote to choose the members of the Board of Directors instead of the regular vote, and amended Article (25) of the Company's Articles of Association by adding the use of cumulative voting to select Board members

- **Capital increase:** On 05/07/1435H (corresponding to 04/05/2014G), the Extraordinary General Assembly approved to increase the Company's capital from (375,000,000) riyals to (450,000,000) riyals, at an increase rate of 20%, by granting free shares (one bonus share for every 5 shares) and to amend Article No. (7) and Article No. (8) of the Company's Articles of Association in accordance with the proposed increase for raising the capital, amending Article No. (16) and increasing the number of Board members from eight to nine members and amending the introduction to Article No. (22) regarding the quorum of Board meetings so that the Board of Directors meeting is valid if five members attended in person.
- **Amendment of Articles:** On 02/11/1438H (corresponding to 25/07/2017G), the Extraordinary General Assembly voted to amend some articles of the Articles of Association as follows: (Approval of adding the preferred shares clause in Article Nine of the amended Articles of Association and approval of the amendment of the issuance of debt instruments and negotiable debt and financing instruments to Article sixteen of the Articles of Association, approval of the amendment of the number of members of the Board of Directors in Article seventeen of the Articles of Association, approval of the amendment of the powers of the Board of Directors in Article twenty of the Articles of Association, approval of the amendment of the remuneration of the members of the Board of Directors in Article twenty-one of the Articles of Association, approval of the amendment of the powers of the Chairman, Deputy-Chairman and Managing Director in Article twenty-two of the Articles of Association, and approval of the amendment of the Article of Dividends in Article 47 of the Articles of Association).
- **Capital Reduction:** On 30/12/1439H (corresponding to 10/09/2018G), the Extraordinary General Assembly agreed to reduce the Company's capital from (450,000,000) riyals to (245,000,000) riyals, at a decrease rate of 45.56% and thus reducing the number of Shares from (45,000,000) shares to (24,500,000) shares, representing a reduction of (0.911) shares for every two shares by canceling (20,500,000) shares, in addition to amending some articles (amending Article 4 of the Articles of Association related to participation and ownership in companies.

Amending Article Seven of the Articles of Association relating to the capital in the event of approval of the first item of the Assembly's agenda, Amending Article Eight of the Articles of Association related to subscription to shares, amending Article Nine of the Articles of Association relating to preferred shares, amending Article Thirteen of the Articles of Association relating to the shareholder register, addition of Article Fourteen to the Articles of Association related to the Company's purchase, sale and pledge of its shares, amendment to Article twenty of the Articles of Association related to the vacant position in the Board, amendment of Article twenty-one of the Articles of Association relating to the powers of the Board, amendment of Article twenty-two of the Articles of Association relating to the remuneration of members of the Board, amendment of Article twenty-third of the Articles of Association related to the powers of the Chairman, Deputy Chairman, Managing Director and Secretary, amendment of Article twenty-fourth of the Articles of Association related to Board meetings, amendment of Article twenty-fifth of the Articles of Association related to the quorum of Board meeting, amendment to Article thirty-two of the Articles of Association related to inviting assemblies, amendment of Article thirty-third of the Articles of Association related to the attendance register of assemblies, amendment of Article thirty-fourth of the Articles of Association relating to the quorum of the ordinary general assembly meeting, amendment of Article thirty-fifth of the Articles of Association relating to the quorum of the extraordinary general assembly meeting, amendment of Article forty-third of the Articles of Association related to the committee's reports, amendment of Article forty-seven of the Articles of Association related to financial documents, amendment of Article forty-eight of the Articles of Association relating to the distribution of profits, and amendment of Article forty-ninth of the Articles of Association relating to entitlement to profits.

- **Capital Reduction:** On 07/03/1441H (corresponding to 04/11/2019G), the Extraordinary General Assembly agreed to reduce the Company's capital from (245,000,000) riyals to (92,000,000) riyals, with a decrease of 62% and the amendment of the article seventh of the Company's Articles of Association related to the capital and article eighth related to subscribing to shares accordingly.

- **Capital increase:** The Extraordinary General Assembly voted on 21/04/1442H (corresponding to 06/12/2020G) to increase the Company's capital from (92,000,000) riyals to (192,000,000) riyals and amend Articles (17), (18), (20), (22), (23), (24), (28), (30), (33), and (53) of the Articles of Association.

The Company complied with the requirements of the Capital Market Authority and the Saudi Tadawul Company (Tadawul) in terms of uploading a copy of the Articles of Association on Tadawul website on the Company's page. The last amended version of the Company's Articles of Association was approved by the Ministry of Commerce (Corporate Governance Department) on 27/05/1442H (corresponding to 11/01/2021G).

10-1-7 Company activity

Article Three (3) of the Articles of Association stipulates the activities that the Company is entitled to engage in after approval of the Commercial Register Department and the competent authority (if any) to reflect any of these activities in the Commercial Registration Certificate.

According to the Commercial Registration Certificate, the Company may carry out the following activities: (manufacture of paper pulp from fibers, manufacture of paper pulp from waste with removal of ink, and manufacture of paper bags). The Company carries out its activities through its head office and branches that 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 see subsection (10-2) "**Licenses and Permits Obtained by the Company**" of this section).

10-1-8 Management

According to Article (18) of the Articles of Association, the Company is managed by a board of directors consisting of seven (7) members elected by the Ordinary General Assembly of shareholders for a period not exceeding (3) three years.

10-1-8-1 Board formation

On 14/09/1442H (corresponding to 26/04/2021G), the Ordinary General Assembly elected the members of the Board of Directors for a new term starting from 15/09/1442H (Corresponding to 27/04/2021G) for a period of three years ending on 17/10/1445H (Corresponding to 26/04/2024G) The Board of Directors for the said term was formed from the gentlemen whose names are shown in the following table:

Table No. (46) : Board members and positions

The Company's Board of Directors appointed on 14/09/1442H (corresponding to 26/04/2021G)*									
Name	Post	Representing	Nationality	Age	Type of Membership	Owned Shares			
						Direct	Indirect	Total	Percentage
Abdullah bin Abdul Rahman Al-Kharashi	Chairman	Personal capacity	Saudi	40	Independent	-	-	-	-
Bashar bin Abdulaziz Aba Al-Khail	Deputy Chairman	Personal capacity	Saudi	46	Independent	-	-	-	-
Abdulrahman bin Raed Al-Mishaal	Board Member	Personal capacity	Saudi	29	Non-Executive	-	-	-	-
Abdulaziz bin Raed Al-Mishaal	Board Member	Personal capacity	Saudi	26	Executive	67,000	-	67,000	0.3489583%
Wael bin Abdulrahman Al-Bassam	Board Member	Personal capacity	Saudi	48	Independent	40	-	40	0.0002083%
Hani bin Mohammed Al-Zayd	Board Member	Personal capacity	Saudi	45	Independent	27,789	-	27,789	0.1447344%
Abdul Majeed bin Abdulaziz Al Abdulwahab	Board Member	Personal capacity	Saudi	39	Independent	-	-	-	-
Mohammed bin Abdulwahab Al-Skeet	Board Secretary and Head of Investors Relations	-	Saudi	36	-	-	-	-	-

Source: The Company

The Company is compliant with the Companies Law and the Corporate Governance Regulations, which stipulate that the number of Board members is not less than three (3) and not more than eleven (11). It also stipulates the Company's commitment to Article Sixteen (16) of the Corporate Governance Regulations, which obligate listed companies to have the majority of the board's members from non-executive directors and that the number of independent members should not be less than two members or one-third of the board members (whichever is more). Six (6) non-executive members were appointed, five of them are independent and one non-independent member, and one executive/non-independent member has been appointed, i.e., Mr. Abdul Rahman Al-Mishaal (For

more information on the Company's compliance with the Governance Regulations, please see subsection No. (10-4-5) **"Continuing Obligations as per the requirements of the Capital Market Authority"** of this section).

10-1-8-2 Appointment of mandatory positions (Chairman, Deputy Chairman, Secretary and Chief Executive Officer)

- In accordance with Article Twenty-three (23) of the Company's Articles of Association, the Board of Directors appoints from among its members a chairman and a deputy-chairman and may appoint a managing member. It is not permissible to combine the position of the chairman of the board of directors with any executive position in the Company. The Board of Directors appoints a secretary to be chosen by it from among its members or from others.
- The Company is compliant with the Articles of Association and Corporate Governance Regulations in terms of mandatory appointment in these positions, where the Board of Directors approved the appointment to these positions according to the following:

Table No. (47): Board of Directors positions

Name of the appointed person		Position
Engineer/ Abdullah bin Abdul Rahman Al-Kharashi	Minutes of the Board of Directors meeting on 16/09/1442H (corresponding to 28/04/2021G)	Chairman of Board of Directors
Mr. Bashar bin Abdulaziz Aba Al-Khail	Minutes of the Board of Directors meeting on 16/09/1442H (corresponding to 28/04/2021G)	Deputy Chairman of the Board
Mr. Yousry bin Abdul Hamid Al-Bishri	Minutes of the Board of Directors meeting on 22/07/1441H (corresponding to 17/03/2020G)	Chief Executive Officer
Mr. Mohammed bin Abdulwahab Al-Skeet	Minutes of the Board of Directors meeting on 16/09/1442H (corresponding to 28/04/2021G)	Secretary of the Board of Directors

Source: The Company

The powers of the Board of Directors are defined in Article Twenty-first (21) of the Company's Articles of Association, and the powers of the Chairman, Deputy Chairman, Managing Director and Secretary are detailed in Article Twenty-third (23) of the Company's Articles of Association. The Secretary of the Board of Directors is responsible for recording the minutes of the Board of Directors' meetings and recording the decisions and keeping them in a special register prepared for this purpose.

10-1-8-3 Remuneration of the Board of Directors

- According to Article (22) of the Articles of Association, the remuneration of the Board of Directors consists of a certain amount, session attendance allowance, in-kind benefits, or a certain percentage of net profits, and two or more of these benefits may be combined. If the remuneration is a certain percentage of the Company's profits, then this percentage may not exceed (10) of the net profits, after deducting the reserves decided by the general assembly in application of the provisions of the system and the Company's Articles of Association, and considering a profit distribution to shareholders of not less than (5%) of the paid-up capital of the Company, provided that the entitlement to this bonus is proportional to the number of sessions attended by the member, and any estimate to the contrary is void. In all cases, the sum of the bonuses and financial or in-kind benefits that a member of the Board of Directors receives may not exceed five hundred thousand (500,000) riyals annually, according to the regulations set by the competent authority.
- The report of the Board of Directors to the Ordinary General Assembly must include a comprehensive statement of what all Board members received during the fiscal year in terms of remuneration, expense allowance 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.
- In the report of the Board of Directors for the fiscal year ending on December 31, 2020G, which was approved by the Ordinary General Assembly on 14/09/1442H (corresponding to 26/04/2021G), the criteria adopted by the Company in paying remunerations to the Board of Directors were disclosed. It included a comprehensive statement of all the salaries received by the members of the board of directors during the financial year, including share in the profits, attendance allowance, expenses and other benefits; The value of the remunerations of the members of the Board of Directors for the fiscal year ending on December 31, 2020G amounted to (1,068,483) Saudi riyals and amounted to (1,619,395) riyals for the fiscal year ending on December 31, 2021G.

10-1-8-4 Board Meetings

- According to the Article Twenty-fourth (24) of the Company's articles of association, the board of directors meets at least four times a year at the invitation of the chairman of the board of directors. The invitation shall be in writing and may be delivered or sent by mail or e-mail. The chairman must call the board to a meeting whenever two members request that.
- The Company is committed to the minimum number of board meetings. It was found that the number of board meetings amounted to eight (8) meetings during the year 2018G, nine (9) meetings in the year 2019G, ten (10) meetings during the year 2020G and four (4) meetings during the year 2021G, and three (3) meetings in the year 2022G until the date of publication of this prospectus.

10-1-8-5 The Company Committees

The Board of Directors has three committees that assist in the performance of its duties as follows:

- **Audit Committee**

According to Article Forty (40) of Chapter Five of the Company's Articles of Association, the Audit Committee consists of three (3) members who are not members of the Executive Board of Directors, whether shareholders or others. The number of the current members of the Committee is three (3) members, and they have been appointed by the (Ordinary) General Assembly of Shareholders held on 26/11/1442H (corresponding to 06/07/2021G). It ends at the end of the current Board of Directors session on 17/10/1445H (corresponding to 26/04/2024G) and it consists of the following members:

Table No. (48): Members of the Audit Committee*

Name	Position	Other positions currently occupied by the Member
Bashar bin Abdulaziz Aba Al-Khail	Chairman	<ul style="list-style-type: none"> Member of the Board of Directors of the Saudi Paper Manufacturing Company and Vice President. Chairman of the Board of Directors of Yasmin Company. Member of the Board of Directors and Chairman of the Nominations Committee of the National Medical Care Company. Board Member of the Food Development.
Saleh bin Hamad Al-Shanaifi	Member	<ul style="list-style-type: none"> Member of the Advisory Committee of the Capital Market Authority. Member of the Board of Directors and Chairman of the Audit Committee in the International Insurance Company. Member of the Audit Committee, Siera Group. Member of the Audit Committee of the Royal Commission for Al-Ula Governorate.
Khalid bin Abdulaziz Al-Hoshan	Member	<ul style="list-style-type: none"> Director of Internal Audit in the Health Laboratory. Member of the Audit Committee at Gulf General Company. Member of the Audit Standards Committee at the Saudi Organization for Auditors and Accountants. Member of the Audit Committee at the Arabian Sea Company. Member of the Audit Committee of the International Naseej Company. Member of the Audit Committee of the Arab Refineries Company. Member of the Audit Committee of the Saudi Export Development Authority. Member of the Board of Directors of the Gypsum Company. Member of the Nominations Committee of the Gypsum Company.

Source: The Company

It is worth noting that, as of the date of this prospectus, none of the members of the Audit Committee holds any other positions in the Company, except for the Chairman of the Committee, Bashar Abdul Aziz Aba Al-Khail, who holds the position of an independent member of the Board of Directors and Deputy Chairman of the Board.

The work regulation of the Audit Committee was approved by the Ordinary General Assembly of Shareholders in its meeting held on 10/11/1443H (corresponding to 09/06/2022G).

The committee meets periodically, provided that it shall have not less than four (4) meetings during the Company's financial year, and the committee convenes at the invitation of the committee's chairman. The Committee held five (5) meetings during the financial year ending on December 31, 2018G, seven (7) meetings during the financial year ending on December 31, 2019G, eight (8) meetings during the financial year ending on December 31, 2020G, and six (6) meetings during the fiscal year ending on December 31, 2021G.

Table No. (49): Number of Audit Committee meetings during the past three years

Audit Committee	Year (2018G)	Year (2019G)	Year (2020G)	Year (2021G)
	5	7	8	6

Source: The Company

• Nominations and Remunerations Committee

In accordance with the work regulations of the Remuneration and Nominations Committee and the requirements of the Governance Regulations issued by the Capital Market Authority, the (Remuneration and Nominations Committee) is formed by a decision of the Board of Directors and consists of three (3) members who are not members of the Executive Board of Directors, whether from the shareholders or others, provided that at least one independent member should be among them. The Company's Nominations and Remunerations Committee consists of four (4) members. The Nominations and Remunerations Committee was formed at the Board of Directors meeting held on 16/09/1442H (corresponding to 28/04/2021G) and ends at the end of the current Board of Directors' session on 17/10/1445H. (corresponding to 26/04/2024G). It consists of the following members:

Table No. (50): Members of the Nominations and Remunerations Committee

Name	Position	Other positions currently occupied by the Member
Mr. Wael bin Abdul Rahman Al-Bassam	Chairman of the Committee	<ul style="list-style-type: none"> Member of the Independent Board of Directors of the Saudi Paper Manufacturing Company. Vice President of the Human Resources Group at Bank Al Jazira.
Mr. Abdullah bin Abdul Rahman Al-Kharashi	Member	<ul style="list-style-type: none"> Chairman of the Board of Directors of the Saudi Paper Manufacturing Company. General Manager of Riyadh Velvet Factory and member of the Board of Directors.

Name	Position	Other positions currently occupied by the Member
Mr. Abdul Majeed bin Abdul Aziz Al-Abdul Wahab	Member	<ul style="list-style-type: none"> An independent board member of the Saudi Paper Manufacturing Company. Director General of Corporate Regulations and Policy at the Deputy Ministry of Commerce for Policies and Regulations.
Mr. Nasser bin Mohammed Al-Obaid	Secretary of the Committee	–

Source: The Company

In accordance with Article (9) of the Committee's work regulations, the Nominations and Remunerations Committee shall hold its meetings whenever the need arises, provided that there are no less than two meetings during one fiscal year.

The Committee held five (5) meetings during the financial year ending on December 31, 2018G, six (6) meetings during the financial year ending on December 31, 2019G, five (5) meetings during the financial year ending on December 31, 2020G, and six (6) meetings during the fiscal year ended on December 31, 2021G.

Table No. (51): The number of meetings of the Nomination and Remuneration Committee during the past three years

The Nominations and Remunerations Committee	Year (2018G)	Year (2019G)	Year (2020G)	Year (2021G)
	5	6	5	6

Source: The Company

• The Executive Committee

The Executive Committee consists of four (4) members. The Executive Committee was formed at the Board of Directors meeting held on 16/09/1442H (corresponding to 28/04/2021G). It expires at the end of the current term of the Board of Directors. It consists of the following members:

Table No. (52): Members of the Executive Committee

Name	Position	Other positions currently occupied by the Member
Mr. Abdul Rahman bin Raed Al-Mishaal	Chairman of the Committee	<ul style="list-style-type: none"> Member of the Board of Directors of the Saudi Paper Manufacturing Company Financial Analyst at Alinma Investment
Mr. Abdulaziz bin Raed Al-Mishaal	Member	<ul style="list-style-type: none"> Member of the Board of Directors of the Saudi Paper Industry Company. Assistant CEO of the Saudi Paper Industry Company.
Mr. Abdullah bin Abdul Rahman Al-Kharashi	Member	<ul style="list-style-type: none"> Member of the Board of Directors of the Saudi Paper Manufacturing Company. General Manager of Riyadh Velvet Factory and member of the Board of Directors.
Mr. Nayef Mufleh Al-Dosari	Secretary of the Committee	-

Source: The Company

The Committee held one (1) meeting during the fiscal year ending on December 31, 2018G, four (4) meetings during the fiscal year ending on December 31, 2020G, and two (2) meetings during the fiscal year ending on December 31, 2021G. Note that the committee did not hold any meeting during the year 2019G, as the committee was canceled by a decision of the board of directors on February 18, 2018G, and then another decision was taken to re-form the committee on December 22, 2019G.

Table No. (53): Number of Executive Committee meetings during the past three years

Executive Committee	2018G	2019G*	2020G	2021G
	1	-	4	2

Source: The Company

*The committee was not active

10-1-8-6 Executive Management

The current executive management is headed by the CEO, Mr. Yousry bin Abdul Hamid Al-Bishri, as of 22/07/1441H (corresponding to 17/03/2020G). The following table shows the details of the Company's executive management:

Table No. (54): Executive Management of the Company

SN	Name	Position*	Nationality	Age	Date of assignment	shares owned "directly"		shares owned "Indirectly"	
						Number	Percentage	Number	Percentage
1	Mr. Yousry bin Abdul Hamid Al-Bishri	Chief Executive Officer	French	60	14/04/2020	-	-	-	-
2	Abdulaziz bin Raed Al-Mishaal	Assistant CEO	Saudi	26	25/07/2021	67,000	0.3489583%	-	-
3	Khalid bin Walid Abu Hana	Chief Financial Officer	Palestinian	54	16/03/2014	150	0.0007813%	-	-
4	Mohammed bin Mohsen Al-Harbi	Director of Joint Services	Saudi	46	10/05/2020	-	-	-	-
5	Mohamed Abdel Ghaffar	Chief Operations Officer	Egyptian	56	20/10/2019	1200	0.00625%	-	-
6	Ehab Al-Asqalani	Head of Sales and Marketing,	Egyptian	39	17/08/2020	-	-	-	-
7	Ashraf Nashat	Head of Strategic Competence	Egyptian	55	29/08/2021	-	-	-	-
8	Ekrany Hussein	Operations Manager of the Saudi Recycling Company	Egyptian	46	06/04/2020	-	-	-	-
9	Mohammed bin Abdulwahab Al-Sakait	Secretary of the Board of Directors and Head of Shareholder Relations	Saudi	36	10/05/2020	-	-	-	-
10	Nasser bin Mohammed Al-Obaid	Head of Security and Safety	Saudi	59	19/06/2022	-	-	-	-

Source: The Company

10-2 Licenses and Permits Obtained by the Company

10-2-1 Licenses, Certificates and Approvals related to the Head Office

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 tables show the current licenses and approvals obtained by the Company in relation to its main registry.

Table No. (55): Approvals, licenses, certificates and permits under which the Company operates.

License type	Purpose	License holder	License number	Issue date	Expiry date	Issuer	Notes
Commercial Register	The Company is registered in the Commercial Companies Register	Saudi Paper Manufacturing Company (Public Shareholding)	2050028141	10/01/1415H (corresponding to 20/06/1994G)	10/01/1445H (corresponding to 28/07/2023G)	Ministry of Commerce - Commercial Registry Office in Dammam	-
Chamber of Commerce Membership certificate	In compliance with the provisions of the Commercial Register System the Company obtained a membership certificate in the premium class	Saudi Paper Manufacturing Company	1664	24/05/1441H (corresponding to 19/01/2020G)	10/01/1445H (corresponding to 28/07/2023G)	Chamber of Commerce and Industry in Riyadh	-
GOSI Subscription Certificate	In compliance with the social insurance system	Saudi Paper Manufacturing Company	47919695	03/03/1444H (corresponding to 01/08/2022G)	03/02/1444H (corresponding to 30/08/2023G)	General Organization for Social Insurance	-
Saudization certificate	to indicate that the Company is committed to the required Saudization percentage according to the Nitaqat program	The Saudi Paper Manufacturing Company	171541-73610779	20/12/1443H (corresponding to 19/07/2022G)	21/03/1444H (corresponding to 17/10/2022G)	Ministry of Human Resources and Social Development	File No.: 4-2230

License type	Purpose	License holder	License number	Issue date	Expiry date	Issuer	Notes
Certificate of Compliance with the Wages Protection System***	To indicate that the Company is committed to depositing the wages of its employees through local banks and the regular uploading of the wages file	Saudi Paper Manufacturing Company	20042208001494	03/01/1444H (corresponding to 01/08/2022G)	04/03/1444H (corresponding to 30/09/2022G)	Ministry of Human Resources and Social Development	-
Company entity evaluation certificate-Nitaqat	The Company entity evaluation ranges according to the Nitaqat program, which indicates that the Company is in the (medium green) range)	Saudi Paper Manufacturing Company	4-2230	-	-	Ministry of Human Resources and Social Development (Labour Office - Electronic Services)	-
Zakat and Income****	To indicate that the Company submitted its annual declaration and committed to paying zakat	Saudi Paper Manufacturing Company	1110191609	25/10/1443H (corresponding to 26/05/2022G)	10/10/1444H (corresponding to 30/04/2023G)	Zakat, Tax and Customs Authority	-
VAT registration certificate	To indicate that the Company is registered with VAT	Saudi Paper Manufacturing Company	3004250647	02/12/1438H (corresponding to 11/09/2017G)	-	Zakat, Tax and Customs Authority	-
Operations license	Licensing the Company to operate the facility in compliance with (Modon) system	Saudi Paper Manufacturing Company	5941443723023726	23/07/1443H (corresponding to 24/02/2022G)	04/08/1444H (corresponding to 24/02/2023G)	Saudi Authority for Industrial Cities and Technology Zones	-

License type	Purpose	License holder	License number	Issue date	Expiry date	Issuer	Notes
Industrial facility license	Licensing the Company to engage in industrial activity and produce (tissue paper, towels (rolls) and paper pulp)	Saudi Paper Manufacturing Company	431102116360	23/05/1443H (corresponding to 27/12/2021G)	15/11/1444H (corresponding to 06/04/2023G)	Ministry of Industry and Mineral Resources	-
Environmental permit for operation	Granting the facility an environmental approval to operate	Saudi Paper Manufacturing Company	17500	11/08/1442H (corresponding to 24/08/2021G)	05/07/1445H (corresponding to 17/01/2024G)	General Authority of Meteorology and Environmental Protection	-

Source: The Company.

*A commitment certificate that is valid for a maximum period of one month and is renewable electronically upon request.

** A commitment certificate that is valid for a maximum of three months and is electronically renewable upon request.

*** Certificate of commitment with a maximum validity of 60 days and is electronically renewable upon request.

****The name of the “**General Authority for Zakat and Income Tax**” has been modified to become the “**Zakat, Tax and Customs Authority**”.

10-2-2 Company Branches and Points of Sale

- 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 of the date of publishing the prospectus, the Company has not established any branch inside or outside the Kingdom of Saudi Arabia.

10-3 Subsidiaries

According to Article (4) of the Articles of Association, the Company may establish its own companies with limited liability or closed joint stock, provided that the capital is not less than (5) million riyals. The Company may also have an interest or participate in any way with the bodies or companies that carry out business similar to its business or that may cooperate with it to achieve its purpose. 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 stocks or shares, provided that this does not include brokerage in their trading. As at the date of publication of this Prospectus, the Company has three (3) subsidiaries of the Company within the Kingdom of Saudi Arabia and six (6) subsidiaries outside the Kingdom of Saudi Arabia.

10-3-1 Saudi Paper Converting Company

• Overview:

The Company was established in 2011 as a limited liability Company under the commercial name “Saudi Paper Converting Company” to carry out activities (converting large paper rolls into a variety of hygienic paper products that include facial tissues, cooking towels, toilet paper, and tablecloths) in accordance with the Commercial Register Certificate for the Company.

- The Company was registered in the Commercial Register under the number (2050039697) and dated 21/10/1422H (corresponding to 05/01/2002G). The head office of the Company is located in the city of Dammam and it has the right to open branches for it inside or outside the Kingdom when the interest of the Company requires, by a decision of the Board of Directors.

• Capital:

The Company's current capital is an amount of (50,000,000) fifty million riyals divided into (50,000) fifty thousand shares of equal value, the value of each share is (1,000) thousand riyals distributed among the partners as follows:

Table No. (56): Ownership Structure of the Shares of the Subsidiary Company (The Saudi Paper Converting Company)

Partner	Number of Shares	Share Value	Total Value of Shares	Percentage
Saudi Paper and Waste Recycling Company *	2,500	1,000	2,500,000	5%
Saudi Paper Manufacturing Company, a public joint stock Company	47,500	1,000	47,500,000	95%
Total	50,000	-	50,000,000	100%

Source: The Company

*The Saudi Paper and Waste Recycling Company is 100% owned by the Saudi Paper Manufacturing Company, and therefore the Company indirectly owns the entire shares of the Saudi Paper Converting Company through its ownership of the Saudi Paper and Waste Recycling Company.

- **Commercial activity:** The main activity of the Company, according to Commercial Registration Certificate No. (2050028141), is (manufacturing sanitary paper, napkins, cleaning wipes and towels, manufacturing table napkins, manufacturing disposable medical products and consumables).
- **Management:** The Company is managed by one director, Mr. Nayef bin Mufleh bin Muhammad Al-Dosari, and he has all the powers stipulated in the Articles of Association.
- **Headquarters and branches:** The Company's head office is located in the city of Dammam, and the Company has the right to open branches inside or outside the Kingdom when the interest of the Company requires, according to a decision from the Company's management. As of the date of publishing this Prospectus, the subsidiary Company has (5) branches as follows:

– Saudi Paper Converting Company Branch (Khamis Mushayt)

The branch was registered in the Commercial Register under the number (5855071810) on 29/04/1439H (corresponding to 16/01/2018G) as a branch of the Company in the city (Khamis Mushayt) for practicing the activity of (public stores that include a variety of goods) and it is valid until the date 28/04/1448H (corresponding to 09/10/2026G) The branch is managed by Mr. Nayef bin Muflih bin Muhammad Al-Dosari.

Table No. (57): Branch Licenses of the Saudi Paper Converting Company (Khamis Mushayt)

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer
Commercial Register	Registration of the Company's branch in the Commercial Companies Register in Riyadh	Saudi Paper Converting Company	5855071810	29/04/1439H (corresponding to 16/01/2018H)	28/04/1438H (corresponding to 09/10/2026G)	Ministry of Commerce - Commercial Registry Office in Khamis Mushayt
Chamber of Commerce and Industry Membership Certificate - Degree--	The Company branch's commitment to the provisions of the Commercial Register	Saudi Paper Converting Company	701011140773	29/04/1438H (corresponding to 16/01/2018G)	28/04/1448H (corresponding to 09/10/2026G)	Riyadh Chamber of Commerce and Industry

Source: The Company

– Saudi Paper Converting Company Branch (Jeddah)

The branch was registered in the Commercial Register under the number (4030177125) on 03/03/1429H (corresponding to 11/03/2008G) as a branch of the Company in the city of Jeddah for practicing the activity (public stores that include a variety of goods) and it is valid until 03/03/1446H (corresponding to 06/09/2024G) and the branch is managed by Mr. Nayef bin Muflih bin Muhammad Al-Dosari.

Table No. (58): Branch Licenses of the Saudi Paper Converting Company (Jeddah)

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer
Commercial Register	Registration of the Company's branch in the Commercial Companies Register in Riyadh	Saudi Paper Converting Company Branch	4030177125	03/03/1429H (corresponding to 11/03/2008G)	03/03/1446H (corresponding to 06/09/2024G)	Ministry of Commerce - Commercial Registry Office in Jeddah
Chamber of Commerce and Industry membership certificate-	compliance of the Company branch with the provisions of the commercial register	Saudi Paper Converting Company Branch	136696	03/03/1429H (corresponding to 11/03/2008G)	03/03/1446H (corresponding to 06/09/2024G)	Jeddah Chamber of Commerce and Industry
Municipal license *	License to practice a commercial activity	Saudi Paper Converting Company	39111330487	-	19/06/1442H (corresponding to 01/02/2021G)	Ministry of Municipal and Rural Affairs - District Secretariat of - Jeddah Municipality
Safety Certificate *	to indicate that the Company is committed to the field safety standards and conditions of the Civil Defense	Saudi Paper Converting Company	42-000697756-1	1/09/1442H (Corresponding to 13/04/2021G)	1/09/1443H (Corresponding to 02/04/2022G)	Ministry of Interior General Directorate of Civil Defense

Source: The Company

* Work is in progress to renew the licenses according to the Company's statement.

– Saudi Paper Converting Company (Riyadh) branch

The branch was registered in the Commercial Register under the number (1010614245) on 29/04/1439H (corresponding to 16/01/2018G) as a branch of the Company in the city of Riyadh to practice the activity of (general stores that include a variety of goods). It is valid until 28/04/1448H (corresponding to 09/10/2026G). The Company is managed by Mr. Nayef bin Muflih bin Muhammad Al-Dosari.

Table No. (59): Branch Licenses of the Saudi Paper Converting Company (Riyadh)

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer
Commercial Register	Registration of the Company's branch in the Commercial Companies Register in Riyadh	Saudi Paper Converting Company	1010614245	29/04/1439H (corresponding to 16/01/2018G)	28/04/1448H (corresponding to 09/10/2026G)	Ministry of Commerce - Commercial Registry Office in Riyadh
Chamber of Commerce and Industry Membership Certificate - Second Class	The Company's branch's compliance with the provisions of the Commercial Register	Saudi Paper Converting Company	694499	29/04/1439H (corresponding to 16/01/2018G)	28/04/1448H (corresponding to 09/10/2026G)	Riyadh Chamber of Commerce and Industry
Municipal license	License to practice a commercial activity	Saudi Paper Converting Company	4073445040	-	09/09/1446H (corresponding to 09/03/2025G)	Ministry of Municipal and Rural Affairs - District Secretariat of Riyadh - Municipality
Safety Certificate	to indicate that the Company is committed to the field safety standards and conditions of the Civil Defense	Saudi Paper Converting Company	3-000345522-43	28/10/1443H (corresponding to 29/05/2022G)	28/10/1444H (corresponding to 18/05/2023G)	Ministry of Interior General Directorate of Civil Defense

Source: The Company

– Saudi Paper Converting Company Branch (Buraydah)

The branch was registered in the Commercial Register under the number (1131058353) on 29/04/1439H (corresponding to 16/01/2018G) as a branch of the Company in the city of Buraydah in order to practice the activity of (general stores that include a variety of goods) and it is valid until 28/04/1448H (corresponding to 10/10/2026G). The Company is managed by Mr. Nayef bin Muflih bin Muhammad Al Dosari.

Table No. (60): Licenses of the Saudi Paper Converting Company (Buraydah) Branch

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer
Commercial Register	Registration of the Company's branch in the Commercial Companies Register in Buraydah	Saudi Paper Converting Company	1131058353	29/04/1439H (corresponding to 16/01/2018G)	28/04/1448H (corresponding to 09/10/2026G)	Ministry of Commerce - Commercial Registry Office in Buraydah
Chamber of Commerce and Industry Membership Certificate - Class	The Company's branch's compliance with the provisions of the Commercial Register	Saudi Paper Converting Company	601011132129	29/04/1439H (corresponding to 16/01/2018G)	28/04/1448H (corresponding to 09/10/2026G)	Buraydah Chamber of Commerce and Industry
Municipal license	License to practice a commercial activity	Saudi Paper Converting Company	4073445040	-	16/07/1446H (corresponding to 16/01/2025G)	Ministry of Municipal and Rural Affairs - District Secretariat of Buraydah-Qassim Municipality
Safety Certificate	to indicate that the Company is committed to the field safety standards and conditions of the Civil Defense	Saudi Paper Converting Company	1-000924631-43	09/11/1443H (corresponding to 08/06/2022G)	09/11/1444H (corresponding to 29/05/2023G)	Ministry of Interior General Directorate of Civil Defense

Source: The Company

– Saudi Paper Converting Company branch (Dammam)

The branch was registered in the Commercial Register under the number (2050106080) on 04/09/1436H (corresponding to 21/06/2015G) as a branch of the Company in the city of Dammam to carry out the activity of (producing various paper napkins, sanitary pads, maxi rolls, small aluminum rolls for food packaging and paper cardboard in the form of rolls, table napkins, various tampons, towels, containers, household utensils, tin art, and small rolls of cling film for food packaging) which is valid until 03/09/1444H (corresponding to 25/03/2023G). It is managed by Mr. Abdulaziz bin Raed Al-Mishaal.

Table No. (61): Licenses of the Saudi Paper Converting Company Branch (Dammam)

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer
Commercial Register	Registration of the Company's branch in the Commercial Companies Register in Dammam	Saudi Paper Converting Company	2050106080	29/04/1439H (corresponding to 16/01/2018G)	03/09/1444H (corresponding to 25/03/2023G)	Ministry of Commerce - Commercial Registry Office in Dammam
Chamber of Commerce and Industry Membership Certificate - Class -	The Company's branch's compliance with the provisions of the Commercial Register	Saudi Paper Converting Company	251668	29/04/1439H (corresponding to 16/01/2018G)	03/09/1444H (corresponding to 25/03/2023G)	Dammam Chamber of Commerce and Industry

Source: The Company

Table No. (62): Certificates and licenses obtained by the subsidiary Company, the Saudi Paper Converting Company.

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer	Note
Commercial Register	The Company is registered in the Commercial Companies Register	Saudi Paper Converting Company	2050039697	21/10/1422H (corresponding to 05/01/2002G)	17/10/1445H (corresponding to 26/04/2024G)	Ministry of Commerce - Commercial Registry Office in Dammam	-
Chamber of Commerce and Industry Membership Certificate -Premium Class	In compliance with the provisions of the Commercial Register System	Saudi Paper Converting Company	1755	09/06/1443H (corresponding to 12/01/2022G)	17/10/1445H (corresponding to 26/04/2024G)	Chamber of Commerce and Industry in the Eastern Province	-
VAT registration certificate	To indicate that the Company is registered with VAT	Saudi Paper Converting Company	3005621211400003	02/12/1438H (corresponding to 24/08/2017G)	-	Zakat, Tax and Customs Authority	-
Zakat and Income Certificate	To indicate that the Company submitted its annual declaration and committed to paying zakat	Saudi Paper Converting Company	1110018555	03/11/1443H (corresponding to 02/06/2022G)	10/10/1444H (corresponding to 30/04/2023G)	Zakat, Tax and Customs Authority	-
GOSI Subscription Certificate	In compliance with the social insurance system	Saudi Paper Converting Company	47919766	03/01/1444H (corresponding to 01/08/2022G)	03/02/1444H (corresponding to 30/08/2023G)	General Organization for Social Insurance	-

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer	Note
Certificate of commitment to the wages protection system*	In compliance with the controls of the wages protection program and to stimulate the commitment percentage specified by the system	Saudi Paper Converting Company	20042208001505	05/01/1444H (corresponding to 03/08/2022G)	06/03/1444H (corresponding to 02/10/2022G)	Ministry of Human Resources and Social Development	-
Saudization certificate	to indicate that the Company is committed to the required Saudization rate	Saudi Paper Converting Company	21174472-443825	20/11/1443H (corresponding to 19/06/2022G)	21/02/1444H (corresponding to 17/09/2022G)	Ministry of Human Resources and Social Development	-
Company entity evaluation certificate-Nitaqat	The Company entity evaluation ranges according to the Nitaqat program, which indicates that the Company is in the (platinum range)	Saudi Paper Converting Company	27543-4	-	-	Ministry of Human Resources and Social Development Electronic Services Dept	-
Operations license	In compliance with the Saudi Cities Authority system to operate an industrial facility	Saudi Paper Converting Company	594144387024150	07/08/1443H (corresponding to 10/03/2022G)	18/08/1444H (corresponding to 10/03/2023G)	The Saudi Authority for Industrial Cities and Technology Zones "MODON"	-

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer	Note
Industrial facility license	Licensing the Company to engage in industrial activity (manufacture other types of paper and paperboard)	Saudi Paper Converting Company	421102111243	10/08/1442H (corresponding to 23/03/2021G)	13/09/1445H (corresponding to 23/03/2024G)	Ministry of Industry and Mineral Resource	-
Environmental permit for operation	Granting the facility an environmental approval to operate	Saudi Paper Converting Company	13668	07/06/1443H (corresponding to 10/01/2022G)	28/05/1446H (corresponding to 30/11/2024)	General Authority of Meteorology and Environmental Protection	-

Source: The Company

* Work is in progress to renew the licenses according to the Company's statement.

• Staff and Saudization

Table No. (63): Number of employees working for the Saudi Paper Converting Company, according to the data of the various government agencies of the subsidiary Company

Entity	Document Type	Saudi Employee	Non-Saudi Employee	Total	Notes
GOSI	GOSI certificate	98	326	424	As on 04/04/2022G
Labor Office	Nitaqat Certificate/ Company	86	286	421	As on 20/04/2022G
	Company Branch	11	56		
Passports-Muqem	Extract from the Muqem/ passport	-	273	333	As on 24/04/2022G
	Company Branch	-	60		

Source: The Company

Table No. (64): Number of employees in the subsidiary Company, Saudi Paper Converting Company, by nationality:

Category	2019G		2020G		2021G		2022G	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Saudis	109	24.6%	130	27.25%	127	41.43%	123	22.82%
Non-Saudis	334	75.4%	347	72.75%	427	58.57%	416	77.18%
Total	443	100%	477	100%	554	100%	539	100%

Source: The Company

10-3-2 Saudi Paper and Waste Recycling Company

• Overview:

The Company was established in 1997 as a limited liability Company under the trade name “**The Saudi Paper and Waste Recycling Company**” to carry out activities (collecting materials for recycling) according to the certificate of the Company's commercial registry.

- The Company was registered in the commercial registry under the number (1010146513) on 26/03/1418H (corresponding to 31/07/1997G). The Company's head office is located in the city of Riyadh, and it has the right to open branches for it inside or outside the Kingdom whenever the interest of the Company requires, and that is by a decision of the management.

• Capital:

- The Company's current capital is (4,300,000) riyals, divided into (4,300) shares of equal value. The value of each share is (1,000) riyals, a cash share of equal value, the value of each share is (10) riyals distributed among the partners according to the following:

Table No. (65): Ownership Structure of the Shares of the Subsidiary Company (The Saudi Paper and Waste Recycling Company)

Partner	Number of Shares	Value of Share	Total	Percentage
Saudi Paper Manufacturing Company	4,085	1,000	4,085,000	85.2%
Saudi Paper Converting Company	215	1,000	215,000	14.8%
Total	4,300	1,000	4,300,000	100%

Source: The Company

- **Commercial activity:** The main activity of the Company, according to Commercial Registration Certificate No. (1010146513), is contracting, maintenance, road cleaning and maintenance, cleaning and operation of residential and commercial buildings, city cleanliness, and all government and private establishments, including commercial and industrial centers and stores, health institutions, restaurants, maintenance and cleaning of printing presses, hospitals, medical centers, clubs, and imports. and export)
- **Management:** According to Article (10) of the Articles of Association, the Company is managed by one manager, Mr. Abdul Aziz Raed Abdul Rahman Al Mishaal, who has all the powers stipulated in the Memorandum of Association.
- **Head office:** The Company's head office is located in the city of Riyadh, and the Company has the right to open branches inside or outside the Kingdom when the interest of the Company requires, by a decision of the partners. Until the date of preparing this Prospectus, the head office of the Company is located in the city of Riyadh (Riyadh-Olaya, King Fahd Road, Dahlawi Towers, and as on the date of publication of this Prospectus, the subsidiary Company has two branches as follows:

– **Branch of the Saudi Recycling Company for Paper and Waste (Dammam)**

The branch was registered in the Commercial Register under the number (2050142796) on 10/07/1442H (corresponding to 22/02/2021G) as a branch of the Company in the city of Dammam to practice the activity of (collecting materials for recycling) and it is valid until 07/10/1447H (corresponding to 30/12/2025G) and the branch is managed by Mr. Nayef bin Mufleh bin Muhammad Al-Dosari.

Table No. (66): Licenses of the Company Branch “**The Saudi Paper and Waste Recycling Company**” (Dammam)

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer
Commercial Register	Registration of the Company's branch in the Commercial Companies Register in Riyadh	The Saudi Paper and Waste Recycling Company	2050142796	10/07/1442H (corresponding to 22/02/2021G)	10/07/1447H (corresponding to 30/12/2025G)	Ministry of Commerce - Commercial Registry Office in Dammam
Chamber of Commerce and Industry Membership Certificate - Second Degree	The Company branch's commitment to the provisions of the Commercial Register	The Saudi Paper and Waste Recycling Company	315983	10/07/1442H (corresponding to 22/02/2021G)	10/07/1447H (corresponding to 30/12/2025G)	Dammam Chamber of Commerce and Industry

Source: The Company

– The Branch of Saudi Paper and Waste Recycling Company (Jeddah)

The branch was registered in the Commercial Register under the number (4030299113) on 13/05/1439H (corresponding to December 30, 2018G) as a branch of the Company in the city of Jeddah in order to practice the activity of (maintenance and cleaning contracting for roads, maintenance, cleaning and operation of residential and commercial buildings, city cleanliness and all facilities, centers and Commercial and industrial stores, restaurants, maintenance and cleaning of printing presses, hospitals, medical centers and clubs) which is valid until 13/05/1445H (corresponding to 27/11/2023G). The Company is managed by Mr. Nayef bin Mufleh bin Muhammad Al-Dosari.

Table No. (67): Branch License of Saudi Paper and Waste Recycling Company (Jeddah)

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer
Commercial Register	Registration of the Company's branch in the Commercial Companies Register in Riyadh	The Saudi Paper and Waste Recycling Company	4030299113	13/05/1439H (corresponding to 30/12/2018G)	13/05/1445H (corresponding to 27/11/2023G)	Ministry of Commerce - Commercial Registry Office in Jeddah

Source: The Company

Table No. (68): Licenses and Certificates Obtained by the Subsidiary Company (The Saudi Paper and Waste Recycling Company)

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer	Note
Commercial Register	Registration of the Company in the Commercial Companies Register	The Saudi Paper and Waste Recycling Company	1010146513	26/03/1418H (corresponding to 31/07/1997G)	25/03/1445H (corresponding to 10/10/2023G)	Ministry of Commerce and Investment - Commercial Registry Office in Riyadh	-
Chamber of Commerce and Industry Membership certificate (second class)	The Company's compliance with the Commercial Register System	The Saudi Paper and Waste Recycling Company	84329	29/03/1418H (corresponding to 03/08/1997G)	25/03/1445H (corresponding to 10/10/2023G)	Chamber of Commerce and Industry in Riyadh	-

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer	Note
Zakat and Income Certificate	To indicate that the Company submitted its annual declaration and committed to paying zakat	The Saudi Paper and Waste Recycling Company	1020277614	03/11/1443H (corresponding to 02/06/2022G)	10/10/1444H (corresponding to 30/04/2023G)	Zakat, Tax and Customs Authority	-
VAT registration certificate	To indicate that the Company is registered with VAT	The Saudi Paper and Waste Recycling Company	300049782100003	01/12/1438H (corresponding to 23/08/2017G)	-	Zakat, Tax and Customs Authority	-
Social Insurance Certificate	The Company's commitment to the regulations of the General Organization for Social Insurance	The Saudi Paper and Waste Recycling Company	479198819	03/01/1444H (corresponding to 01/08/2022G)	03/02/1444H (corresponding to 30/08/2023G)	General Organization for Social Insurance	-
Saudization certificate	to indicate that the Company is committed to the required Saudization percentage according to the Nitaqat program	The Saudi Paper and Waste Recycling Company	121926 - 666319913	14/11/1443H (corresponding to 13/06/2022G)	05/04/1444H (corresponding to 30/10/2022G)	Ministry of Human Resources and Social Development	-

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer	Note
Certificate of Compliance with the Wages Protection System*	To indicate that the Company is committed to depositing the wages of its employees through local banks and the regular uploading of the wages file	The Saudi Paper and Waste Recycling Company	20012208011851	05/01/1444H (corresponding to 03/08/2022G)	06/03/1444H (corresponding to 02/10/2022G)	Ministry of Human Resources and Social Development	-
Company entity evaluation certificate- Nitaqat	The Company entity evaluation ranges according to the Nitaqat program,	The Saudi Paper and Waste Recycling Company	1 - 1982	-	-	Electronic Services Depart. Ministry of Human Resources	-
Municipal license	License to practice commercial activity (General Stores)	The Saudi Paper and Waste Recycling Company	40031754531	04/12/1436H (corresponding to 17/09/2015G)	04/12/1446H (corresponding to 31/05/2025G)	Ministry of Municipal and Rural Affairs - Riyadh Municipality - Al-Sulay Municipality	-
Municipal license	License to practice commercial activity (Furniture and wood stores	The Saudi Paper and Waste Recycling Company	40102423971	22/11/1441H (corresponding to 13/07/2020G)	26/03/1447H (corresponding to 18/09/2025G)	Riyadh Municipality - Al-Sulay Municipality	-

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer	Note
Safety Certificate	to indicate that the Company is committed to the field safety standards and conditions of the Civil Defense	The Saudi Paper and Waste Recycling Company	-	-	-	Ministry of Interior General Directorate of Civil Defense	Renewal is underway according to the Company's statement

Source: The Company

* Work is in progress to renew the licenses according to the Company's statement.

• Staff and Saudization

Table No. (69): Number of employees working for the subsidiary Company of the Saudi Company (for recycling of paper and waste) according to the data of the various government agencies of the subsidiary Company

Entity	Document Type	Saudi Employee	Non-Saudi Employee	Total	Notes
GOSI	GOSI certificate	20	68	88	As on 04/04/2022G
Labor Office	Nitaqat Certificate	20	72	92	As on 20/04/2022G
Passports-Muqem	Extract from the Muqem / passport	-	67	67	As on 24/04/2022G

Source: The Company

Table No. (70): Number of employees in the subsidiary Company, the Saudi Paper and Waste Recycling Company, by nationality:

Category	2019G		2020G		2021G		2022G	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Saudis	7	8.26%	7	8.05%	5	5.55%	5	4.8%
Non-Saudis	87	91.74%	80	91.95%	85	94.45%	99	95.2%
Total	94	100%	87	100%	90	100%	104	100%

Source: The Company

10-3-3 Saudi Investment and Industrial Development Company

• **Company Overview:**

The Company was established in 2007 as a limited liability Company under the trade name “**The Saudi Investment and Industrial Development Company**” in order to carry out activities (management of hazardous and non-hazardous waste) according to the certificate of the Company’s commercial registry. The Company was registered in the Commercial Register under the number (101022713), dated 25/04/1428H (corresponding to 12/05/2007G). The head office of the Company is located in the city of Riyadh and it has the right to open branches inside or outside the Kingdom whenever the interest of the Company requires, and that is by a decision of the management.

- The Company is only registered in the commercial registry and has not completed the rest of the incorporation procedures, because it is considered a special purpose facility for investment in the State of Kuwait and Morocco and does not engage in any commercial activity inside the Kingdom; There is no title deed or lease contract in the name of the Company, a municipal license and safety license has not been issued for its headquarters, and it has not hired any person (Saudi or non-Saudi) until the date of this Prospectus. As for its relationship with the General Authority for Zakat and Income, it has not registered independently as a taxpayer, and is included in the consolidated financial statements of the parent Company and is also included in the zakat returns submitted by the parent Company (in accordance with the circular of the General Authority for Zakat and Income No. (1437/5/36025) for the year 2016G).

• **Capital:**

The Company’s current capital is (500,000) riyals divided into 500 shares of equal value. The value of each share is 1,000 riyals distributed among the partners as follows:

Table No. (71): Ownership Structure of the Shares of the Subsidiary Company (The Saudi Investment and Industrial Development Company)

Partner	Number of Shares	Share Value	Total	Percentage
Saudi Paper Manufacturing Company	450	1,000	450,000	90%
Saudi Paper Converting Company	25	1,000	25,000	5%
Saudi Paper and Waste Recycling Company	25	1,000	25,000	5%
Total	500	1,000	500,000	100%

Source: The Company

- **Activity:** The main activity of the Company, according to the commercial registration certificate (101022713), is the management of hazardous and non-hazardous waste.
- **Management:** According to Article (11) of the amended Memorandum of Association, the Company is managed by one manager, Mr. Hassan Mreizan Ali Asiri, who has all the powers stipulated in the Memorandum of Association.

- **Head Office:** The head office of the Company is located in the city of Riyadh, and the Company has the right to open branches inside or outside the Kingdom whenever the interest of the Company requires, according to a decision from the Company's management. Until the date of preparing this Prospectus, the Company's head office is located in the city of Riyadh.

Table No. (72): Licenses, Approvals and Certificates Obtained by the Subsidiary

License type	Purpose	License Holder	License Number	Issue/renewal Date	Expiry date	Issuer	Note
Commercial Register	The Company is registered in the Commercial Companies Register	The Saudi Investment and Industrial Development Company	1010232713	25/04/1428H (corresponding to 12/05/2007G)	25/04/1444H (corresponding to 19/11/2022G)	Ministry of Commerce and Investment - Commercial Registry Office in Riyadh	-

Source: The Company

10-3-4 Subsidiaries of the Saudi Paper Manufacturing Company outside the Kingdom of Saudi Arabia

Table No. (73): Subsidiaries outside the Kingdom of Saudi Arabia

Name of subsidiary	Address	Activity	Legal Entity	Capital	Ownership percentage	Commercial Registry Number	Incorporation date
Moroccan Company for Paper Industry	Morocco	Production of raw materials for the paper industry and wholesale of paper - import and export	limited liability	1000000 MAD	100%	6524690	02/07/1431H (correspond. to 14/06/2010G)
Al Madar Paper Trading Company	Morocco	Design, production and manufacture of cardboard, paper, glass and plastic products	limited liability	1000000 MAD	100%	6522136	25/03/1434H (corresponding to 06/02/2013G)
Al Madar Paper Trading Company	Jordan	Remanufacturing of damaged plastic, waste collecting and recycling	limited liability	1000000 JOD	100%	15942	02/03/1429H (corresponding to 10/03/2008G)

Name of subsidiary	Address	Activity	Legal Entity	Capital	Ownership percentage	Commercial Registry Number	Incorporation date
The Jordanian Saudi Paper Converting Company	Jordan	Manufacturing, printing and packaging of sanitary paper and wet wipes	limited liability	50000 JOD	100%	22096	13/10/1431H (corresponding to 22/09/2010G)
Al-Madar Paper Company	Algeria	Recycling of non-metallic materials; manufacturing of waste paper tools	limited liability	17,200,000 DZD	100%	000616097538632	23/10/1427H (corresponding to 14/11/2006G)
Jothour Factory Company for Tissue Industry	Kuwait	Paper converting	limited liability	2,100,000 KD	85%	337949	15/04/1432H (corresponding to 20/03/2011G)

Source: The Company

* During the year 2021G, the Company liquidated one of its non-operating subsidiaries in the United Arab Emirates “**Al Madar Paper Trading Company (Madar)**” and the liquidation procedures were completed after obtaining the necessary approvals.

10-4 Continuing obligations imposed by government agencies on the Company as a “license holder”

The regulatory authorities below require the license holder to comply with some essential requirements as follows:

10-4-1 Continuing obligations according to the requirements of the Ministry of Commerce

A. Parent Company (Saudi Paper Manufacturing Company)

- The Company is committed to the commercial registry system in terms of registration with the Commercial Registry Department in the city of Dammam, where the head office is located, under Certificate No. (2050028141) dated 10/01/1415H (corresponding to 20/06/1994G) expiring on 10/01/1445H (corresponding to 28/07/2023G).
- 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 Articles of Association and the approval of the shareholders in the (extraordinary) general assembly meeting on 21/04/1442H (corresponding to 06/12/2020G) and the Articles of Association were approved by the Corporate Governance Department (Ministry of Commerce) on 27/05/1442H (corresponding to 11/01/2021G). The Company complied with the requirements of the Capital Market Authority and the Saudi Tadawul Company (Tadawul) in terms of uploading a copy of the Articles of Association on the Tadawul website on the Company's page.

- The Company is also committed to the commercial registry system in terms of obtaining a membership certificate in the Chamber of Commerce and Industry under Certificate No. (1664) and dated 24/05/1441H (corresponding to 19/01/2020G) and expires on 10/01/1445H (corresponding to 28/07/2023G).
- The Company is committed to Article 129 of the Companies Law in terms of setting aside (10%) annually from the net profits to form the statutory reserve. The value of the statutory reserve set aside amounted to three million three hundred and fifty-seven thousand four hundred and forty-four (3,357,444) riyals as on 31/12/2021G.
- The Company has a trademark that was registered with the Ministry of Commerce in the name of the Company (the Saudi Paper Manufacturing Company) with the number (1435017993) in category (16), and this will enable the Company to put its name and logo on the external facade of the building or offices occupied by the Company, as it registered the trademark and has been granted the necessary legal protection in accordance with the trademark system.

B. Subsidiaries

- **Saudi Paper Converting Company:** The subsidiary Company is committed to the commercial registry system in terms of registration with the Commercial Registry Department in the city of Dammam, where the head office is located under Certificate No. (2050039697) dated 21/10/1442H (corresponding to 05/01/2022G), which expires on 17/10/1445H (corresponding to 26/04/2024G) and is also committed to the commercial registry system in terms of obtaining a membership certificate in the Chamber of Commerce and Industry under Certificate No. (1755) dated 09/06/1443H (corresponding to 12/01/2022G), which expires on 17/10/1445H (corresponding to 26/04/2024G). Likewise, the subsidiary Company is committed to completing the procedures for establishing its branches and is committed to the commercial registry system in terms of registration with the Commercial Registry Department and the issuance of a membership certificate of the Chamber of Commerce and Industry for each branch of the subsidiary Company (the Saudi Paper Converting Company). (8) trademarks were registered with the Ministry of Commerce in category (16), and this will enable the Company to put its name and logo on the external facade of the building or offices occupied by the Company, as it registered the trademark and has been granted the necessary legal protection in accordance with the trademark system.
- **Saudi Paper and Waste Recycling Company:** The Company is committed to the commercial registry system in terms of registration with the Commercial Registry Department in the city of Riyadh, where the head office is located, under Certificate No. (1010146513) dated 26/03/1418H (corresponding to 31/07/1997G), which expires on 25/03/1445H (corresponding to 10/10/2023G). It is also committed to the commercial registry system in terms of obtaining a membership certificate in the Chamber of Commerce and Industry under Certificate No. (84329) dated 29/03/1418H (corresponding to 03/08/1997G) and expires on 25/03/1445H (corresponding to 10/10/2023G). The subsidiary Company is also committed to completing the procedures for establishing its branches and is committed to the commercial registry system in terms of registering with the Commercial Registry Department and obtaining a membership certificate of the Chamber of Commerce and Industry for each branch. The subsidiary Company (the Saudi Paper and Waste Recycling Company) has a mark that has been registered with the Ministry of Commerce in Category (16), and this will enable the Company to put its name and logo on the external facade of the building or offices occupied by the Company, as it registered the trademark and has been granted the necessary legal protection in accordance with the trademark system.
- **The Saudi Investment and Development Company:** is committed to the commercial registry system in terms of registration with the Commercial Registry Department in the city of Riyadh, where the head office is located, under Certificate No. (1010232713), dated 25/04/1428H (corresponding to 12/05/2007G), which expires on 25/04/1444H (corresponding to 19/11/2022G). The subsidiary Company is also not committed to the commercial registry system in terms of obtaining a membership certificate of the Chamber of Commerce and Industry, as the Company has not completed the procedures for establishing the Company, as it is considered a special purpose facility for investment in the State of Kuwait and Morocco and does not engage in any commercial activity within the Kingdom.

Except for what was mentioned in Risk No. (2-1-8) **“Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates”** of Section No. (2) **“Risk Factors”** of this Prospectus, the Company is committed to the laws and regulations of the Ministry of Commerce.

10-4-2 Continuing obligations according to the requirements of the Zakat, Tax and Customs Authority

A. The Parent Company (Saudi Paper Manufacturing Company)

- 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 (3004250647), 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 (1110765970) on 14/10/1442H (corresponding to 26/05/2021G) which is valid until 29/09/1443H (corresponding to 30/04/2022G). It should be noted that the zakat paid to the General Authority for Zakat and Income for the fiscal year ending on December 31, 2021G amounted to nine hundred and eighty-seven thousand eight hundred and sixty-two (987,862) riyals.
- The Company is committed to the value-added tax system and its implementing regulations and is registered with the Zakat, Tax and Customs Authority under the tax number (300425064700003) according to a certificate issued on 02/12/1438H (corresponding to 11/09/2017G).
- 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 zakat due according to those returns and obtained a zakat certificate valid until April 30, 2022G.
- During the fiscal year ending on December 31, 2020G, the Company settled the zakat assessment claim for the years from 2006G to 2007G in the amount of (2,100,000) riyals, where an amount of (1,050,000) riyals was paid and received the final assessment for these years. In addition, the Company received, during the financial year ending on December 31, 2020G, the Zakat assessments for the fiscal years 2014G, 2015G, 2016G, 2017G, and 2018G, where the Zakat Authority demanded the Company an additional commitment of (42,000,000) riyals. During the year 2020G, the Company settled the assessment claim amounting to (15,500,000) riyals, which relates to the year 2014G, and paid the amount of (480,000) riyals and received the final assessment. On 04/03/2021G, an objection was submitted to the rest of the assessments from 2015G to 2018G, amounting to (26,900,000) riyals. As of the date of publishing this Prospectus, the Zakat Authority has not responded. Note that the Company established a provision against the aforementioned assessments in the amount of (16,210,122) riyals as on 31/12/2021G.

B. Subsidiaries

- **The Saudi Paper Converting Company and its five branches** are registered with the Zakat, Tax and Customs Authority as a taxpayer under the distinguished tax number (3005621214). The Company has deducted the zakat that must be paid according to a certificate registered with the number (1110802320) dated 29/10/1442H (corresponding to 10/06/2021G) which states that the Company has submitted its declaration for the period ending on 31/12/2020G. It is valid until 29/09/1443H (corresponding to 30/04/2022G). The subsidiary Company is also committed to the value-added tax system and its implementing regulations and is registered with the Zakat, Tax and Customs Authority under the tax number (3005621211400003) by virtue of a certificate issued on 02/12/1438H (corresponding to 24/08/2017G).

- **The Saudi Paper and Waste Recycling Company** is registered with the Zakat, Tax and Customs Authority as a taxpayer under the distinguished tax number (3000497821), and the Company has deducted the zakat that must be paid according to a certificate registered with the number (1020797089) dated 29/10/1442H (corresponding to 10/06/2021G) which states that the Company has submitted its declaration for the period ending on 31/12/2020G. It is valid until 29/09/1443H (corresponding to 30/04/2022G). The subsidiary Company is also committed to the value-added tax system and its implementing regulations and is registered with the Zakat, Tax and Customs Authority under the tax number (30004978100003) with a certificate issued on 02/12/1438H (corresponding to 23/08/2017G).

Except for what was mentioned in Risk No. (2-1-34) "**Risks Related to Existing and Potential Shariah Zakat Entitlements**" of Section No. (2) "**Risk Factors**" of this Prospectus, the Company is committed to the rules and regulations of the Zakat, Tax and Customs Authority.

10-4-3 Continuing obligations according to the requirements of the Ministry of Human Resources and Social Development

A. Parent Company (Saudi Paper Manufacturing Company)

- A file has been opened with the Ministry of Human Resources and Social Development (Labour Office) with the unified number (2230-4) 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 required percentage of Saudization as per the Nitaqat program, which amounts to (26.46%), and is it is ranked at the medium green range (medium category C).
- The Company has an internal work regulation approved by the Ministry of Human Resources and Social Development (Labour Office) No. (1/1417) and dated 27/04/1426H (corresponding to 04/06/2005G). As of the date of publishing this Prospectus, the regulation has not been updated according to the unified form approved by the Ministry of Human Resources and Social Development, as stated in Article (12) of the amended Labor Law by Royal Decree No. (M/46) dated 05/06/1436H (corresponding to 25/03/2015G).
- The Company is committed to the system of wage protection and the regular raising of the wages of its employees, according to a commitment certificate No. (20042203000300) dated 12/08/1443H (corresponding to 15/03/2022G) and this certificate is valid until 12/10/1443H (corresponding to 13/05/2022G). According to a report issued by (Madad) platform, the percentage of compliance with the wage protection system reached (95%) as of March 2022G.
- The Company is also committed to documenting the employment contracts of its employees electronically, and the commitment rate reached (86%) as in March 2022G, according to a report issued by the (Qiwa) platform on 20/04/2022G.

• Staff and Saudization:

Table No. (74): Number of workers at (the Saudi Paper Manufacturing Company) according to the data of the competent government agencies:

Entity	Document Type	Saudi Employee	Non-Saudi Employee	Total	Notes
GOSI	GOCI Certificate	118	305	423	As on 18/05/2022G
Nitaqat	Nitaqat Certificate	120	337	457	As on 20/04/2022G
Passports-Muqem	Extract from the Muqem/passport	N/A	310	310	As on 04/04/2022G
Company	Payroll	-	-	918*	As on March, 2022G

Source: The Company

*Includes the Company and its subsidiaries

B. Subsidiaries

Saudi Paper Converting Company:

- A file was opened with the Ministry of Human Resources and Social Development (Labour Office) with the unified number (4-27543) according to the Saudization certificate extracted from the Labor Office. As of the date of publication of 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 required Saudization percentage according to the Nitaqat program, with a percentage of (23.8%) and it is at the medium green range.
- The subsidiary Company has an internal work regulation approved by the Ministry of Human Resources and Social Development (Labor Office) No. (1/1416) and dated 27/04/1426H (corresponding to 04/06/2005G). However, as on the date of preparing this Prospectus, the regulation has not been updated in accordance with the unified form approved by the Ministry of Human Resources and Social Development in accordance with what was stated in Article (12) of the labor system amended by Royal Decree No. (M/46) dated 05/06/1436H (corresponding to 25/03/2015G).
- The subsidiary Company is committed to the wage protection system and the regular increase in the wages of its employees, according to the commitment certificate No. (20042203000297) dated 12/08/1443H (corresponding to 15/03/2022G) and this certificate is valid until 12/10/1443H (corresponding to 13/05/2022G).
- The subsidiary Company is also committed to documenting the work contracts of its employees electronically, and the commitment rate has reached (78%), according to a report issued by the (Qiwa) platform on 20/04/2022G.

• Staff and Saudization

Number of employees working for the subsidiary Company, the Saudi Paper Transfer Company, according to the data of the various government agencies of the subsidiary Company.

Table No. (75): Number of employees of the subsidiary Company (Saudi Paper Converting) according to the data of the competent government agencies:

Entity	Document Type	Saudi Employee	Non-Saudi Employee	Total	Notes
GOSI	GOSI certificate	93	323	416	As on 18/05/2022G
Labor Office	Nitaqat Certificate/ Company	86	286	421	As on 20/04/2022G
	Company Branch	11	56		
Passports-Muqem	Extract from the Muqem/ passport	-	273	333	As on 24/04/2022G
	Company Branch	-	60		

Source: The Company

Saudi Paper and Waste Recycling Company:

- A file was opened with the Ministry of Human Resources and Social Development (Labor Office) with the unified number (1982-1) 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 required Saudization rate according to the Nitaqat program, which amounts to (22.76%) and it is ranked at the medium green range.
- The subsidiary Company has an internal work regulation approved by the Ministry of Human Resources and Social Development (Labor Office) No. (63) and dated 04/01/1428H (corresponding to 23/01/2007G). However, as of the date of preparing this Prospectus, the regulation has not been updated in accordance with the unified form approved by the Ministry of Human Resources and Social Development as stated in Article (12) of the amended labor system by Royal Decree No. (M/46) dated 05/06/1436H (corresponding to 25/03/2015G).
- The subsidiary Company is committed to the wage protection system and the regular raising of the wages of its employees, according to a commitment certificate No. (20012203002408) dated 12/08/1443 AH (corresponding to 03/15/2022G), and according to a report issued by the (Qiwa) platform, the percentage of commitment to the wage protection system has reached (91%) as of March 2022G.
- The subsidiary Company is also committed to documenting the employment contracts of its employees electronically, and the commitment rate has reached (95%), according to a report issued by the (Qiwa) platform as of March, 2022G.

• Staff and Saudization

Table No. (76): Number of employees of the subsidiary Company (Saudi Paper and Waste Recycling), according to the data of the competent government agencies

Entity	Document Type	Saudi Employee	Non-Saudi Employee	Total	Notes
GOSI	GOSI certificate	20	68	88	As on 18/05/2022G
Labor Office	Nitaqat Certificate	20	72	92	As on 20/04/2022G
Passports-Muqem	Extract from the Muqem	-	67	67	As on 24/04/2022G

Source: The Company

Except for what was mentioned in Risk No. (2-1-8) “**Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates**” of Section (2) “**Risk Factors**” of this Prospectus, the Company is committed to the rules and regulations of the Ministry of Human Resources and Social Development.

10-4-4 Continuing obligations according to the requirements of the General Organization for Social Insurance

A. Parent Company (Saudi Paper Manufacturing Company):

- A file for the Company has been opened with the General Organization for Social Insurance under the subscription number (200039386). It has subscribed in the pension, occupational hazards and unemployment branches for Saudi contributors. For non-Saudis, subscription to the Occupational Hazards Branch was made in accordance with the Social Insurance Certificate No. (46299202) dated 17/10/1443H (corresponding to 18/05/2022G), and the value of contributions paid for the year 2021G amounted to (4,741,889) riyals.

B. Subsidiaries

- **The Saudi Paper Converting Company** is committed to the social insurance system, where a file was opened for the Company under the subscription number (200079035), and it is subscribed in the pension, occupational hazards and unemployment branches for Saudi contributors, and for non-Saudis, it was subscribed to the occupational hazards branch, in accordance with the Social Insurance Certificate No. (46299268) dated 17/10/1443H (corresponding to 18/05/2022G).
- **The Saudi Paper and Waste Recycling Company** is committed to the social insurance system, where a file was opened for the Company under the subscription number (13244537), and it is involved in the pension, occupational hazards and unemployment branches for Saudi contributors, and for non-Saudis, the occupational hazards branch has been subscribed according to the Social Insurance Certificate No. (46299543) dated 17/10/1443H (corresponding to 18/05/2022G).

- **Unemployment System (SANED):**

It is a system aimed at social solidarity issued by the General Organization for Social Insurance, and aims to insure against unemployment and protect participants (Saudis) 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. (M/18) dated 03/12/1435H (corresponding to 14/01/2014G) approving the unemployment insurance system "**SANED System**". According to this system, the employer pays (1%) per month of the salary and the contributor pays (1%) as well. Compensation is paid between two thousand (2,000) and nine thousand (9,000) Saudi riyals. Compensation is disbursed at the rate of (60%) of the average monthly wages for the last two years for each month of the first three months, with a maximum limit of nine thousand (9,000) Saudi riyals for the amount of compensation, and at a rate of (50%) of this average for each month in excess of that. This program is obligatory for all companies, and they must register all Saudi contributors in the Pension Branch and bear the percentage stipulated in the system, and if the non-compliance and violation of any provision of the unemployment insurance system and the regulations, the employer shall be subject to a fine not exceeding ten thousand (10,000) riyals. This limit shall be doubled in case 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 system in terms of registering Saudi workers in the pension branch.

After the spread of the Corona 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 royal order to extend the support period for an additional three (3) months, provided that the support percentage is a maximum of (70%) of the Saudi workers in the establishments most affected by the pandemic, and a maximum of (50%) of the Saudi workers in the facilities least affected to achieve full benefit from the initiatives announced since the beginning of the pandemic.

The Company stated that it did not submit any requests to benefit from the support provided by the Saned system during the Corona pandemic.

As for the subsidiaries, it did not submit any requests for support to Saudi employees active in the Company. Except for what was mentioned in Risk No. (2-1-41) "**Risks related to Violating the Work System and its Implementing Regulations**" of Section (2) "**Risk Factors**" of this Prospectus, the Company is committed to the rules and regulations of the General Organization for Social Insurance.

10-4-5 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 Commitments Guide for Listed Companies, the annual financial results announced on the (Tadawul) website must be derived from the audited financial statements approved by the Company's external auditor appointed by the Assembly and approved by the Board of Directors. The Company must also provide a statement of all the reasons and influences for the change in the financial results for the current fiscal year with the comparison period, so that the reasons include all items of the financial results announcement. The Company is also committed to the rules of registering auditors of the establishments subject to the supervision of the authority in terms of contracting with auditors registered with the authority and approved by it to review the Company's accounts and annual financial statements.

- The Authority also obligated the companies listed in the financial market to disclose the stages of their compliance with the transition to international accounting standards. On 03/04/1438H corresponding to 01/01/2017G), the Company announced on the Tadawul website that it is committed to this.
- The Authority has also obligated the companies listed in the financial market to follow the regulations of instructions related to 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) and 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 also obligated the listed companies in application of the conditions contained in the regulatory controls and procedures issued in implementation of the Companies Law for Listed Joint Stock Companies (the third version) issued by the Authority's Board pursuant to Resolution No. (8-127-2016) dated 16/01/1438H (corresponding to 17/10/2016G) based on the Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H, as amended by the Authority's Board Resolution No. (3-57-2019) and dated 15/09/1440H (corresponding to 20/05/2019G), to disclose in the Board of Directors' report, a comprehensive statement of all the Board members received during the fiscal year in terms of remuneration, expense allowance and other financial and in-kind benefits paid to each member of the Board of Directors in return for any executive, technical, administrative or advisory work or positions. The Company has committed to disclosing the remuneration obtained by the members of the Board of Directors for the fiscal year 2020G and 2021G.
- The Company has also complied with the regulatory controls and procedures issued in implementation of the Companies Law for Listed Shareholding Companies in terms of compliance with the licensing controls for business and contracts that are made for the Company's account and in which a member of the Board of Directors has a direct or indirect interest.
- As for the corporate governance regulation, Table No. (77) includes a summary of the most important provisions of the Corporate Governance Regulations and the Company's commitment to them (for more details about the most important provisions of the Corporate Governance Regulations and the Company's commitment to them, please see Table No. (77)).

Noting that violating any of the rules and procedures, or failing to implement them, exposes the Company to accountability by the Capital Market Authority, which may do the following or any of them, namely:

- Warning the Company.
- Obligating the Company to take the necessary steps to avoid the occurrence of the violation, or to take the necessary corrective steps to address the consequences of the violation.
- Imposing a fine of no more than five million (5,000,000) Saudi riyals for each violation committed by the Company.
- During the previous years, the Company was subjected to some penalties and fines, as follows:
 - On 24/02/2016G, the Authority issued a decision imposing a fine of ten thousand (10,000) Saudi riyals on the Company for violating paragraph (a) of Article (40) of the rules on offering securities and continuing obligations (previously registration and listing rules), and paragraph (9) of the instructions regarding companies' announcements of their financial results, because the Company did not mention in its announcement published on the website of the Saudi Tadawul Company (Tadawul) on 21/04/2015G a paragraph to draw attention mentioned in the report of the external auditor of the Company's accounts contained in its preliminary financial results for the period ending on 31/03/2015G, which is what the Company mentioned in its supplementary announcement on 26/04/2015G.

- On 18/10/2016G, the Authority issued a decision imposing a fine of sixty thousand (60,000) Saudi riyals on the Company for violating paragraph (a) of Article forty-six of the Capital Market Law, paragraph (a) of Article forty-one and sub-paragraph (5) of Paragraph (b) of Article forty-one of the Rules on Offering Securities and Continuing Obligations (previously registration and listing rules), for the Company's failure to inform the Authority and the public in the prescribed time about the approval of its Board of Directors on 16/06/2016G on the resignation of a member of its Board of Directors, and for the approval of its board of directors by passing on 17/06/2016G to appoint new members to the board of directors, as the Company did not announce both events until 19/06/2016G after the market closed.

Table No. (77) : summary of the most important provisions of the Corporate Governance Regulations that the Company has complied with

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
9/b	The Board shall establish a clear policy for the distribution of dividends to achieve the interests of the shareholders and the Company as per the Company's bylaw.	Board of Directors	Compliant - approved by the Board of Directors on 20/04/1440H (corresponding to 27/12/2018G).
8/a	The Company shall make a copy of the information relating to members nominated for membership to the Board available in the Company's head office and its website.	Board of Directors	Compliant - The Company has included a copy of the information about the members of the Board of Directors on its website and the Tadawul website.
12/5 & 54	Forming the audit committee.	Shareholders Assembly	Compliant - The Ordinary General Assembly of Shareholders approved the appointment of members of the Audit Committee in its meeting held on 26/11/1442H (corresponding to 06/07/2021G).

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
54/c	The Company's General Assembly shall, upon a recommendation of the Board, issue a regulation for the audit committee which shall include the rules and procedures for the activities and duties of the committee, the rules for selecting its members, the means of Guiding paragraph their nomination, the term of their membership, their remunerations, and the mechanism of appointing temporary members in case a seat in the committee becomes vacant.	Shareholders Assembly	Compliant - The amendments to the work regulations of the Audit Committee were approved by the Ordinary General Assembly of Shareholders held on 10/11/1443H (corresponding to 09/06/2022G).
12/6	Approving the Company's financial statement for 2020.	Shareholders Assembly	Compliant - The Ordinary General Assembly approved the financial statements in its meeting held on 14/04/1442H (corresponding to 26/04/2021G).
12/7	Approving the Board report for the year 2020.	Shareholders Assembly	Compliant - The Board of Directors' report was voted down (rejected) by the Shareholders in the Ordinary General Assembly at its meeting held on 14/09/1442H (corresponding to 26/04/2021G)
12/9 & 81	Appointing the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and approving their reports.	Shareholders Assembly	Compliant - Appointed by the Ordinary General Assembly on 14/09/1442H (corresponding to 26/04/2021G).

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
13/d	The date, place and agenda of the General Assembly shall be published at least twenty-one days prior to the date thereof on the Company's website.	Board of Directors	Compliant
14/c	The shareholders shall be allowed through the Company's website when the invitation for the convention of the General Assembly is published, to obtain the information related to the items of the General Assembly's agenda, particularly the reports of the Board and the external auditor, the financial statements and the audit committee's Report.	Board of Directors	Compliant

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
22/2	Setting rules and procedures for internal control and generally overseeing them, including developing a written policy to remedy actual and potential conflicts of interest scenarios for each of the Board members, the Executive Management, and the shareholders. This includes misuse of the Company's assets and facilities and the mismanagement resulting from transactions with Related Parties; ensuring the integrity of the financial and accounting rules, including rules; ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company; and reviewing the effectiveness of the Company's internal control procedures on an annual basis.	Board of Directors	Compliant - The conflict-of-interest regulation was approved by the Board of Directors on 22/07/1441H (corresponding to 17/03/2020G).

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
22/3	Setting forth specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the mandatory provisions of these Regulations, and implementing them following approval by the General Assembly.	Shareholders Assembly	Compliant - The Ordinary General Assembly approved the policy in its meeting held on 17/07/1441H (corresponding to 12/03/2020G).
22/4	<p>Developing a written policy that regulates the relationship with Stakeholders pursuant to the provisions of these Regulations. It should particularly address the following:</p> <p>Mechanisms for compensating stakeholders in the event of a violation of their rights recognized by regulations and protected by contracts.</p> <p>Mechanisms for settling complaints or disputes that may arise between the Company and stakeholders.</p> <p>And appropriate mechanisms to establish good relations with customers and suppliers, and to maintain the confidentiality of information related to them.</p>	Board of Directors	Compliant - Approved by the Board of Directors on 20/04/1440H (corresponding to 27/12/2018G).

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
22/5	setting policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to shareholders and Stakeholders and ensuring the compliance of the Executive Management with these policies and procedures.	Board of Directors	Compliant
22/13, 50, 60, 60/A, & 64	Forming specialized committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members.	Board of Directors	Compliant - Ordinary General Assembly's resolution on 26/11/1442H (corresponding to 06/07/2021G) approving the selection of the members of the Audit Committee - The Board of Directors' decision to appoint members of the Nominations and Remunerations Committee and the Executive Committee, which was taken on 16/09/1442H (corresponding to 28/ 04/2021G).
23/1	Approve and develop internal policies in respect of the Company's business, including specifying the duties, competencies and responsibilities assigned to the various organizational levels.	Board of Directors	Compliant - Approved by the Board of Directors on 29/04/1442H (corresponding to 14/12/2020G)

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
23/2	Approving a written and detailed policy that identifies the powers delegated to the Executive Management, a matrix stating these powers, means of implementation and the period of delegation. The Board may request the Executive Management to submit periodic reports in respect of its exercise of such delegated powers.	Board of Directors	Compliant - Approved by the Board of Directors on 29/04/1442H (corresponding to 14/12/2020G)
25	Appointing the CEO.	Board of Directors	Compliant - The CEO was appointed by the Board of Directors on 19/08/1441H (corresponding to 12/04/2020G)
26/5	Proposing the organizational and human resources structures of the Company and presenting them to the Board for approval.	Board of Directors	Compliant - Approved by the Board of Directors unanimously on 25/04/1441H (corresponding to 22/12/2019G).
26/10	Proposing the policy and types of remunerations granted to employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares.	Board of Directors	Compliant - there is no employee stock grant program, and the employees are subject to the provisions of the Company's work regulations

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
43	Develop an explicit and written policy to deal with actual and potential conflicts of interest situations which may affect the performance of Board members, the Executive Management or any other employees of the Company when dealing with the Company or other Stakeholders.	Board of Directors	Compliant - approved by the Board of Directors on 22/07/1441H (corresponding to 17/03/2020G)
55/b/4 & 74	Appointing the head of the internal audit unit or department or the internal auditor and proposing his remuneration.	Board of Directors	Compliant - Appointed by the Board of Directors in its meeting held on 06/10/1441H (corresponding to 05/29/2020G). Mr. Abdul Rahman Al-Badawi (Director of the Internal Audit Group)
60b & 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 Nominations 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 duration of their membership, their remuneration, and the mechanism for temporarily appointing its members in the event of a vacancy.	Shareholders Assembly	Compliant - The amendments to the rules for selecting members of the Nomination and Remuneration Committee were approved by the Ordinary General Assembly in its meeting held on 10/11/1443H (corresponding to 09/06/2022G)

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
61/1	The Remuneration and Nomination Committee prepares a clear policy for the remunerations of the Board members and its committees and the Executive Management and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such a policy shall follow the standards that linked to performance and disclosing and ensuring the implementation of such policy.	Shareholders Assembly	Compliant - The amendments to the rules for selecting members of the Nomination and Remuneration Committee were approved by the Ordinary General Assembly in its meeting held on 18/09/1440H (corresponding to 23/05/2019G).
65/3	Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions.	Nomination and Remuneration Committee	Compliant - Approved by the Ordinary General Assembly on 17/07/1441H (corresponding to 12/03/2020G).
68	The Company shall publish the nomination announcement on the websites of the Company.	Board of Directors	Compliant - announced on 06/06/1442H (corresponding to 01/19/2021G) on Tadawul's website.
84	Policies or procedures for stakeholders to follow in submitting their complaints or reporting infringing practices.	Board of Directors	Compliant - approved by the Board of Directors in its meeting on 14/05/1441H (corresponding to 09/01/2020G).
86	The Board shall establish a policy for professional conduct and ethical values at the Company.	Board of Directors	Compliant

Clause No. of Corporate Governance Regulations	Details	Responsible Party	Comment
89	Written disclosure policies and supervisory procedures and systems in line with the disclosure requirements contained in the Companies Law and the Capital Market Law.	Board of Directors	Compliant
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 - approved by the Board of Directors on 20/08/1438H (corresponding to 17/05/2017G).

Source: The Company

Except for what was mentioned above and in item No. (2-1-46) **"Risks related to non-compliance with the rules, regulations and policies related to the Company's governance"** from Section (2) **"Risk Factors"** of this Prospectus, the Company is Compliant with governance regulations in accordance with the requirements of the Capital Market Authority.

10-4-6 Continuing obligations as required by the Ministry of Municipal and Rural Affairs and Housing ("Ministry of Municipalities")

- A municipal license should be obtained for administrative offices and establishments so that the Company can 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 or title deed, and a copy of the building permit for the commercial building, facility, shop, warehouse or store, 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 rented offices based inside (Dammam Industrial Cities), and therefore it is not subject to the requirements of the Ministry of Municipal and Rural Affairs and Civil Defense, and therefore the operating license issued by MODON under license No. (5941443723023726) is valid until 04/08/1444H (corresponding to 24/02/2023G).
- **The subsidiary Company (the Saudi Paper and Waste Recycling Company):** is committed to the requirements of the Ministry of Municipal and Rural Affairs and has obtained the necessary licenses to operate the headquarters, branches and warehouses it operates and through which it conducts its activities according to the following details:

Table No. (78): Municipal licenses for subsidiaries (Saudi Company Recycling of Paper and Waste)

SN	Municipal License number	Issue date	Expiry Date	Address	License holder	Notes
1	40031754531	04/12/1436H (corresponding to 17/09/2015G)	04/12/1446H (corresponding to 31/05/2025G)	Riyadh Secretariat - Al-Sulay Municipality	Saudi Paper and Waste Recycling Company	-
2	40102423971	22/11/1441H (corresponding to 13/07/2020G)	26/03/1447H (corresponding to 18/09/2025G)	Riyadh Secretariat - Al-Sulay Municipality	Saudi Paper and Waste Recycling Company	-
3	4000286851	11/08/1440H (corresponding to 16/04/2019G)	10/02/1441H (corresponding to 09/10/2019G)	Riyadh Secretariat-Services Agency	Saudi Paper and Waste Recycling Company	Work is underway to renew the license according to the statement of the Company

Source: The Company

• **For the subsidiary Company (Saudi Paper Converting Company)**

The subsidiary Company has issued (3) municipal licenses to practice commercial activity and or its branches, facilities and warehouses according to the following:

Table No. (79): Municipal licenses for the subsidiary Company (Saudi Paper Converting Company)

SN	Municipal License number	Issue date	Expiry Date	Address	License holder	Notes
1	40092187953	-	09/09/1446H (corresponding to 09/03/2025G)	Riyadh	Saudi Paper Converting Company (Riyadh Branch)	-
2	4073445040	-	16/07/1446H (corresponding to 16/01/2025G)	Buraydah	Saudi Paper Converting Company (Buraydah branch)	-
3	39111330487	-	19/06/1442H (corresponding to 01/02/2021G)	Jeddah	Saudi Paper Converting Company (Jeddah branch)	Work is underway to renew the license according to the Company's statement

Source: The Company

- The subsidiary Company, the Saudi Paper Converting Company, has leased a factory located within the scope of (Dammam Industrial Cities), and therefore it is not subject to the requirements of the Ministry of Municipal and Rural Affairs and Civil Defense, and therefore the operating license issued by MODON under license number (594144387024150) is sufficient until the date of 18 /08/1444H (corresponding to 10/03/2023G).

Except for what was mentioned in the risk (2-1-8) **"Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates"** of Section 2 **"Risk Factors"** of this Prospectus, the Company and its subsidiaries are bound by the regulations of the Ministry of Municipal and Rural Affairs and Housing, the implementing regulations and relevant instructions.

10-4-7 Continuing obligations according to the requirements of the Ministry of Industry and Mineral Resources

- The Company (the Saudi Paper Converting Company) has an industrial license issued by the Ministry of Industry and Mineral Resources, and therefore it is subject to the obligations imposed by the Ministry of Industry on the licensees, and for continuing obligations according to the requirements of the Ministry of Industry and Mineral Resources, the Ministry obliges the licensed authorities to abide by the following conditions in order to maintain the license:
 1. Compliance with the articles of the Unified Industrial Organization Law (System) of the GCC countries and its implementing regulations.
 2. Not to make any expansion or modification of the products before obtaining the approval of the Ministry.
 3. Commitment to update factory data every six months through the ministry's website.
 4. Commitment to comply with the approved specifications and standards or specifications adopted by the Saudi Standards and Metrology Organization.
 5. Commitment to the articles of the general environment system and its implementing regulations to preserve the environment from pollution.
 6. Compliance with the regulations, instructions and regulations of safety, industrial security and public health.
 7. The accounts of the industrial project shall be regular in accordance with the accounting principles and the legal rules in force, and that the Ministry should be provided with a balance sheet certified by a chartered accountant for each fiscal year.
 8. Not to abuse the benefits granted to the project.
 9. Provide the Ministry with complete and correct data on the project.
 10. Allow the Ministry's employees to enter the industrial project, view records, documents, and accounts, and monitor the production process and other project activities.
 11. It is not permissible to establish an industrial project, expand it, develop it, change its products, or merge it with an industrial project.

The following is a detail of the industrial licenses obtained by the Company:

Table No. (80): Industrial licenses obtained by the Company

S/N	Company	Industrial License Number	Location	Industrial Activity	Issue Date	Expiry Date	Notes
1	Saudi Paper Converting Company	341102116360	Eastern Province Dammam	Manufacturing other types of paper and paperboard	23/05/1443H (corresponding to 27/12/2021G)	15/11/1444H (corresponding to 04/06/2023G)	-
2	Saudi Paper Converting Company	421102111243	Eastern Province Dammam	Manufacturing other types of paper and paperboard	10/08/1442H (corresponding to 23/03/2021G)	13/09/1445H (corresponding to 23/03/2024G)	-

Source: The Company

Except as mentioned in the risk (2-1-8) **"Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates"** of Section (2) **"Risk Factors"** of this Prospectus, the Company, its subsidiaries and subsidiaries are bound by the regulations of the Ministry of Industry and Mineral Resources

10-4-8 Continuing obligations according to the requirements of the Saudi Authority for Industrial Cities and Technology Zones (“Modon”)

- **The Company (the Saudi Paper Manufacturing Company)** has an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones No. (5941442825017366) valid until 06/09/1443H (corresponding to 07/04/2022G) to operate its factory in the second Industrial Area - Dammam and as on the date of this Prospectus, operating license has expired and work is underway to renew it.
- **The subsidiary Company (the Saudi Paper Converting Company)** has an operating license issued by the Saudi Authority for Industrial Cities and Technology Zones No. (594144082007054) and it is valid until 05/09/1443H (corresponding to 06/04/2022G) to operate its factory in the second industrial area - Dammam. As on the date of this Prospectus, the operating license has expired and work is underway to renew it.
- With regard to continuing obligations according to the requirements of (MODON), the licensed parties are required to abide by the following conditions in order to maintain the license:
 1. The license gives permission to operate the facility and that the licensee to operate this facility is the real operator according to its legal entity, licenses and records. The owner of the facility is not entitled to assign the operation and license or any part of it to others.
 2. The licensee is obligated to abide by the conditions and obligations and all the laws, regulations, conditions and instructions issued by “Modon.” Reference is made to the applicable laws and regulations in force in the Kingdom of Saudi Arabia in matters not mentioned in the regulation of “Modon.”
 3. The licensee is obligated to renew this license within a period not exceeding 15 days after its expiry
 4. Contracting with an authority approved by the Civil Defense to carry out periodic maintenance of firefighting/safety systems.
 5. Ensure the effectiveness of the firefighting/safety control system and its connection to a main control panel.
 6. Conformance of the firefighting system to the approved plans of the factory.
 7. Ensure that emergency exits are sufficient and conform to specifications.
 8. Applying safety requirements during storage and transportation of dangerous chemicals and gases.

Except for what was mentioned in the Risk (2-1-8, 2-1-29) “**Risks related to Lease Contracts, Risks related to Non-issuance or Non-renewal of Licenses, Permits and Certificates**” of Section (2) “**Risk Factors**” of this Prospectus, the Company is committed to the regulations of the Saudi Authority For industrial cities and technical zones.

10-4-9 Continuing obligations according to the requirements of the National Center for Monitoring Environmental Compliance (the General Authority of Meteorology and Environmental Protection (“Meteorological Authority”))

- **The Saudi Paper Manufacturing Company** is committed to the requirements of the National Center for Environmental Compliance Control, as it has been issued an environmental permit to operate with the number (17500) and the date of 11/08/1442H (corresponding to 24/03/2021G), which is valid until 05/07/1445H (corresponding to 17/ 01/2024G) for the Factory of the Second Industrial City-Dammam
- **The subsidiary Company (the Saudi Paper Converting Company)** is committed to the requirements of the National Center for Environmental Compliance Control, as it has been issued an environmental permit to operate with the number (35464) dated 28/11/1440H (corresponding to 31/07/2019G) for the factory of the Second Industrial City - Dammam and it expired since 26/11/1443H (corresponding to 06/07/2021G).

The activities licensed for subsidiaries and their branches to practice may have a negative impact on the environment. Therefore, the Company must comply with the following requirements and standards:

1. Commitment to the standards, requirements and standards issued by the General Authority of Meteorology and Environmental Protection and submit an environmental compliance report every six months to the Authority and keep a copy of it in the Company's environmental record.
2. Allow technicians and specialists to enter the facility at any time.
3. In the event of any change or modification to the activity and functions of the facility or the quality of raw materials or production, or when making any expansion or addition to the project without informing the Meteorological Authority in advance, the environmental approval shall be considered null.
4. The Meteorological Authority must be notified in advance of the desire to use or retrieve any industrial waste within the manufacturing process, and inform the Authority's specialists about the technology and method used in this regard.
5. The General Authority of Meteorology and Environmental Protection has the right to cancel the license in the event that the facility does not comply with the general environment system and the environmental requirements and standards.
6. The approval of the Meteorological Authority is specific to a specific site, and in the event of changing the site, an environmental approval for the new site is required.
7. Disposal of waste by contracting with one of the competent authorities and attaching the completion documents showing the amount of waste and recording it in the environmental record
8. Obliging workers to abide by occupational health and safety requirements.
9. Approval of the relevant authorities on the site to practice the activity.

Except for what was mentioned above, the Company is in compliance with the regulations of the National Environmental Compliance Center.

10-5 Summary of Essential Contracts

10-5-1 Contracts and Transactions with Related Parties

- The Company has contracts and transactions with related parties, and the Company has committed to disclosure procedures and that all transactions are on a purely commercial competitive basis that guarantees the rights of shareholders, and that those contracts are voted on by the Company's general assembly without the participation of shareholders who have interests in those contracts.
- The table below shows the business and contracts that have been carried out in which there is a direct or indirect interest of the members of the Board of Directors or senior executives during the year 2020G until December 30, 2021G.

Table No. (81): Contracts and Transactions with Related Parties

Liable to Related Parties							
The Related Party	Nature of Relation	Nature of Transaction	Transactions Value (Riyal)		Transactions Balance		Note
			As On 31/12/2020G	As On 31/12/2021G	As On 31/12/2020G	As On 31/12/2021G	
East Gas Company Limited*	a sister Company	Buy Gas Dividends received	7,188,244	7,835,699			-
					2,292,480	3,253,601	
East Gas Company Limited	a sister Company	Buy Gas Dividends received	2,600,000	3,640,000			-
Total			9,788,244	11,475,699	2,292,480	3,253,601	

Source: The Company

- The Company and its board members and shareholders are committed to applying Articles (71) and (72) of the Companies Law. These transactions were voted on and approved by the Company's Ordinary General Assembly, which was held on 21/04/1442H (Corresponding to 26/12/2020G). The said Assembly approved the transactions and contracts that will take place with these parties and permit them for the next year. On 10/11/1443H (Corresponding to 09/06/2022G), the Ordinary General Assembly approved the transactions that took place during the year 2021G.

10-5-2 Lease Contracts

- The Company has entered into two (2) lease contracts as a lessee, including a contract with the Saudi Authority for Industrial Cities and Technology Zones, which is an empty land to set up a factory in order to carry out its activity. And a contract with Mr. Khaled Ibn Mahfouz Ibn Ali Al Zomah, which is a warehouse lease. The subsidiary Company (Saudi Paper Converting Company) also entered into (7) lease contracts as a lessee, and the subsidiary Company (Saudi Paper and Waste Recycling Company) has two lease contracts with (Modon). Most of these contracts are traditional lease contracts (which stipulate the amount of rent that the Company shall pay to the lessor annually). They are renewable, and are considered void if the tenant is late in paying the rent and the tenant is not entitled to sub-rent the property without taking the written consent of the landlord. The method of using the leased property or the activity may not be changed without the consent of the lessor. The following is a list of the Company's sites lease contracts and their most important details:

Table No (82): A list of the valid and renewed lease contracts for the sites the Company occupies as a lessee.

N	lessor	Tenant	Location	Property type	Date of contract	Duration of the contract	Contract end date	Contract value / SAR	Notes
1	Saudi Authority for Industrial Cities and Technology Zones	Saudi Paper Manufacturing Company	Dammam city	Industrial land	15/01/1419H (corresponding to 11/05/1998G)	(25) years	Expires on 15/01/1444H (corresponding to 13/08/2022G)	(SAR 1,118.63) annually.	-
2	Khalid bin Mahfouz bin Ali Al-Zomah	Saudi Paper Manufacturing Company	Dhahran - Eastern Province	Warehouse	09/06/1443H (corresponding to 12/01/2022G)	(364) days	Expires on 07/06/1444H (corresponding to 31/12/2022G)	(SAR 381,225)	Electronically certified contract

Source: The Company

Table No (83): List of valid and renewed lease contracts signed by the subsidiary (Saudi Paper Converting Company)

Date of contract	First party	Second Party	Property data	Contract value (SAR)	Duration of the contract	Notes
27/04/1438H (corresponding to 25/01/2017G)	Saudi Paper Converting Company	Rent Trading Est	Warehouse In Jeddah (4538) square meters	-	Calendar year Expires on 17/06/1442H (corresponding to 30/01/2021G)	According to the Company's statement, the contract is valid and renewed annually after paying the rent amount without the need to making a new contract

Date of contract	First party	Second Party	Property data	Contract value (SAR)	Duration of the contract	Notes
28/03/1442H (corresponding to 25/11/2019G)	Saudi Paper Converting Company	Mohammed bin Abdul Rahman Al-Tuwaijri	Warehouse In Qassim (600) square meters	70,000	Calendar year Expires on 17/05/1442H (corresponding to 01/01/2021G)	According to the Company's statement, the contract is valid and renewed annually after paying the rent amount without the need to making a new contract
08/10/1442H (corresponding to 20/05/2021G)	Saudi Paper Converting Company	Ali Fawzan Mohammed Al-Fawzan	Warehouse In Riyadh (2440) square meters	364,780	(364) days ends on date 26/06/1444H (corresponding to 19/01/2023G)	Electronically documented contract
07/08/1443H (corresponding to 10/03/2022G)	Saudi Paper Converting Company	Al-Mushayti Real Estate Company	Warehouse in Nasiriyah	-	Financial year Expires on 17/05/1442 AH (corresponding to 01/01/2021G)	According to the Company's statement, the contract is valid and renewed annually after paying the rent amount without the need to making a new contract
21/06/1442H (corresponding to 03/02/2021G)	Saudi Paper Converting Company	Saad Hussein Sultan Al Hassaniya	Khamis Mushayt - Second Industrial City - Warehouse	172,500	(365) days ends on date 11/08/1443H (corresponding to 14/03/2022G)	Electronically documented contract

Date of contract	First party	Second Party	Property data	Contract value (SAR)	Duration of the contract	Notes
17/04/1443H (corresponding to 22/11/2021G)	Saudi Paper Converting Company	Alfa Riyadh Company	Warehouse in Jeddah, Makkah Al Mukarramah	1,518,345	(1095) days Expires on 13/04/1446H (corresponding to 15/11/2024G)	Electronically documented contract
20/07/1441H (corresponding to 15/03/2020G)	Saudi Paper Converting Company	Saad Hussein Sultan	Warehouse in the Khamis Mushayt (1500) square meters	-	3 years Expires on 23/08/1444H (corresponding to 15/03/ 2023G)	According to the Company's statement, the contract is valid and renewed annually after paying the rent amount without the need to making a new contract

Source: The Company

Table No. (84): List of valid and renewed lease contracts signed by the subsidiary Company (Saudi Paper Recycling and Waste Company)

Date of contract	First party	Second Party	Property data	Contract value (SAR)	Duration of the contract
08/01/1422H (corresponding to 02/04/2001G).	Saudi Authority for Industrial Cities and Technology Zones	Saudi Paper Recycling Company	White Land	2,745	(25) years
08/01/1422H (corresponding to 02/04/2001G).	Saudi Authority for Industrial Cities and Technology Zones	Saudi Paper Recycling Company	White Land	Two halalas per square meter annually	(25) years

Source: The Company

- As of the date of publishing this Prospectus, there is no lease contract entered into by the Company as a lessor.
- There is no lease contract concluded with a legal person that has any direct or indirect relationship with the members of the Board of Directors and senior executives of the Company as on the date of publication of this Prospectus.
- It is worth mentioning that the Cabinet Resolution No. (292) dated 16/05/1438H, which included not considering a lease contract that is not registered in the electronic network a valid contract that produces its administrative and judicial effects, and since the electronic network for rental services was launched in cooperation between the Ministries of Justice and Housing on 17/05/1439H, and a circular from the Ministry of Justice was issued approving the application of this to all contracts concluded after the date of 05/05/1440H. As on the date of publishing this Prospectus, not all of the lease contracts above were registered on the Ejar platform in accordance with the requirements of the circular of His Excellency the Minister of Justice, noting that the contracts concluded with (Modon) are registered on the MODON website.

10-5-3 Substantial Contracts

The Company and its subsidiaries have dealings with a number of customers through written agreements, and others are dealt with through purchase orders.

Table No. (85): List of Company contracts

N	Parties to the agreement	Purpose of the contract	Agreement date	Agreement Tern	Expiry date	Agreement value	Notes
1	Saudi Paper Manufacturing Company And the Heavy Works Establishment for Maintenance	Signing an agreement for the transportation and disposal of waste and sewage water	25/04/1440H (corresponding to 01/01/2019G)	One year	05/05/1441H (corresponding to 31/12/2019G)	Container rent: 180 Riyals per one shipment of sewage suction: 180 riyals per shipment (8000 gallons) Flushing and cleaning tanks and pipes with transportation: SAR 3000	Every beginning of the year a new contract will be presented
2	Saudi Paper Manufacturing Company And the Ataa Al Sharqiah Contracting Est	Waste transport contract to the landfill	28/10/1440H (corresponding to 01/07/2019G)	Six months	-	Price per ton of waste = SAR 50 Riyals Container transport value: SAR 350 per shipment	-

N	Parties to the agreement	Purpose of the contract	Agreement date	Agreement Tern	Expiry date	Agreement value	Notes
3	Saudi Paper Manufacturing Company And the Firn overseas packaging limited	Company supply as the importer	14/06/1440H (corresponding to 19/02/2019G)	-	-	1,480,000.00 SAR	Purchase order - no contract
4	Saudi Paper Manufacturing Company And the G.A. Paper	Company supply as the importer	01/05/1439H (corresponding to 18/01/2018G)	-	-	1,590,000 SAR	Purchase order - no contract
			07/10/1440H (corresponding to 10/06/2019G)	-	-	4,960,000 SAR	Purchase order - no contract
5	Toscotec And Saudi paper group	Contract for the purchase of paper-making machinery and equipment, engineering and installation services	29/09/1442H (corresponding to 11/05/2021G)	Within 13 months since payment	-	12,900,000	-

Source: The Company

Table No (86): List of contracts for subsidiaries

N	Parties to the contract	Contract subject	Agreement date	Contract term	Expiry date	Contract Value	Notes
1	Saudi Paper Recycling Company And the Ministry of Commerce and Investment	Collection and recycling of paper waste from the Ministry of Commerce and Investment	23/06/1439H (corresponding to 11/03/2018G)	One year	-	Purchase price per ton = 510 Saudi Riyals	Automatic renewal in case the Ministry wishes to extend.
2	Saudi Paper Recycling Company And the Ministry of Education	Sale and transfer of textbooks in the Ministry's warehouses	Award letter: 25/10/1439H (corresponding to 08/07/2018G)	-	-	Price per ton = SAR 257. The Company provided a bank guarantee of SAR 500,000 (representing 5% of the Transaction Amount)	-
3	Saudi Recycling Company And the Ministry of Civil Service	Selling paper and cardboard waste	14/04/1439H (corresponding to 01/01/2018G)	-	-	Price per ton = SAR 300	Automatic renewal.
4	Saudi Paper and Waste Recycling Company And the Ministry of Defense Operation and Maintenance Department for Military Facilities in Riyadh	Selling paper waste to all types of armed forces	11/06/1439H (corresponding to 25/02/2018G)	Three Gregorian years	-	Price per ton = SAR 583	The Ministry has the right to extend the contract period by three months

N	Parties to the contract	Contract subject	Agreement date	Contract term	Expiry date	Contract Value	Notes
5	Saudi Paper Converting Company And the Al Hamdan Center	Business development agreement to display the Company's products. The Company as the supplier	28/05/1443H (corresponding to 01/01/2022G)	-	08/06/1444H (corresponding to 31/12/2022G)	-	-
6	Saudi Paper Converting Company And the Sultan Al-Dahesh Est.	Business development agreement The Company as the supplier	28/05/1443H (corresponding to 01/01/2022G)	-	08/06/1444H (corresponding to 31/12/2022G)	-	-
7	Saudi Paper Converting Company And Al Majed Plastic	Business development agreement The Company as the supplier	28/05/1443H (corresponding to 01/01/2022G)	-	08/06/1444H (corresponding to 31/12/2022G)	-	-
8	Saudi Paper Converting Company And the Global Refrigerator	Business development agreement The Company as the supplier	14/04/1439H (corresponding to 01/01/2018G)	-	24/04/1440H (corresponding to 31/12/2018G)	-	-
9	Saudi Paper Converting Company And the Al Othaim	Commercial agreement The Company as the supplier	28/05/1443H (corresponding to 01/01/2022G)	Calendar year	08/06/1444H (corresponding to 31/12/2022G)	Purchase orders.	Automatic renewal
10	Commercial Markets		14/04/1439H (corresponding to 01/01/2018G)	Calendar year	24/04/1440H (corresponding to 31/12/2018G)	Purchase orders.	Automatic renewal

N	Parties to the contract	Contract subject	Agreement date	Contract term	Expiry date	Contract Value	Notes
11	Saudi Paper Converting Company And the Khaled and Abdulaziz Al-Namlah Company for Commercial Agencies	Transfer agreement.	06/05/1441H (corresponding to 01/01/2020G)	-	17/05/1442H (corresponding to 31/12/2020G)	An invoice provided by the Al-Namlah Company after the end of each service.	Automatic renewal
12	Saudi Paper Converting Company And the Oil World Factory	Services agreement. The oil factory receives, processes and recycles the used oils produced by the Saudi Paper Converting Company.	26/08/1440H (corresponding to 01/05/2019G)	Calendar year.	-	SAR 370 Value of used oils.	-
13	Saudi Paper Converting Company And the Rayan plastic factory co	Company supply as the importer	07/03/1441H (corresponding to 04/11/2019G)	-	-	211,050.00 SAR	Purchase order - There is no contract
14	Saudi Paper Converting Company And the Saudi Paper Manufacturing Company	Company supply as the importer	30/03/1441H (corresponding to 27/11/2019G)	-	-	1,358,437.50 SAR	Purchase order -
15	Saudi Paper Converting Company And the RELIANCE INDUSTRIAL TRADING EST.	Company supply as the importer	27/03/1441H (corresponding to 24/11/2019G)	-	-	SAR 210.00	There is no contract

N	Parties to the contract	Contract subject	Agreement date	Contract term	Expiry date	Contract Value	Notes
16	Saudi Paper Converting Company And the Queenex Paper Products Company LLC	Company supply as the importer	20/11/1440H (corresponding to 23/07/2019G)	-	-	19,760.00 USD	Purchase order -
17	Saudi Paper Converting Company And the CPS Company Srl	Company supply as the importer	14/12/1440H (corresponding to 15/08/2019G)	-	-	1,430.00 EURO	There is no contract
18	Saudi Paper Converting Company And the Panda Company	Company supply as the importer	21/03/1437H (corresponding to 01/01/2016G)	-	02/04/1438H (corresponding to 31/12/2016G)	-	No agreement has been established for the year 2020G yet.
19	Ocean associate co. LTD	Machinery Purchase Agreement	07/09/1442H (corresponding to 19/04/2021G)	-	12 months from payment	2,293,836 USD	-

Source: The Company

10-5-4 Professional Services Contracts and agreements

The Company has entered into agreements with law firms, audit firms and external chartered accountants to audit the financial statements and examine the interim condensed financial statements, in addition to an actuarial consultancy agreement as follows:

Table No. (87): List of contracts for professional services and consulting

#	Type of contract or agreement	Purpose of the contract or agreement	Contracting party	Date of signing the contract	Contract Value	Contract term
1	Law services contract	Providing legal advice to the Company by renewing the Company's trademark certificates inside and outside the territory of the Kingdom	Suleiman Al-Amman Law Firm and Legal Consultation	20/05/1441H (corresponding to 15/01/2020G)	SAR 242,779.08	-
2	Engagement Letter - Review Services	Examination, review and audit of the financial statements for the second, third, fourth and annual quarters of the fiscal year 2021G and the first quarter of the fiscal year 2022G	Ibrahim Ahmed Al-Bassam & partners	06/10/1442H (corresponding to 18/05/2021G)	SAR 172,500	Indefinite duration
3	Engagement Letter - Audit Services	Examination, review and audit of the financial statements for the fourth quarter of the fiscal year 2021G	Ibrahim Ahmed Al-Bassam & partners	27/03/1443H (corresponding to 02/11/2021G)	SAR 32,500	Indefinite duration

#	Type of contract or agreement	Purpose of the contract or agreement	Contracting party	Date of signing the contract	Contract Value	Contract term
4	Actuarial Services Contract	Providing actuarial valuation services for the benefits of the Company's employees (end of service benefits)	Al-Khazarzmi Company for Actuarial Services	16/05/1443H (corresponding to 20/12/2021G)	SAR 11,000	Ends on 25/04/1443H (corresponding to 31/12/ 2021G)
5	Consulting Services Agreement	Contract to review the impairment test forms for the management of the Saudi Paper Converting Subsidiary	Pulsar knowledge Center private limited	28/05/1443H (corresponding to 01/01/2022G)	SAR 10,500	Indefinite duration
6	Consulting services contract	Revaluation of tangible assets (factory and machinery assets)	Valustrat consulting FZCO	03/06/1443H (corresponding to 06/01/2022G)	SAR 13,000	Indefinite duration

Source: The Company

10-5-5 Loans and Facilities

The Company has a financing contract with Al Rajhi Bank, according to the following detail:

Table No. (88): Loans and facilities from Al Rajhi Bank

Financier	Agreement date	Agreement Duration	Credit limit (SAR)	Amounts Used (SAR)	Repayments* (SAR)	Remaining Amounts* (SAR)
Rajhi Bank	01/07/2021G	-	78,527,000.00	78,527,000.00	26,027,000.00	52,500,000.00

Source: The Company

*As on 22/02/2022G

- The most important financial and operational pledges and guarantees granted by the Company in favor of the funded entity under the agreement include the following:

- The Company shall ensure that no new shares are issued, or any rights attached to the Company's shares are changed without the prior written approval of Al Rajhi Bank.
- Not to pay, distribute and announce dividends or any other distributions by the Company or its subsidiaries without the prior written approval of Al Rajhi Bank.
- It is prohibited to make any change in the ownership of the Company's capital without the prior written approval of Al Rajhi Bank.
- Not to dispose of or transfer any or all part of the revenues or assets of the Company or its subsidiaries without the prior written consent of Al Rajhi Bank.
- Undertaking that the Company or any of its subsidiaries will not mortgage or make any financial restriction on the Company's proceeds or assets.

According to the terms and conditions of the agreement, the Company must obtain a prior approval of Al Rajhi Bank in the event of issuing any new shares or changing any rights associated with its issued shares, or a change in the Company's capital or ownership, so Al Rajhi Bank should be informed and obtain its prior approval. On 28/04/2022G, the Company addressed the bank and obtained a no-objection in return for the Company executing the undertakings, declarations and obligations mentioned in the agreement.

- Guarantees:**

- A promissory note worth SAR 8,522,190 issued in the name of the Saudi Paper Manufacturing Company on 01/07/2021G.
- A promissory note worth SAR 76,455,151 Riyals issued in the name of the Saudi Paper Manufacturing Company on 01/07/2021G.
- A promissory note worth SAR 1,698,324 Riyals issued in the name of the Saudi Paper Manufacturing Company on 01/07/2021G.
- Power of attorney to sell - the seller's offer form.

The Company has a financing contract with Riyadh Bank, according to the following detail:

Table No. (89): Loans and facilities from Riyadh Bank

Financier	Agreement date	Agreement Duration	Credit limit (SAR)	Amounts Used (SAR)	Repayments* (SAR)	Remaining Amounts* (SAR)
Riyadh Bank	14/09/2022G	-	208,211,000.00	208,211,000.00	33,147,142.84	175,063,857.16

Source: The Company

- The most important financial and operational pledges and guarantees granted by the Company in favor of the funding entity under the agreement include the following:

- On 13/09/2021G, it was approved to increase the limits of the granted credit facilities, to become SAR 184,993,000.
- Funding amounts shall not be disbursed until after the Company's capital increase is approved.
- The Company pledges that 15% of the sales will be from the main customers.
- The Company guarantees that the percentage of Nitaqat is not less than the average green range.
- Notification of any events that may affect the Company's activity.

6. The Company pledges to deposit at least SAR 180 million in its account with Riyadh Bank during the year 2021G.
7. Any modification in the legal form, ownership structure or management of the Company or its subsidiaries without reference and obtaining written approval from Riyadh Bank is considered a breach of the contract.
8. Any change made to the entity of the Company or its partners, or a change in the capital, activity or eligibility, the Company shall notify Riyadh Bank in writing.
9. It shall be considered a breach by the Company in the event of any court ruling or decision being issued against any subsidiary Company or mortgaging any of its assets, which affects the performance of the Company's obligations under the documents.

According to the terms and conditions of the agreement, the Company must inform Riyadh Bank in writing in the event of a change in the Company's capital or ownership, so Riyadh Bank should be informed of the Company's desire to increase the capital. On 21/04/2022G, the Company informed Riyadh Bank in writing of its desire to increase the Company's capital through the issuance of Rights.

• **Guarantees:**

1. A promissory note worth (50,000,000) riyals issued in the name of the Saudi Paper Manufacturing Company.
2. Authorizing Riyadh Bank to sign contracts and documents for the implementation of commercial tawarruq operations (signing Murabaha contracts - signing a third-party sales agency).
3. An acknowledgment of the validity of the transactions and debit balances signed by Mr. Abdullah Abdul Rahman Abdullah Al Kharashi, where the debt balances amounted to (202,356,000) riyals.

The Company has a financing contract with Saudi Investment Bank, according to the following detail:

Table No. (90): Loans and facilities from the Saudi Investment Bank

Financier	Agreement date	Agreement Duration	Credit limit (SAR)	Amounts Used (SAR)	Repayments* (SAR)	Remaining Amounts* (SAR)
Saudi Investment Bank	10/02/2020G	-	41,067,000.00	41,067,000.00	10,200,000.00	30,867,000.00

Source: the Company

- The most important financial and operational pledges and guarantees granted by the Company in favor of the funding entity under the agreement include the following:
 1. On 10/02/2020G, a financing agreement was concluded between the bank and the Company, where the credit limit amounted to (41,067,000) Riyals.
 2. Notifying the Saudi Investment Bank in writing in the event of any lawsuits, arbitration procedures or administrative procedures, whether actual or potential.
 3. The Company undertakes not to make any change in the ownership or control of the Company's shares or control (whether direct or indirect) without the prior written approval of the Saudi Investment Bank, with the exception of shares in a listed joint stock Company the transfer of which does not require approval of the Capital Market Authority.
 4. Ensuring that there is no modification in or any addition of any clauses to the Articles of Association or other incorporation documents of the Company for the purpose of reducing the capital or ownership without the prior written consent of the Bank, which may not be withheld except for valid or reasonable reasons.

5. Informing the Saudi Investment Bank in the event of any sale or distribution of the Company's assets

- **Guarantees**

A promissory note issued by the Saudi Paper Manufacturing Company with a value of (32,867,000) riyals on 14/09/2021G.

The Company has a financing contract with Saudi Investment Bank, according to the following detail:

Table No. (91): Loans and facilities from Alinma Bank

Financier	Agreement date	Agreement Duration	Credit limit (SAR)	Amounts Used (SAR)	Repayments* (SAR)	Remaining Amounts* (SAR)
Alinma Bank	27/11/2021G	31/10/2022G	282,059,000.00	282,059,000.00	21,424,377.25	260,634,622.75

Source: The Company

- The most important financial and operational pledges and guarantees granted by the Company in favor of the funding entity under the agreement include the following:

1. On 27/10/2021G, the Company entered into a credit facility agreement with Alinma Bank, whereby the bank provided the Company with credit facilities at a total amount of (314,637,000) riyals. The agreement ends on 31/12/2022G and is renewed under a written agreement between the two parties two months before the date of completion.
2. The Company undertakes not to establish any mortgage, contract, lien or right on its movable or immovable funds that were previously presented as security to Alinma Bank, except after obtaining the bank's written approval.
3. Alinma Bank undertakes to deposit a minimum of 20% of the activity's revenues in the Company's accounts with Alinma Bank.
4. The Company is committed not to distribute any cash dividends without obtaining a written approval of Alinma Bank.
5. Alinma Bank has the right to set-off with the Company's accounts with the bank in case it defaults on any obligations.

- **Guarantees**

1. Flexible Murabaha Agreement
2. An agreement to establish a participation in the ownership of goods

The Company has a financing contract with Saudi National Bank, according to the following detail:

Table No. (92): Loans and facilities from the Saudi National Bank*

Financier	Agreement date	Agreement Duration	Credit limit (SAR)	Amounts Used (SAR)	Repayments* (SAR)	Remaining Amounts* (SAR)
Saudi National Bank	08/02/2021G	Up to 28/02/2022G	26,500,000	26,500,000	23,850,000	2,650,000

Source: The Company

* Samba Bank was merged with the National Commercial Bank to become the Saudi National Bank. Note that on 04/03/2018G, a Murabaha Term Facility Agreement was concluded with Samba Bank, where the value of the advance credit limit amounted to (25,955,491.17) riyals used to settle part of the total Murabaha indebtedness amounting to (45,855,491) riyals and reschedule it) and following the merger of Samba Bank with the National Commercial Bank, all the obligations of the agreement were transferred to the Saudi National Bank. On 28/09/2021G, a Murabaha sale contract was signed for an amount of (9,582,132) riyals, and on 20/04/2022G, a Murabaha sale contract was signed for an amount of (19,900,000) riyals, so the amounts used to date became (29,482,132) Riyals.

- The most important financial and operational pledges and guarantees granted by the Company in favor of the funding entity under the agreement include the following:
 - On 26/06/1442H (corresponding to 08/02/2021G), the Company entered into an agreement to renew the provision of credit facilities from the Saudi National Bank with a credit limit of (12,401,752.13) riyals, and the date of this agreement ends on 27/07/1443H (corresponding to 28/02/2022G).
 - The financing is carried out through the revolving facilitation, and it means the financing that takes place through multiple and successive sales contracts in the form of Tawarruq.
 - The Company mortgages the property for which the financing has been granted in the name of the Saudi National Bank.
 - All deadlines shall be annulled in the event of a change in the legal entity of the Company, its dissolution, merger, or the withdrawal, change or death of any of the partners.
 - The leverage ratio shall not exceed 3:1 in the audited financial statements for the year 2021G and 2.5:1 for the year 2022G.
 - The dividend distribution percentage shall not exceed (50%) of the annual net profit and is subject to the written approval of the Saudi National Bank.
 - Notifying the bank in writing in the event of any change in the legal, financial or administrative position of the Company.

In accordance with the facilities agreement, the Company undertakes to notify the National Commercial Bank in the event of any change in the legal or financial position of the Company, and since the capital increase falls under the financial change, the Saudi National Bank should be informed of the Company's intention to increase the capital through the issuance of priority rights shares. In implementation of its obligations, the Company notified the Saudi National Bank on 23/05/2022G of its desire to increase the capital by issuing rights shares.

- Guarantees:**

- Annex is a statement of facilities.
- A statement of the outstanding obligations amounting to (12,401,752.13) Riyals.
- A promissory note signed by the Company with a value of (13,641,927.34) Riyals on 08/02/2021G.

4. A Power of attorney to sell the goods.
5. Murabaha sale contract.

The Company has a financing contract with Saudi Industrial Development Fund, according to the following detail:

Table No. (93): Loans and facilities from the Industrial Development Fund

Financier	Agreement date	Agreement Duration	Credit limit (SAR)	Amounts Used (SAR)	Repayments* (SAR)	Remaining Amounts* (SAR)
Saudi Industrial Development Fund	15/09/2002G	-	37,802,000.00	37,802,000.00	22,802,000.00	15,000,000.00

Source: The Company

- The most important financial and operational pledges and guarantees granted by the company in favor of the funding entity under the agreement include the following:
 1. On 08/07/1423H (corresponding to 15/09/2002G), the Industrial Fund provided a loan to the subsidiary company, the Saudi Paper Converting Company, and the loan amount was (SAR 18,400,000) under Contract No. (1752) to finance the establishment of a factory in Dammam Industrial City, and the loan was later reduced to (SAR 17,000,000), and under Contract No. (2127). The Fund provided the subsidiary company with a loan of (SAR 28,270,000).
 2. The equipment of the factory located in the city of Al-Khumra was transferred to the Industrial City in Dammam, and it was agreed between the Company and the Industrial Development Fund to merge the obligations of the two contracts (1752) and (2127) under Contract No. (1752), so that the total loans provided by the Fund amounted to (SAR 45,270,000).
 3. The Company repaid an amount of (SAR 36,500,000), and the value of the remaining amount became (SAR 8,770,000).
 4. On 28/02/1437H (corresponding to 10/12/2015G), the Company concluded a contract No. (1040) between the Company and the Industrial Development Fund, where the value of the credit limit amounted to (SAR 400,950,000), and the last installment will be paid on 15/08/1444H (corresponding to 07/03/2023G).
 5. The Company undertakes to abide by the standards of the Saudi Standards, Metrology and Environmental Balances Organization.
 6. The Company cannot impose any mortgage on its property other than the mortgage imposed by the Industrial Development Fund on the project as a guarantee provided by the Company.
 7. The dividends shall be distributed after deducting the accumulated losses, and the Company may not declare, pay or make any distribution of profits except in the cases mentioned in the contract.
 8. No change shall take place in the legal entity of the Company without the prior written approval of the Industrial Development Fund.
- **Guarantees:**
 1. Description of the project
 2. A promissory note signed by the company
 3. Mortgage of the project

The Company has a financing contract with Saudi British Bank (SABB), according to the following detail:

Table No. (94): Loans and facilities from the Saudi British Bank (SABB)

Financier	Agreement date	Agreement Duration	Credit limit (SAR)	Amounts Used (SAR)	Repayments* (SAR)	Remaining Amounts* (SAR)
Saudi British Bank (SABB)	30/09/2019G	-	45,855,491.17	45,855,491.17	16,373,359.17	29,482,132.00

Source: The Company

The Company entered into a Murabaha / Tawarruq financing contract in metals with the Saudi British Bank (SABB), where the credit limit amounted to (47,424,727) riyals (Murabaha facilities amounted to (19,900,000) riyals and term Murabaha facilities amounted to (25,955,491.17) riyals. The financing is repaid in equal monthly installments starting from the date of 31/01/2020G. On 23/05/2021G, the facilities granted by the bank were renewed for another period, bearing in mind that these facilities are working capital facilities that are renewed at the end of August of each year.

- The most important financial and operational pledges and guarantees granted by the Company in favor of the funding entity under the agreement include the following:
 - The Company concluded a Murabaha / Tawarruq financing contract in metals with the Saudi British Bank, where the credit limit amounted to (47,424,727) riyals
 - It is the responsibility of the Company to inform the Saudi British Bank of any changes that may occur to the legal status, Articles of Association or Bylaws of the Company as appropriate.
 - In the event of a change of ownership, the Saudi British Bank reserves the right to amend the terms and conditions of the current facilities by requesting additional guarantees, requesting payment of the amounts due, or canceling the limits.

The facility agreement requires the Company to inform Saudi British Bank of any changes that may occur to the legal status or any amendments to the Articles of Association or Bylaws, or in the event of a change of ownership. The Company raises its capital through the issuance of rights shares. In compliance with the terms of the agreement, the Company, on 26/05/2022G, notified Saudi British Bank of its intention to increase the Company's capital through a Rights Issue.

The Company provided, as a guarantee for the facilities and all obligations arising therefrom, the following:

- A promissory note for the amount of (SAR 47,424,727) signed by the Saudi Paper Manufacturing Company.
- Documents of ownership of goods in the name of the bank.

10-6 Memoranda of Understanding

The Company has not entered into any participation agreements with any parties other than the Company's Articles of Association/Bylaws, nor any memoranda of understanding regarding possible future participation with third parties other than what is stated in the Articles of Association/Bylaws.

10-7 Company Properties

The Company does not own any real estates according to statutory title deeds issued by the competent authorities within the Kingdom, issued by the competent authorities within the Kingdom.

10-8 Litigation

As on the date of publication of this Prospectus, the Company's management stated that the Company is not a party to any lawsuit, cases, complaints, claim, arbitration, administrative procedures or investigations that are existing or likely to be instituted, that would have, collectively or individually, a material impact on the Company's business or its financial position. The Company's management was not aware of the existence of any current or potential substantive judicial disputes or facts that could, collectively or individually, create an imminent risk related to a fundamental dispute, until the date of this Prospectus, except for the following:

Table No. (95): Litigations / Disputes

Execution Cases					
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
1.	The Company	Abu Harb Establishment	4,338,000.59	4,338,000.59	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
2.	The Company	Alam Al-Khairat Establishment	3,708,506.00	3,839,414.14	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
3.	The Company	Tiba factory for production of paper tissues	3,608,008.63	3,608,008.63	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
4.	The Company	Al-Tarouf Factory Company	3,082,798.68	2,990,075.68	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
5.	The Company	Mohammed Abdullah Shamsan	2,550,367.00	2,550,367.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
6.	The Company	Bright star factory	2,000,000.00	2,000,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.

Execution Cases

No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
7.	The Company	Khaled Al-Qannas Company Factory	1,900,016.60	1,900,016.60	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
8.	The Company	Mehwar Alimtiyaz Est.	1,521,234.50	1,521,234.50	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
9.	The Company	Arab Company	1,000,000.00	1,000,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
10	The Company	Abdullah Al-Juhani Factory	1,000,000.00	1,000,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
11.	The Company	Al-Abbas Carton Factory	997,002.87	997,002.87	Refused for having more than one due date
12.	The Company	Next Wave Company	834,775.61	834,775.61	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
13.	The Company	Clean Home Manufacturing Co.	778,321.94	778,321.94	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
14.	The Company	Saudi Facilities Group for Trade, Technology and Development	766,855.18	766,855.18	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
15.	The Company	Mohammed Hassan Baabbad	766,850.00	766,850.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.

Execution Cases					
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
16.	The Company	Al-Raaeat office for its owner, Suwaid Mazal Al-Anzi	750,000.00	750,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
17.	The Company	Hamza Al Marzouki Establishment	623,910.90	623,910.90	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
18.	The Company	Fairoza Gulf Factory	616,180.00	616,180.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
19.	The Company	Dorrat Al-Hail Factory	521,274.00	521,274.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
20.	The Company	Abdul Latif Al-Rasini Establishment	504,534.00	504,534.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
21.	The Company	Al Marwa Trading Est	500,000.00	500,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
22.	The Company	Manazil Al Marwa Trading Est	500,000.00	500,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
23.	The Company	Al Rayat Trading Est	467,221.76	467,221.76	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
24.	The Company	Branch of Rowad Al Fahd Co. Ltd.	395,005.00	395,005.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.

Execution Cases					
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
25.	The Company	Khat Al-kawn Est.	31,636.00	370,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
26.	The Company	Hashem Abdullah Hashem Establishment	315,076.00	315,076.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
27.	The Company	Al Daoud Trading Est	301,433.00	301,433.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
28.	The Company	Abdul Khaleq Al Daoud	301,433.00	301,433.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
29.	The Company	Khadija Abbas Makki	300,367.00	300,367.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
30.	The Company	Fields of Economics Establishment	268,103.00	268,103.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
31.	The Company	Khaled Ibrahim Al Mubarak	250,000.00	250,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
32.	The Company	Murshid Abdullah Al-Fawzan	233,237.00	233,237.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
33.	The Company	Fruits Basket Trading Est	232,864.00	232,864.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.

Execution Cases					
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
34.	The Company	Murshid Al-Ali Establishment	225,237.00	225,237.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
35.	The Company	Future safety factory	216,000.00	216,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
36.	The Company	Nayef Ahmed Al-Sudairy Establishment	200,000.00	200,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
37.	The Company	Swan Al Arab Trading Est	200,000.00	200,000.00	Resolution No. 34 and Resolution No. 46 (Execution Dispute) have been implemented.
38.	The Company	Dasman Factory	184,518.08	184,518.08	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
39.	The Company	Al Asmari Grocery Est	173,752.00	173,752.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
40.	The Company	National Medical Company	151,638.50	151,638.50	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
41.	The Company	Ibrahim Al-Dossary	150,000.00	150,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
42.	The Company	Watteen Establishment	133,004.28	143,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.

Execution Cases

No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
43.	The Company	Heba Salah Al-Aqeel Establishment	122,995.50	122,995.50	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
44.	The Company	Orouba Market - Abdulaziz Al-Dosari	112,200.00	112,200.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
45.	The Company	Al Tayyar Technical Co. Ltd.	101,805.50	101,805.50	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
46.	The Company	Abdul Salam Al Harthy Establishment	97,880.00	97,880.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
47.	The Company	Wagt Al-Oroud Trading Company	90,000.00	90,000.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
48.	The Company	Abdulaziz Al-Asmari Establishment	78,363.00	78,363.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
49.	The Company	Egypt Kenana Establishment	76,100.60	76,100.60	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
50.	The Company	Gulf Bridge Establishment	65,323.45	65,323.45	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
51.	The Company	Islam Rajab	60,943.95	60,943.95	Underway
52.	The Company	Sultan Al Harbi Establishment	57,098.00	57,098.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.

Execution Cases					
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
53.	The Company	Ahmed Mohammed Anwar	54,000.00	54,000.00	Underway
54.	The Company	Ali Bin Moawad Establishment	49,306.20	49,306.20	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
55	The Company	Maha Musaed Trading Est	39,944.00	39,944.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
56.	The Company	Mohammed Al-Husseini	39,944.00	39,944.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
57.	The Company	Safwat Al Ataa Trading Company	33,838.60	33,838.60	Underway
58.	The Company	Abdul Latif Al Mubarak (employee)	19,224.00	19,224.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
59.	The Company	Abdel Fattah Mubarak	19,224.00	19,224.00	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
60.	The Company	Family Basket Markets	12,254.50	12,254.50	Resolutions 34. 46 were implemented - Real estate and property were disclosed and it was found that there are none.
61.	The Company	Jood Markets Est.	8,557.00	8,557.00	Underway
Total			38,738,164.42	39,124,709.28	-

Commercial and public cases					
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
1.	The Company	Al Ahlia Company	3,991,393.48	3,991,393.48	Under the procedure
2.	The Company	Al-Hajma holding	2,946,357.86	2,946,357.86	A session will be scheduled
3.	The Company	Tariq Al Mutlaq	1,730,000.00	1,730,000.00	A session will be scheduled
4.	The Company	Gulf Paper Company	1,443,260.14	1,443,260.14	A judgment was passed in favor of the Company and an appeal was submitted by the opponent
5.	The Company	Raed Rashid Al-Azmi Company	1,023,036.00	1,023,036.00	Under the procedure
6.	The Company	Aqtab Al-Tamayuz Establishment	882,974.40	882,974.40	Crossed out and the oath of the Chairman is required
7.	The Company	Pioneering Plastic Company	333,280.70	333,280.70	A judgment was passed in favor of the Company and an appeal was submitted by the opponent
8.	The Company	MOASAST ALSABAE	323,930.50	323,930.50	A judgment was passed in favor of the Company and an appeal was submitted by the opponent
9.	The Company	Gulf Industry Company	314,721.81	314,721.81	Under the procedure
10.	The Company	Zahrat Al Raed Establishment	300,000.15	300,000.15	The judgment of the appeal was upheld in favor of the Company
11.	The Company	Tulip Paper Factory	170,000.00	170,000.00	A ruling has been issued of no jurisdiction, and the case is being submitted to the competent court
12.	The Company	Ayyad Al-Shammari Al-Marzooqi Establishment	166,459.88	166,459.88	Waiting for a session
13.	The Company	International Colors Establishment	153,720.00	153,720.00	The case has been submitted and is awaiting registration

Commercial and public cases					
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
14.	The Company	Almanarat Smart Factory	132,334.35	132,334.35	Waiting for a session
15.	The Company	Hayat Factory	129,873.52	129,873.52	Under the procedure
16.	The Company	DAWAM COMPANY	118,486.10	118,486.10	Under the procedure
17.	The Company	Noura Qahal Trading Est	107,242.72	107,242.72	A preliminary ruling was issued in favor of the Company
18.	The Company	HASAN J. AL SHKARAH T	92,755.25	92,755.25	Under the procedure
19.	The Company	Abdul Rahman Bin Omar Trading Est	99,855.45	80,839.98	A case has been registered with Jeddah Commercial Court, and a session has not been set
20.	The Company	Adel Rashid Al Dosari Establishment	76,824.00	76,824.00	Waiting for a session
21.	The Company	WAHAT ALHARAM	76,610.00	76,610.00	A session will be scheduled
22.	The Company	Arab Gate Establishment	73,203.00	73,203.00	Under the procedure
23.	The Company	SOUQ ALRAGHAAN	52,561.60	52,561.60	Waiting for the statutory period to file a lawsuit
24.	The Company	Amlak Projects Establishment	33,508.00	33,508.00	Waiting for the statutory period to file a lawsuit
25.	The Company	AL HAMAMY AL MARKAZIYA	27,291.50	27,291.50	Under the procedure
26.	The Company	Samiya Saud Establishment	27,012.00	27,012.00	Lack of the defendant's data with the credit department
27.	The Company	RAWAD BAITAK	23,068.00	23,068.00	There's no file
28.	The Company	Four Lines Establishment	22,212.00	22,212.00	The case will be returned for non-compliance with payment
29.	The Company	Abdulaziz Al-Halili Establishment	19,166.00	19,166.00	There is a ruling from the Board of Grievances

Commercial and public cases					
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
30.	The Company	Ali Abdullah Al Hai Contracting Est	17,944.00	17,944.00	Waiting for the statutory period to file a lawsuit
31.	The Company	Al Jawsaq Establishment	16,500.00	16,500.00	A session will be scheduled
32.	The Company	Al Zafer Medical Hospital	8,968.50	8,968.50	Waiting for the statutory period to file a lawsuit
Total			14,934,550.91	14,915,535.44	-
Other Cases					
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status
1.	Al Waseela Company	Company	816,585.21	816,585.21	The date of the session is on 18/09/1443H
2.	The Company	M. Hassan Asiri	14,000,000	14,000,000	In the Public Prosecution
3.	Supply Chain (Sanabel)	Company	1,284,000.00	1,284,000.00	Judgment was made in favor of the client and applied for appeal
4.	The Company	Haitham Yahya	914,000	933,322.37	The delegate was ordered to be arrested and he is still on the run
5.	The Company	Azzam Aba Al-Khail	200,000	233,000.00	It is still pending in court
6.	Ahmed Rady	Company	-	-	Judgment against the Company and awaiting receipt of the judgment deed
7.	Hatata	Company	-	-	Next session
8.	The Company	Hassan Halloum and Hassan Asiri	-	-	Complaint of tampering with the Company's accounts (by public right)
9.	Salha Marei Mohammed Al Shehri Establishment	Company	-	200,000.00	Final judgment in favor of the Company dismissing the plaintiff's lawsuit
Total			17,214,585.21	17,466,907.58	-

Labor Cases						
No	Plaintiff	Defendant	Case value (SAR)	Allocated (SAR)	Case Status	No
1.	Ahmed Al Shehab	Company	-	Dammam Labor Court	-	It was decided in favor of the Company to dismiss the employee's lawsuit
2.	Issa Abdulaziz Fawaz	Company	1,200.00	Amicable settlement	1,200.00	Reconciliation took place on the condition that the Company pay 1200 accrued vacation allowances
3.	Heirs of Hisham Al-Taher	Company	886,594.18	Labor Court	886,594.18	The verdict was upheld by the Court of Appeal and a petition for reconsideration is being filed
Total					887,794.18	-

Source: The Company

Following is a summary of the types of lawsuits, their number, total value and provision:

- Execution cases: The number of cases stood at (61) with a balance of (SAR 38,738,164.42) and a provision of (SAR 39,124,709.28).
- Commercial and general cases: The number of cases stood at (32) with a balance of (SAR 14,934,550.91) and a provision of (SAR 14,915,535.44).
- Other cases: The number of cases amounted to (9) cases, with a balance of (SAR 17,214,585.21) and a provision of (SAR 17,466,907.58).
- Labor cases: The number of cases amounted to (3) cases, with a balance of (SAR 887,794.18) and a provision of (SAR 887,794.18).

10-9 Trademarks

The Company has a trademark (Saudi Paper Manufacturing Company) that was registered with the Ministry of Commerce (Trademarks Department*) under the number (1435017993). The trademark was registered under category (16), which is one of the trademarks categories that specialize in (paper, paperboard and products made from these Materials not included in other classes, prints, bookbinding materials, photographs, stationery, adhesives for stationery or household purposes, artists' materials, paint or paintbrushes, typewriters and office supplies (other than furniture), instruction and teaching materials (other than appliances), (plastic packaging


materials (not included in other classes), letterpress, playing cards, paper and cellulose diapers, trash bags), and this will enable the Company to put its name and logo on the external facade of the building or offices occupied by the Company as it has registered the Trademark and granted it the necessary legal protection in accordance with the Trademarks Law.

The subsidiaries have a number of trademarks registered with the Ministry of Commerce under category 16 final registration certificates.

The registration of trademarks will enable the Company and its subsidiaries to put its name and logo on the external facade of the building or offices occupied by the Company, as it has registered trademarks and given them the necessary legal protection in accordance with the Trademarks Law. Following is a table showing the most prominent details of the Company's trademarks and its subsidiaries:

Table No. (96): Trademarks

Registration number	Category	Date of registration	Protection start date	Protection end date	Owner name	Trademarks
1435017993	16	28/12/1435H (corresponding to 22/10/2014G)	24/09/1435H (corresponding to 21/07/2014G)	23/09/1445H (corresponding to 02/04/2024G)	Saudi Paper Manufacturing Company	
1435019401	16	23/03/1436H (corresponding to 14/01/2015G)	24/10/1435H (corresponding to 20/02/2014G)	23/10/1445H (corresponding to 02/05/2024G)	Saudi Paper and Waste Recycling Company	
1435017258	16	22/06/1432H (corresponding to 25/05/2011G)	23/06/1441H (corresponding to 17/02/2020G)	22/06/1451H (corresponding to 30/10/2029G)	Saudi Paper Converting Company	
143106230	16	12/07/1432H (corresponding to 14/06/2011)	23/06/1441H (corresponding to 17/02/2020G)	22/06/1451H (corresponding to 30/10/2029G)	Saudi Paper Converting Company	
143106227	16	05/08/1432H (corresponding to 06/07/2011G)	23/06/1441H (corresponding to 17/02/2020G)	22/06/1451H (corresponding to 30/10/2029G)	Saudi Paper Converting Company	

Registration number	Category	Date of registration	Protection start date	Protection end date	Owner name	Trademarks
143106229	16	22/06/1432H (corresponding to 25/05/2011G)	23/06/1441H (corresponding to 17/02/2020G)	22/06/1451H (corresponding to 30/10/2029G)	Saudi Paper Converting Company	
143106223	16	03/051433H (corresponding to 26/03/2012G)	23/06/1441H (corresponding to 17/02/2020G)	22/06/1451H (corresponding to 30/10/2029G)	Saudi Paper Converting Company	
143106228	16	22/06/1432H (corresponding to 25/05/2011G)	23/06/1441H (corresponding to 17/02/2020G)	22/06/1451H (corresponding to 30/10/2029G)	Saudi Paper Converting Company	
143106224	16	22/06/1432H (corresponding to 25/05/2011G)	23/06/1441H (corresponding to 17/02/2020G)	22/06/1451H (corresponding to 30/10/2029G)	Saudi Paper Converting Company	
143106225	16	22/06/1432H (corresponding to 25/05/2011G)	23/06/1441H (corresponding to 17/02/2020G)	22/06/1451H (corresponding to 30/10/2029G)	Saudi Paper Converting Company	

Source: The Company

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

As of the date of publishing this Prospectus, the Company did not commit to registering its website saudipaper.com with the Communications and Information Technology Commission (the Saudi Center for Network Information) to secure its protection and prevent its abuse and use by others, who may resort to adding only one annex (.sa).

10-10 Insurance

The Company has a number of insurance policies to ward off some risks and preserve its assets and properties, including the following:

A. Health insurance for Employees:

- Article 144 of the Labor Law stipulates that the employer shall provide health, preventive and curative care to his workers in accordance with the levels determined by the Minister of Labor, taking into account what is provided by the Cooperative Health Insurance Law. Article (5) Fifth of the Executive Regulations of the Cooperative Health Insurance Law approved by Ministerial Resolution No. (9/35/1/dh), dated 13/04/1435H (corresponding to 13/02/2014G) emphasized the obligation of the employer to conclude an insurance policy with an insurance company that covers all his employees and those who are subject to the Law and their family members. The

business owner is obligated to provide insurance coverage to the beneficiary from the date of arrival in the Kingdom and to hand him the insurance card within a period not exceeding ten working days from the date of his arrival.

- According to Article (14) of the Cooperative Health Insurance Law, if the employer does not participate or does not pay the cooperative health insurance premiums on behalf of the worker to whom this Law applies and his family members who are covered by the cooperative health insurance policy, he is obligated to pay all the installments due, in addition to paying a fine not exceeding the value of the annual subscription for each individual, with the possibility of depriving him of recruiting workers for a permanent or temporary period.
- If any of the cooperative insurance companies breaches any of its obligations specified in the cooperative health insurance policy, it is obligated to fulfill these obligations and to compensate for the damages arising from the breach thereof, in addition to paying a fine not exceeding (5,000) five thousand riyals for each individual covered by the relevant policy infringement.
- The insurance company issues a certificate to the employer (the policy holder) upon request stating the insurance of its employees to be submitted to the authority concerned with issuing and renewing residence permits.
- The Company has signed a health insurance contract for its employees and their families with AXA Insurance Company, a Company licensed to operate in the Kingdom. The total value of the health insurance policy No. (DMM-Nov-2021-05-v4), dated 29/12/2021G amounted to (SAR 3,312,486). This policy covers health care through the network of service providers appointed by the Company, provided that the case is covered by insurance. The coverage includes all employees who are actually on the job eligible for insurance as of the date the policy becomes effective. As for workers who join the Company at a later time, they are considered eligible for insurance from the date of their joining the work, (husband / wife and children - minimum: from the date of birth and children - maximum: up to 25 years). This document is valid until 29/12/2022G.

B. Compulsory motor insurance:

The Company has concluded an insurance policy for the vehicles owned by the Company with Al-Saqr Cooperative Insurance Company, a Company licensed to work in the Kingdom. The document number is (P/100/2902/22/000026) and the coverage extends from 03/01/2022G to 02/01/2023G, which includes compensation of the insured Company for loss or damage to the insured vehicle and the spare parts installed in it. The maximum liability of the insurance Company in a single incident for both physical and material damage, provided that the driver holds a valid legal driving license, shall not exceed the amount of (10,000,000) riyals. The policy covers (four vehicles only).

According to the extract from the Ministry of Interior system (Tamm) for the Company, it found that the Company has (4) vehicles, all of which have valid insurance, except for one vehicle.

C. Property insurance against all risks:

The Company has entered into an all-risk property insurance policy with the Tawuniya company for Cooperative Insurance, a Company licensed to operate in the Kingdom. The policy number is (614026), where the coverage starts from 14/02/2022G to 13/02/2023G and includes compensation for the Company or any of its subsidiaries (Saudi Paper Converting Company and the Saudi Paper Recycling Company) for any damages that may affect all real estate and personal property of every type and description belonging to the insured or under his custody, guardianship and possession for which he is responsible. The value of the insured is (814,308,296) Riyals.

D. Insurance against breach of trust:

The Company concluded an insurance policy to guarantee breach of trust with Tawuniya Insurance Company, a Company licensed to work in the Kingdom. The document number is (614021) and the coverage extends from 05/05/2022 to 04/03/202G. The coverage includes compensation for the Company or any of its subsidiaries (Saudi Paper Converting Company and Saudi Paper Recycling Company) insured for (90) employees including trustees, accountants, sellers, and other professions mentioned in the contract, where the individual limit for each employee reaches a maximum of (500,000) riyals for the act or group of actions, provided that the amount shall not exceed (5,000,000) riyals per year.

E. Funds Insurance:

The Company has entered into a money insurance policy with the Tawuniya for Cooperative Insurance, a Company licensed to operate in the Kingdom. The document number is (614020). The coverage extends from 05/03/2022G to 04/03/2023G and includes compensation for the Company or any of its subsidiaries (Saudi Paper Converting Company and Saudi Paper Recycling Company) for loss of money due to an accident, miscalculation, burglary, theft or loss of funds in transit, and the total amount insured is (27,459.99) riyals.

F. General liability insurance:

The Company has concluded a general liability insurance policy with Tawuniya for Cooperative Insurance, a Company licensed to operate in the Kingdom, document number (614022). The coverage starts from 04/03/2022G to 03/03/2023G and includes compensation for the Company or any of its subsidiaries (Saudi Paper Converting Company and Saudi Paper Recycling Company) for legal liability arising from any damage caused by the third party in cases of accidental death or bodily injury and loss, damage to property during business operations with the Company and occurring during the insurance period in the building according to the schedule which the insured gives.

G. Machinery insurance (in case of breakdown):

The Company has entered into an insurance policy for machinery breakdown with Tawuniya Cooperative Insurance Company, a Company licensed to operate in the Kingdom of Saudi Arabia, document number (611555-2), where the coverage starts from 04/03/2022G to 03/03/2023G. The coverage includes compensation for the Company or any of its subsidiaries (Saudi Paper Converting Company and Saudi Paper Recycling Company) for any malfunction affecting all Company-owned machinery and Company-owned equipment under a contract or trust, or for which the Company may be responsible.

H. Insurance of boilers and pressure vessels

The Company entered into an insurance policy on boilers and pressure vessels with Tawuniya for Cooperative Insurance, a Company licensed to operate in the Kingdom of Saudi Arabia, document number (1-611556). The coverage extends from 25/03/2022G to 25/03/2023G and includes any damage to boilers and pressure vessels or any damage to the property surrounding the insured.

- **Insurance policies entered into by the subsidiary Company (i.e., Saudi Paper Converting Company)**

A. health insurance

The Company is committed to the provisions of Article (144) one hundred and forty-four of the Labor Law, which obliges the employer to provide health insurance to its employees in accordance with the levels determined by the Minister of Labor, taking into account what is provided by the Cooperative Health Insurance Law, and accordingly,

The Company entered into a health insurance contract for its employees and their families with AXA Insurance Company, a company licensed to operate in the Kingdom. The total value of the health insurance policy No. (DMM-Nov-2021-05-v4) dated 29/12/2021G amounted to (3,312,486) riyals. This policy covers health care through the network of service providers appointed by the Company, provided that the case is covered by insurance. The coverage includes all employees who are actually on the job and are eligible for insurance as of the date of validity of the policy. As for workers who join the Company at a later date, they are considered eligible for insurance from the date of their employment, (husband / wife and children - minimum: from the date of birth and children - maximum: up to 25 years). This document is valid until 29/12/2022G.

B. Compulsory motor insurance:

The Company has concluded an insurance policy for the vehicles owned by the Company with Al-Saqr Cooperative Insurance Company, a company licensed to work in the Kingdom. The document number is (P/100/2902/22/000026) and the coverage extends from 03/01/2022G to 02/01/2023G, which includes compensating the insured company for loss or damage to the insured vehicle and the spare parts installed in it. The maximum liability of the insurance company in a single incident for both physical and material damage, provided that the driver holds a valid legal driving license, shall not exceed (10,000,000) riyals. The policy covers (four vehicles only).

According to the extract from the Ministry of Interior system (Tamm) for the Company, it found that the Company has (7) vehicles, all of which have valid insurance, except two vehicles.

C. Insurance against all risks

The Company entered into an all-risk property insurance policy with Tawuniya for Cooperative Insurance, a company licensed to operate in the Kingdom. The document number is (614026), where coverage starts from 14/02/2022G to 13/02/2023G and includes compensation for the Company or any of its subsidiaries (Saudi Paper Converting Company and Saudi Paper Recycling Company) for any damages that may affect all real estates and personal property of every kind and description belonging to the insured or under his custody, guardianship and possession for which he is responsible. The value of the insured is (814,308,296) riyals

D. Marine Insurance:

The subsidiary company, Saudi Paper Converting Company, has concluded an insurance policy for seaborne shipments with the Tawuniya Cooperative Insurance Company, a company licensed to work in the Kingdom. The document number is (614701), where the coverage starts from the date of 14/02/2022G to 13/02/2023G and includes Insurance coverage loss or damage to the insured subject (goods) raw materials, machinery and paper products during its transportation and unloading from the port.

E. Land insurance:

The subsidiary company, Saudi Paper Converting Company, has concluded an insurance policy on shipments transported by land, with the Tawuniya Cooperative Insurance Company, a company licensed to work in the Kingdom. The document number is (614700), where the coverage starts from 14/02/2022G to 13/02/2023G and includes insurance coverage loss or damage to insured subjects (goods), raw materials, machinery and paper products during transport by truck or rail, loading and storage

- **Insurance policies concluded by the subsidiary company (Saudi Company Paper and Waste Recycling Company)**

A. Health insurance for workers

The Company entered into a health insurance contract for its employees, their families and employees of its subsidiaries with AXA Insurance Company, a company licensed to work in the Kingdom. The total value of the health insurance policy No. (DMM-Nov-2021-05-v4), dated 29/12/2021G amounted to (SAR 3,312,486). This policy covers health care through the network of service providers appointed by the Company, provided that the case is covered by insurance. The coverage includes all employees who are actually on the job are eligible for insurance as of the date of validity of the policy. As for workers who join the Company at a later date, they are considered eligible for insurance from the date of their employment, (husband / wife and children - minimum: from the date of birth and children - maximum: up to 25 years). This document is valid until 29/12/2022G.

B. Compulsory Motor insurance:

The Company has concluded an insurance policy for the vehicles owned by the Company with Al-Saqr Cooperative Insurance Company, a company licensed to operate in the Kingdom. The document number is (P/100/2902/22/000025) and the coverage extends from 03/01/2022G to 02/01/2023G, which includes compensating the insured company for loss or damage to the insured vehicles and the spare parts installed in them. The maximum liability of the insurance company in a single incident for both physical and material damage, provided that the driver holds a valid legal driving license, shall not exceed (SAR 10,000,000). It covers (four vehicles only).

C. Insurance against all risks

The Company entered into an all-risks insurance policy with Tawuniya for Cooperative Insurance, a company licensed to operate in the Kingdom. The document number is (614026), where the coverage starts from 14/01/2022G to 13/02/2023G and includes compensation for the Company or any of its subsidiaries (Saudi Paper Converting Company and Saudi Paper and Waste Recycling Company) for any damages that may affect all real estates and personal property of every kind and description belonging to the insured or under his custody, guardianship and possession for which he is responsible. The value of the insured is (SAR 814,308,296).

10-11 Material information that has changed since the Authority's approval of the last prospectus

Below is a summary of the most important information which have changed since the Authority's approval of the last prospectus published by the Company on 06/10/2020G.

- **Articles of Association:** Some clauses of the Articles of Association have been amended several times in accordance with the decisions of the Extraordinary General Assembly. The Company's Articles of Association were also amended and updated to match the new Companies Law, which was approved by the Ministry of Commerce - Corporate Governance Department on 21/04/1442H (corresponding to 06/12/2020G).
- **Capital:** The capital has been modified by increasing the company's capital from ninety-two million (92,000,000) riyals to one hundred and ninety-two million (192,000,000) riyals by offering initial rights shares at a value of one hundred million (100,000,000) riyals and increasing the number of shares from nine million Two hundred thousand (9,200,000) shares to nineteen million and two hundred thousand (19,200,000) shares. The company obtained a prior approval from the Capital Market Authority on the increase in the company's capital.

- **Board of Directors:** Election of members of the Board of Directors for a new term starting from 27/04/2020G for a period of three years ending on 26/04/2024G, and appointment of a new Chairman and Deputy-Chairman.
- **Filing Liability lawsuit:** A liability lawsuit was filed against a member of the Board of Directors and former CEO, Hassan bin Mreizin Asiri, where financial and administrative violations were discovered with a financial value of (SAR 40,950,914).
- **Obtaining additional facilities:** The Company obtained final approval from the Ministry of Finance regarding additional facilities and signed the “Facility for Corporate Sustainability Support Program” contract provided by the Ministry of Finance in cooperation with Riyad Bank.
- **Judicial ruling:** A preliminary judicial ruling was issued by the Commercial Court in Marrakesh in favor of the Company in the case of the subsidiary company in Morocco (Saudi Investment and Industrial Development Company) which rescinded the customary sale contract signed between the buyer and the Saudi Investment and Industrial Development Company and returned the factory to the Company and charged the defendants with expenses .
- **Judicial ruling:** Issuance of a final judicial ruling by the Court of Appeal in Riyadh in Case No. (411368592) confirming the ruling issued in favor of the Company in the case of selling the Company’s lands, obligating the buyer to pay an amount of SAR 17,300,000 in favor of the Saudi Paper Manufacturing Company and submitting a request for execution to pay the amount, which comes after the Company’s announcement on 31/08/2020G, it was reported that there was a suspicion of manipulation in the Company’s accounting entries during the year 2017G by the Company’s management and the Financial Affairs Department.
- **Using the offering proceeds of the Rights Issue in 2020G:** There was no deviation or change from what was mentioned in the prospectus of the rights issue offering issued on 06/10/2020G.

10-12 Declarations of Board members regarding legal information

In addition to the other declarations referred to herein, the Board members declare 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 and its subsidiaries has been disclosed herein.
- d. The Company and its subsidiaries are not subject to any lawsuits or legal procedures that, alone or as a whole, may materially affect their business or their financial conditions.
- 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 conditions or its subsidiaries.
- f. The Company and its subsidiaries continue to comply with the Ministry of Commerce requirements as of the date of this Prospectus and undertake to keep complying therewith.
- g. The Company and its subsidiaries continue to comply with ZATCA requirements until the date of this Prospectus and undertake to keep complying therewith.

- h. The Company and its subsidiaries continue to comply with MHRSD requirements until the date of this Prospectus and undertake to keep complying therewith.
- i. The Company continues to comply with the requirements of law, regulations and instructions of the Capital Market Authority and the Saudi Stock Exchange (Tadawul) until the date of this Prospectus and undertakes to keep complying therewith.
- j. The Company and its subsidiaries continue to comply with the requirements of law, regulations and instructions of General Organization of Social Insurance until the date of this Prospectus and undertake to keep complying therewith.
- k. The Company and its subsidiaries continue 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 and its subsidiaries continue to abide by the requirements of the law, regulations and instructions of the Ministry of Industry and Mineral Resources until the date of this Prospectus, and pledge to continue to abide therewith.
- m. The Company and its subsidiaries continue to comply with the requirements of the law, regulations and instructions of the Saudi Authority for Industrial Cities and Technology Zones ("**Modon**") until the date of this Prospectus, and they also pledge to continue to comply therewith.
- n. The Company and its subsidiaries continue to comply with the requirements of the law, regulations and instructions of the National Center for Monitoring Environmental Compliance until the date of this Prospectus, and pledge to continue to comply therewith.



Underwriting

11- Underwriting

The Company and the Underwriter (Alinma Investment Company) have entered into an underwriting agreement for fourteen million five hundred thousand (14,500,000) ordinary shares at a price of ten (10) Saudi Riyals per share, representing 100% of the Rights Issue Shares offered for subscription ("**Underwriting Agreement**").

11-1 Underwriter

Alinma Investment Company

Riyadh, King Fahd Road
(Al Anoud Tower 2)
Riyadh 11544 P.O. Box 55560
Kingdom of Saudi Arabia
Tel: +966 11 2185999
Fax: +966 11 2185970
Website: www.alinmainvestment.com
E-mail: info@alinmainvestment.com



11-2 Summary of the Underwriting Agreement

According to the terms and conditions of the Underwriting Agreement

- The Company undertakes to the Underwriter that, on the date of the allotment, it will issue and allocate to the Underwriter all the Right Issue Shares pledged to be underwritten in this Offering, which the Eligible Shareholders have not subscribed to, at the Offering Price.
- The Underwriter undertakes to the Company that on the date of the allotment, it will purchase all the shares it pledged to underwrite in this Offering, which the Eligible Shareholders did not subscribe to, at the Offering Price.
- The Underwriter shall receive a specific financial consideration in return for his undertaking to underwrite, which will be paid from the Offering Proceeds.
- The Underwriter's obligation to purchase all remaining shares is subject to the provisions related to the termination of the Agreement, such as the occurrence of any force majeure events as defined in the Agreement, or the failure to fulfill a number of preconditions in connection with the Offering.



Waivers

12- Waivers

The Company has nor obtained any exceptions from any requirements in connection to the Offering.



13.

Subscriptions Terms and Conditions

13- Subscriptions Terms and Conditions

The Company has filed an application for the registration and offering of the new shares to the CMA and to the Saudi Tadawul Company (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 signing and delivery of the Rump Offering Subscription Application form constitutes acceptance of the mentioned terms and conditions.

13-1 Offering

The subscription consists of offering fourteen million five hundred thousand (14,500,000) new ordinary shares at an Offer Price of (10) ten Saudi riyals per share, at a nominal value of (10) ten Saudi riyals, and a total offering value of one hundred and forty-five million (145,000,000) riyals. In order to increase the Company's capital from one hundred and ninety-two million (192,000,000) Saudi riyals to three hundred and thirty-seven million (337,000,000) Saudi riyals.

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 Subscription Period, which begins on Sunday 27/03/1444H (corresponding to 23/10/2022G) and ends on Wednesday 08/04/1444H (corresponding to 02/11/2022G), during the period from ten (10:00) a.m. until three o'clock (2:00) p.m.

The Eligible Shareholders wishing to trade in the Rights shall submit the trading application during the Trading Period, which begins on Sunday 27/03/1444H (corresponding to 23/10/2022G) and ends on Sunday 05/04/1444H (corresponding to 30/10/2022G), during the period from ten (10:00) a.m. until three o'clock (3:00) p.m.

The Extraordinary General Assembly held on 21/03/1444H (corresponding 17/10/2022G) approved the Board of Directors' recommendation to increase the Company's capital through a Rights Issue. Under this Prospectus, fourteen million and four hundred thousand (14,500,000) ordinary shares will be offered for subscription in the Rights Issue, representing (75.52%) 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 per share, with a total Offering value of one hundred and forty-five million (145,000,000) Saudi Riyals. The new shares will be issued with at (1) share for each Right to shareholders. Subscription to 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 21/03/1444H (corresponding 17/10/2022G), 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 Tadawul Company (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 Monday 21/03/1444H (corresponding to 17/10/2022G).
2. Trading Period and Subscription Period: Trading period and Subscription Period start on Sunday 27/03/1444H (corresponding to 23/10/2022G). The Trading Period will end on Sunday 05/04/1444H (corresponding 30/10/2022G), while the Subscription Period will continue until the end of the day on Wednesday 08/04/1444H (corresponding 02/11/2022G). It is worth noting that the trading hours for the rights issue start from ten o'clock (10:00) in the morning until three o'clock (3:00) in the evening, while the hours of subscription for the rights issue start from ten (10:00) a.m. until (2:00) p.m.
3. The Rump Offering Period: it starts from 10:00 a.m. on Monday 13/04/1444H (corresponding 07/11/2022G) until the following day at 5:00 p.m. on Tuesday 14/04/1444H (corresponding 08/11/2022G). 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 first, then to the next one, provided that 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 Rights holders 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 no later than Tuesday 21/04/1444H (corresponding to 15/11/2022G).
5. Trading of the New Shares on the Exchange: Trading in the new shares will start on Tadawul upon the completion of all procedures relating to the registration, and allocation 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 Company (Tadawul) to accept its listing.

13-5 Allocations and Refund

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 Period. 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 Tuesday 05/05/1444H (corresponding to 29/11/2022G). In the event that shares remain unsubscribed after that, the underwriters will purchase those new remaining shares and they will be allocated to him.

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 Tuesday 21/04/1444H (corresponding to 15/11/2022G).

Oversubscriptions (remaining proceeds from the Offering process exceeding the Offering Price) (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, if any, without any deductions, no later than Tuesday 05/05/1444H (corresponding to 29/11/2022G).

13-6 Supplementary Prospectus Offering

The Company must submit to the Authority a Supplementary Prospectus, in accordance with the requirements of the rules on the Offering of Securities and Continuing Obligations, if the Company becomes aware at any time after the date of the publication of this Prospectus and before the completion of the Offering of any of the following:

- The existence of a significant change in material matters mentioned in this Prospectus.
- Any important issues have emerged that should have been included in this Prospects.

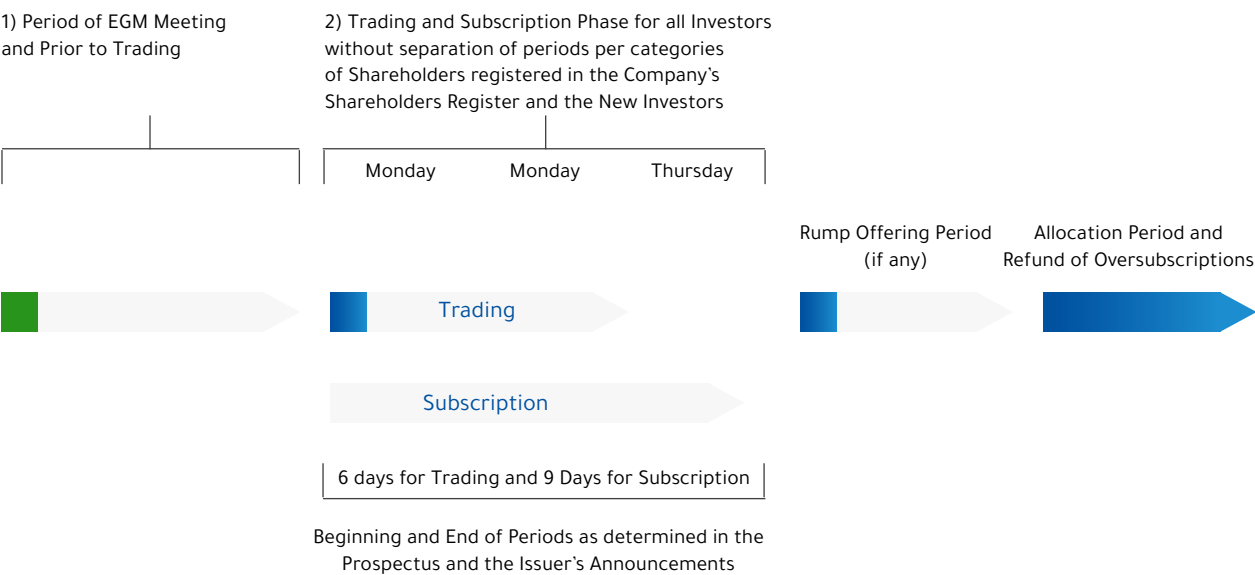
The investor who subscribed for the New Shares prior to the publication of the Supplementary Prospectus may cancel or amend his subscription for these shares before the end of the Offering Period.

13-7 Suspension or cancellation of the Offering

The Financial Market Authority may at any time issue a decision to suspend the Offering if it deems that the Offering may result in a breach of the Capital Market Law, its Implementing Regulations, or the market rules, or if the Offering is cancelled if the Extraordinary General Assembly does not approve any of the details of the Offering.

The following figure shows the revised mechanism of trading and subscribing tradable Rights:

Figure No. (3): The revised mechanism of trading and subscribing tradable Rights



13-8 FAQs about the developed way of Trading Rights

What is a Rights Issue?

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

To whom Rights are granted?

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

When are the Rights deposited?

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

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

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

How many Rights can be acquired by a Registered Shareholder?

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

What is the Rights Issue eligibility factor?

It is the ratio that permits the Registered Shareholders to know how many Rights they are entitled to in relation to the Shares that they already owned on the second trading day after the EGM. This factor is calculated by dividing the number of new shares by the number of the current shares of the Company. Therefore, the eligibility factor is approximately (0.755) right for each one (1) share owned by the registered shareholder on the Eligibility Date. Accordingly, if a registered shareholder owns one thousand (1,000) shares on the Eligibility Date, he/she will be allocated seven hundred and seventy-five (755) rights in exchange for the shares he/she owns.

Will the name and symbol of these rights differ from the name and symbol of the Company's shares?

Yes, the acquired Right will be added to the Investor's Portfolio under the name of the original stock, with the addition of the word Rights, in addition to a new symbol for these Rights.

What is the Right value upon commencement of trading?

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

Who is the Registered Shareholder?

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

Can Registered Shareholders subscribe for additional shares?

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

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

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

How does the subscription take place?

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

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

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

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

The Rights will be deposited in the same portfolio where the shares of the Company connected to the Rights are deposited. Example: If a shareholder holds one thousand (1,000) shares in the Company as follows: eight (800) shares in portfolio (a) and two hundred (200) shares in portfolio (b), then the total Rights which will be deposited seven hundred and fifty-five (755) Rights as each share is eligible for approximately (0.755) Right. Therefore, six hundred four (604) Rights will be deposited in portfolio (a) and one hundred fifty-one (151) Rights will be deposited in portfolio (b).

Are share certificate holders allowed to subscribe and trade?

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

Are additional Rights purchasers entitled to trade them once again?

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

Is it possible to sell a part of these Rights?

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

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

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

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

No, that is not possible. After the expiry of the Trading Period, holder of the Rights may only exercise the right to subscribe for the Rights or not. In case the Right is not exercised, the investor may be subject to loss or decrease in the value of his investment portfolio.

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

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

Who has the right to attend the Company's Extraordinary General Assembly and vote on increasing the Share Capital through a rights issue?

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

When is the share price adjusted as a result of increasing the Company's Share Capital through a rights issue?

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

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

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

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

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

What are Trading and Subscription periods?

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

Is it possible to subscribe during the weekend?

No, that is not possible.

Can non-registered shareholders on the day of the EGM subscribe for the Rights?

Yes, they can subscribe for the Rights after purchase of Rights during the Trading Period.

Additional Assistance

In case of any inquiries, please contact the Company at the e-mail: IR.Inquires@saudipaper.com. For legal reasons, the Company will only be able to provide the information contained in this Prospectus and will not be able to advise on the merits of the rights issue or even provide financial, tax, legal or investment advice.

For more information on the terms and conditions of the subscription, please see Section (13) “**Subscription Terms and Conditions**” and the rest of the information contained in this Prospectus.

13-9 Decisions and approvals according to which shares will be offered

In its resolution dated 12/03/1443H (corresponding to 18/10/2021G), the Company's Board of Directors recommended increasing the Company's capital by offering rights at a value of one hundred and forty-five million (145,000,000) Saudi riyals, after obtaining all the necessary regulatory approvals and the approval of the EGM.

On Monday 21/03/1444H (corresponding to 17/10/2022G), the Company's EGM approved to increase in the Company's capital through a Rights Issue (“**subscription**”). The Subscription consists of offering fourteen million five hundred thousand (14,500,000) new ordinary shares at an Offer Price of (10) ten Saudi riyals per share, with a nominal value of (10) ten Saudi riyals per share, in order to increase the Company's capital from one hundred and ninety-two million (192,000,000) Saudi riyals to three hundred and thirty-seven million (337,000,000) Saudi riyals.

The Saudi Tadawul Company (Tadawul) approved the request to list the new shares on 07/12/1443H (corresponding to 06/07/2022G). It was also approved to publish this Prospectus and all supporting documents requested by the Authority on the date of its announcement on the Authority's website on 19/02/1444H (corresponding to 15/09/2022G).

13-10 Miscellaneous items

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated herein. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, clauses, and any receipt of subscription application forms or contracts arising therefrom shall be subject to the Kingdom's regulations and shall be construed in accordance with them. This Prospectus may be distributed in both Arabic and English, and in the event of a conflict between the Arabic text and the English text, the Arabic text of the Prospectus shall prevail.

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.



14.

**Change in share price due to capital
increase**

14- Change in share price due to capital increase

The closing price of the Company's share on the day of EGM is (48.05) Saudi Riyals, and it is expected to reach (31.70) Saudi Riyals at the opening of the following day. This change represents a decrease of (34.07%).

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.

Covenants relating to the Subscription

15- Covenants relating to the Subscription

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 Broker 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. Only approval is given to subscribe to the number of entitled New Shares according to the Rights existing in the investment portfolio.

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 Process

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 Period. 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 Tuesday 05/05/1444H (corresponding to 29/11/2022G). In the event that shares remain unsubscribed to, such shares will be purchased by and allocated to the underwriter.

Eligible Persons should contact the Broker through which they were subscribed to obtain any additional information. The results of the allocation will be announced no later than on Tuesday 21/04/1444H (corresponding to 15/11/2022G).

15-3 Saudi Stock Exchange (Tadawul)

Tadawul system was established in 2001G as an alternative system for the electronic securities information system. The electronic stock trading started in the Kingdom in 1990G. The trading process is carried out through an integrated electronic system from the execution of the transaction to the settlement. Trading is conducted on each business day, 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 on the Saudi Stock Exchange and a request has been submitted to the Saudi Stock Exchange (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 Saudi Stock Exchange (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

16- Documents Available for Inspection

The following documents will be available for inspection at the Company's head office located in Dammam, during official working hours (from 7:30 a.m. to 3:30 p.m.) 14 days before the date of the Extraordinary General Assembly of the capital increase, and these documents will remain available for inspection until the end of the Offering:

Documents related to incorporation and Articles of Association:

- Commercial Registration.
- Company Bylaws.
- Articles of Association.

Approvals related to the Offering:

- Board of Directors' decision recommending the increase of capital.
- Capital Market Authority's approval on the Offering of Rights.
- Approval of the Saudi Tadawul Company (Tadawul) to list the rights issue shares.

Reports, letters, and documents:

- licenses to operate the Company's factories.
- Underwriters Agreement and the Lead Manager Agreement.
- Written consents by the Financial Advisor, Lead Manager, Underwriters, Legal Advisor and Auditors to use their names, logos and statements in the Prospectus.
- Written consents by the Auditors to use their name and logo within the Prospectus.



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