

Annual Report of the Board of Directors of Nahdi Medical Company - 2021

The Board of Directors of Nahdi Medical Company is pleased to present to the honorable shareholders its annual report, accompanied by the audited financial statements for the financial year ending on 31/12/2021 AD, and the auditor's report on the company's financial results, and including the most important developments, results, operating activities, and goals achieved during this year.

Based on the Board of Directors' keenness to comply with the Corporate Governance Regulations issued by the Capital Market Authority and the disclosure and transparency requirements of the registration and listing rules, this report has been drafted to be compatible with the laws and regulations. **According to the Corporate Governance Regulations, this report is divided into several sections, as follows:**

First: Names of Board members, committee members, and Executive Management members, along with their current and previous jobs, qualifications and experience.

- **Classification of the Board of Directors and the names of the members.**

The table below shows the members of the Board of Directors of Nahdi Medical Company

#	Members of the Board of Directors	Title	Qualification
1	Mr. Saleh Salem Ahmed Bin Mahfouz	Chairman of the Board Directors	Holds a bachelor's degree in Civil Engineering from University Petroleum and Minerals
2	Mr. Abdullah Amer Abdullah Al Nahdi	Vice Chairman	Holds Bachelor of Business Administration from King Abdulaziz University
3	Mr. Abdelelah Salem Ahmed Bin Mahfouz	Board Member	Holds Bachelor of Business Administration from Ohio State University
4	Mr. Yasser Ghulam Abdul Aziz Joharji	Board Member and Chief Executive Officer	Holds a bachelor's degree in Industrial Engineering from King Saud University
5	Mr. Junaid Ezmat Bajwa	Board Member	Holds a Master of Business Administration From Imperial College of Business
6	Mr. Roman Fogg	Board Member	Holds a master's degree in Economics and Commerce from the University of Paris

7	Mr. Abdulatif Ali Abdulatif Al-Seif	Board Member	Holds a Master of Business Administration from Boston University
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- **Classification of committees and names of their members**

Members of the Nomination and Remuneration Committee			
#	Name	Title	Qualification
1	Junaid Ezmat Bajwa	Chairman of the Committee	Holds an MBA from Imperial College of Business
2	Tariq Hussein Raqaban	Member	Holds an MA in Workforce Studies from the University of Westminster
3	Walid Ahmed Bahamdan	Member	Holds a Bachelor of Science in Electrical Engineering from Purdue University
Audit Committee Members			
#	Name	Title	Qualification
1	Abdulatif bin Ali Al-Seif	Chairman of the Committee	Holds an MBA from Boston University
2	Wael Kamal Eid	Member	Holds a PhD in Risk Management from Durham University
3	Abu Bakr Ali Ba Jaber	Member	Holds a PhD in Financial Management and Accounting from the University of Strathclyde
Members of the Digital Transformation and Cyber Security Committee			
#	Name	Title	Qualification
1	Romain Voog	Chairman of the Committee	Holds a master's degree in Economics and Commerce from the University of Paris
2	Junaid Ezmat Bajwa	Member	Holds an MBA from Imperial College of Business

- **Classification of the names of the members of the Executive Management**

Executive Management Members			
#	Name	Title	Qualification
1	Mr. Yasser Joharji	Chief Executive Officer	Holds a bachelor's degree in Industrial Engineering from King Saud University
2	Mr. Zuhair Aytah	Chief Network Development Officer	Holds a Bachelor of Science from King Abdulaziz University
3	Mr. Samer Bokharee	Chief Human Resources Officer	Holds a master's degree in Information Systems from George Mason University
4	Mr. Raed Monagel	Chief Supply Chain and Business Support Officer	Holds bachelor's degree in Industrial Engineering from King Abdulaziz University
5	Mr. Muhammad Al-Khubani	Chief Financial Officer	Bachelor's degree from King Fahd University of Petroleum and Minerals
6	Mr. Khalid Tadlaoui	Chief IT Officer	Holds a PhD in Computer Science from the National Institute of Applied Sciences for Science and Engineering
7	Mr. Karim Dimitri	Chief Commercial Officer	Holds master's degree in Business Administration from the American University of Beirut
8	Mr. Hossam Khattab	Chief Operation Officer	Holds master's degree in Executive Management from the Arab University of Science and Technology
9	Mr. Hani Ismail	Chief Marketing and Strategy Officer	Holds bachelor's degree in Electrical Engineering from King Abdulaziz University

Second: Names of companies inside or outside the Kingdom in which a member of the Company's Board of Directors is a member of its current and/or previous boards of directors or one of its managers.

Saleh Salem Ahmed Bin Mahfouz		
#	Name of the company	Title
1	Saudi Economic and Development Holding Company SEDCO	Chairman of the Board of Directors
2	Red Sea Markets Company	Chairman of the Board of Directors
3	Al Mahmal Development Company	Chairman of the Board of Directors
4	Al Mahmal Facilities Services Company	Chairman of the Board of Directors
5	Al Khomasiah International Real Estate Development Company	Member of the Board of Directors
6	Al-Balad Al-Ameen Company	Member of the Board of Directors
7	Yanbu Saudi Kuwaiti Paper Products Company	Member of the Board of Directors
8	Elaf Travel and Tourism Company	Member of the Board of Directors
9	Yanbu Cement Company	Member of the Board of Directors
10	Saudi Economic and Development Holding Company	Chairman of the Executive Committee
Abdullah Amer Abdullah Al Nahdi		
#	Name of the company	Title
1	Nahdi Transportation Company	Chairman of the Board of Directors
2	King Salman Center for Disability Research	Member of the Board of Directors
3	Endowments of King Abdulaziz University	Member of the Board of Directors
Abdelelah Bin Salem Ahmed Bin Mahfouz		
#	Name of the company	Title
1	Saudi Economic and Development Holding Company SEDCO	Member of the Board of Directors
2	Saudi Economic and Development Holding Company SEDCO	Vice Chairman
3	Mithaq Holding Company	Chairman of the Board of Directors
4	Salem Bin Mahfouz National Foundation	Vice Chairman
5	Al Mehwar Investment Holding Company	Chairman of the Board of Directors
6	SEDCO Division" Financial Investment Group"	Director-General
7	SEDCO Capital Company	Chairman of the Board of Directors
Romain Voog		

#	Name of the company	Title
1	O-L-X Group	Chief Executive Officer
2	OLX BV Group	Member of the Board of Directors
3	OLX Global B.V. Group	Member of the Board of Directors
4	OLX India BV Group	Member of the Board of Directors
5	Airbnb Inc.	Vice President of Operations, Sales and Global Geography
6	Global Fashion Group (Xetra, GFG.DE)	Chief Executive Officer
7	Amazon France	President and General Manager
8	Amazon France	Director
9	Carrefour	Director
Yasser bin Ghulam Joharji		
#	Name of the company	Title
1	Nahdi Medical Company	Chief Executive Officer
2	Saudi Unilever Company	General Director
3	Unilever Arabia Company	Marketing General Manager
4	Savola Group Company	Brand Manager
Junaid Ezmat Bajwa		
#	Name of the company	Title
1	Microsoft Corporation	Head of Medical Sciences
2	Medicines and Healthcare Products Regulatory Agency	Board member
3	Nuffield Health Foundation	Board member
4	University College London	Board member
5	Medica Group	Board member
6	University College London Charitable	Board member
7	Essential Guide UK Limited	Board member
8	MSD Health Services Company	Medical Executive Director
Abdulatif bin Ali Al-Seif		
#	Name of the company	Title
1	Sabeen Investment Company	Managing and Executive Director

2	Abdullah Al Othaim Investment Company	Member of the Board of Directors
3	Nahdi Medical Company	Member of the Board of Directors
4	Al Rajhi Bank	Member of the Board of Directors
5	Wisayah Global Investment Company	Member of the Board of Directors
6	National Petrochemical Company	Member of the Board of Directors
7	Arabian Cement Company	Member of the Board of Directors
8	Arabian Internet and Communications Services Company	Member of the Board of Directors
9	Riva Investment Company	Member of the Board of Directors

Third: Composition of the Board of Directors and classification of its members as follows: Executive Board Member - Non-Executive Board Member - Independent Board Member.

- **Classification of Board members**

The table below shows the classification of the members of the Board of Directors of Nahdi Medical Company

#	Members of the Board of Directors	Position	Title
1	Mr. Saleh Salem Ahmed Bin Mahfouz	Non-Executive - Non-Independent	Chairman of the Board of Directors
2	Mr. Abdullah Amer Abdullah Al Nahdi	Non-Executive - Non-independent	Vice Chairman
3	Mr. Abdelelah Salem Ahmed Bin Mahfouz	Non-Executive - Non-Independent	Board Member
4	Mr. Yasser Ghulam Abdul Aziz Joharji	Executive - Non Independent	Board Member and CEO
5	Mr. Junaid Ezmat Bajwa	Non-Executive – Independent	Board Member
6	Mr. Roman Fogg	Non-Executive – Independent	Board Member
7	Mr. Abdulatif Ali Abdulatif Al-Seif	Non-Executive – Independent	Board Member

Fourth: A brief description of the terms of reference and its tasks (the Audit Committee, the Nomination Committee and the Remuneration Committee), indicating the names of

the committees, their chairmen and members, the number of their meetings, the date of their convening, and the members’ attendance data for each meeting..

1- Nomination and Remuneration Committee

The main task of the Nomination and Remuneration Committee is to define the policies and procedures related to the nomination of members of the Board of Directors and its committees and members of the Executive Team, in addition to defining the policies and procedures related to compensation. The scope of the Committee's work includes carrying out all the work that enables it to achieve its tasks.

Members of the Nomination and Remuneration Committee

Number	Name	Title
1	Junaid Ezmat Bajwa	Chairman of the Committee
2	Tariq Hussein Raqaban	Member
3	Walid Ahmed Bahamdan	Member

2- Review Committee

The existence of an effective internal control system is one of the responsibilities entrusted to the Board of Directors, and the main task of the Audit Committee is to verify the adequacy of the internal control system and its effective implementation, and to make any recommendations to the Board of Directors that would activate and develop the system in order to achieve the objectives of the Company. The Committee is also responsible for adopting policies and procedures and reviewing risk assessment activities and plans to reduce the impact of those risks before presenting to the Board of Directors. The Committee is also responsible for confirming compliance with the Company’s Corporate Governance Rules and practices issued by the Capital Market Authority and the Company’s Corporate Governance Guide.

Audit Committee Members

Number	Name	Title
1	Abdulatif bin Ali Al-Seif	Chairman of the Committee
2	Wael Kamal Eid	Member
3	Abu Bakr Ali Omar Bajaber	Member

3- . Digital Transformation and Cyber Security Committee

The Digital Transformation and Cyber Security Committee assists the Board in achieving the digital transformation of the Company. The Committee's primary responsibility is to advise the Board of Directors as the Company continues to adapt and grow effectively in the face of the digital age.

The Digital Transformation and Cyber Security Committee reports to the Board of Directors and represents it in reviewing the comprehensive digital transformation strategy and recommending its updating, taking into account the strategic direction of the Company.

Members of the Digital Transformation and Cyber Security Committee

Number	Name	Title
1	Romain Voog	Chairman of the Committee
2	Junaid Ezmat Bajwa	Member

Fifth: Disclosing the remunerations of the members of the Board of Directors and executives management in accordance with what is stipulated in Article Ninety-Three of governance Regulation.

The Company relied, in the Corporate Governance Rules approved by the General Assembly, to allocate remuneration to members of the Board of Directors and committees, guided and compliant with the corporate system and the relevant regulations and rules in addition to the Company's Bylaws. The following is a statement of the remunerations of the members of the Board of Directors and the remunerations of members of the committees, and also five from the executive's management included the CEO and CFO.

Expense Allowance / for every meeting	Annual bonus	Title	Board of Directors
			Non-Executive Members
None	500,000	Chairman of the Board of Directors	Mr. Saleh Bin Salem Ahmed Bin Mahfouz
None	500,000	Vice Chairman	Mr. Abdullah Amer Abdullah Al Nahdi
None	500,000	Board Member	Mr. Abdelelah Salem Ahmed bin Mahfouz
			Executive Members
None	500,000	Board Member and CEO	Mr. Yasser Ghulam Abdul Aziz Joharji
			Independent Members
None	500,000	Board Member	Mr. Junaid Ezmat Bajwa
None	500,000	Board Member	Mr. Roman Fogg
None	500,000	Board Member	Mr. Abdulatif Ali Abdulatif Al-Seif

Expense allowance / per meeting	Annual bonus	Title	Committee Members
			Review Committee
5,000	125,000	Chairman of the Committee	Abdulatif bin Ali Al-Seif
5,000	125,000	Member	Wael Kamal Eid
5,000	125,000	Member	Abu Bakr Ali Omar Bajaber
			Nomination and Remuneration Committee
5,000	100,000	Chairman of the Committee	Junaid Ezmat Bajwa
5,000	100,000	Member	Tariq Hussein Raqaban
5,000	100,000	Member	Walid Ahmed Bahamdan
			Digital Transformation and Cyber Security Committee
5,000	100,000	Chairman of the Committee	Romain Voog
5,000	100,000	Member	Junaid Ezmat Bajwa
Annual Bonus			Executives Management
SR: 27,277,071			(5) Executives Management

Sixth: The results of the annual review of the effectiveness of the Company's internal control procedures, in addition to the Audit Committee's opinion on the efficiency of the Company's internal control system.

The audit reports referred to above did not show a fundamental weakness in the Company's internal control system with regard to financial reports, as most of the observations are mainly in the areas of improving performance, activating the work of departments and sections, raising their efficiency and completing documentation of their procedures with the aim of adding more strength to the control system and exploiting the available resources.

Based on all of the above, and bearing in mind that the objectives of the internal control system are:

- Ensuring that the account records have been properly prepared and increasing the accuracy and confidence in the accounting data.
- Asset and property protection.
- Maintain integrity in transactions.
- Increasing the efficiency of the performance of the Company and the efficient exploitation of its available capabilities.
- Compliance with various laws, regulations and contracts.

The Audit Committee considers that the objectives of the internal control system with regard to financial reports as stipulated in Nahdi Medical Company have been achieved to a reasonable extent. The Committee also considers that the management position of the Company in general regarding internal control is positive, as the majority of activities are governed by written policies and procedures, and management reacts positively towards the recommended policies or improvements. Also, there was no conflict between the recommendations and decisions of the Audit Committee with the Board of Directors during the year.

We also note that it is not possible to absolutely confirm the comprehensiveness of the examinations and evaluations that are conducted for the internal control procedures, because the audit process is in essence based on random sampling, in addition to the diversity of the operations of the Company. Therefore, improvement and development efforts are continuing by the Committee and the supervisory departments within the system of the three lines of defence for governance to ensure effectiveness and efficiency in the mechanism of follow-up and improvement of internal control processes and procedures.

Seventh: The Audit Committee's recommendation to appoint an external auditor.

The Committee has studied the offers submitted by a number of auditing companies approved for annual auditing for the fiscal year ending on December 31, 2021 and made a recommendation to the Board of Directors to change the auditors and recommend this to the General Assembly, as part of the tasks entrusted to the Committee in recommending to the Board of Directors the appointment or reappointment of auditors Isolate them, determine their fees and evaluate their performance.

Eighth: Details of the social contributions of the Company, if any.

The Company has taken the initiative to assume its social responsibilities towards all segments of society, and has taken constructive steps to deliver medical and pharmacological services to all, through the following initiatives:

1. **Health Responsibility:** It is represented by a group of convoys of hope that provides consultations and medicines to people with chronic diseases in remote and needy areas, where medical care is not accessible at the national level with charitable medical partners.

2. **Wellness Responsibility:** Its goal is to promote a healthier lifestyle to prevent the risks of an unhealthy lifestyle that leads to chronic diseases and maintain community health through the “Wazen Hayatak” programme and through partnerships such as Sports for All (Ministry of Sports).

3. **Responsibility of the mother and child:** This is by creating education and empowerment tools to help parents raise a happy and healthy generation based on our local identity, principles and culture, via the parenting platform.

Ninth: A statement of the dates of the General Assemblies of shareholders held during the last fiscal year and the names of the members of the Board of Directors attending these Assemblies.

The Company held three shareholders’ Assemblies, including the Transformational Assembly, according to which the Company was converted from a limited liability company to a closed joint-stock company. The following is a statement of the Assemblies and the attendance details:

Transformational Assembly on 04-10-2021		
#	Shareholder's name	Represented by
1	Saudi Economic and Development Holding Company SEDCO	Saleh Bin Salem Bin Mahfouz
2	Nahdi Holding Company	Abdullah Bin Amer Bin Abdullah Al Nahdi
General Assembly on 03-11-2021		
#	Shareholder's name	Represented by
1	Saudi Economic and Development Holding Company SEDCO	Saleh Bin Salem Bin Mahfouz
2	Nahdi Holding Company	Abdullah Bin Amer Bin Abdullah Al Nahdi
Extraordinary General Assembly on 20-12-2021		
#	Shareholder's name	Represented by
1	Saudi Economic and Development Holding Company SEDCO	Saleh Bin Salem Bin Mahfouz
2	Nahdi Holding Company	Abdullah Bin Amer Bin Abdullah Al Nahdi

Tenth: A description of the main activity types of the Company and its subsidiaries, and if two or more types of activities are described, a statement shall be attached to each activity and its impact on the Company’s business volume and its contribution to the results.

The Company practises a group of medical and pharmaceutical activities in general, according to what is stated in the main activities in the Company's Bylaws and the articles of association of its subsidiaries, which are as follows:

#	Affiliate	Commercial Registration No	The main activity of the company
1	Nahdi Medical Compa (closed shareholding)	4030053868	Wholesale of medical devices and equipment, pharmacy activities, activities of pharmaceuticals warehouses, retail of medical devices, equipment and supplies.
2	Nahdi Care Co. Ltd.	4030158847	Construction, education, information and communication, real estate activities, administrative and support services activities, human health and social work activities, public administration, compulsory defence and social security, water supply and sanitation activities, waste management and treatment.
3	Sakhaa Golden for Contracting and Trading Co. LTD	4030163145	Wholesale and retail trade, human health and social work activities, construction, transport and storage, accommodation and service activities, information and communication Real estate activities Professional, scientific and technical activities, administrative services activities. Support services, education, manufacturing, agriculture, forestry and fishing.
4	Nahdi Investment Company LLC (Dubai)	1384313	Investing in, establishing and managing health and commercial projects.

Eleventh: A description of the significant plans of and decisions of the Company (including structural changes to the Company, expansion of its business, or

discontinuation of its operations) and future prospects for the business of the Company.

- **Company strategy**

Three and a half decades of experience in the pharmacy industry has resulted in an even greater understanding by the Company of all the needs of its guests. As a result of this experience, the Company provides innovative health solutions and services to its guests, wherever they are and whenever they need them, according to the highest levels of quality and excellence, and in a sustainable manner to exceed their expectations. Since its establishment, Nahdi Medical Company has been following a continuous innovation approach that is compatible with health strategies and initiatives in the Kingdom of Saudi Arabia, placing its guests always as a primary focus of its interest and initiatives that enhance the health of the individual and society. Today, Nahdi Company leads the first chain of pharmacies in the Kingdom of Saudi Arabia, and seeks, in the next stage, to enhance its services, continue to provide a distinctive shopping experience that exceeds the expectations of its guests and to maintain its leading position in the market, by taking advantage of the distinguished position of its brand and the ease of access to its pharmacies so that they are closer to its guests than ever. It is driven in these strategic aspirations by positive expectations for the growth of the retail pharmacy market in the Kingdom for the coming period. The retail market in pharmacies in which Nahdi operates is expected to grow at a compound annual growth rate of 4.3% during the period from 2020 AD to 2026 AD, reaching a total value of 37.6 billion SAR in 2026 AD.

The company has identified four strategic directions in order to achieve its growth objectives:

- Strengthening the pharmaceutical services sector
- Expand Omni-Channel's Multiple Retail Channels
- Building and developing the integrated health services system Omni-Health
- Develop core capabilities to support corporate strategy

- **Strengthening the pharmaceutical services sector**

The Company has achieved rapid growth during the past decade based primarily on its knowledge of the needs and aspirations of its guests. The Company offers a range of integrated health products and services to its guests through a wide network of points of sale consisting of more than 1,150 pharmacies, in addition to managing 3 distribution centres throughout the Kingdom, which enabled its guests to reach points of sale in the shortest possible time in addition to delivery of services within record time. The company's strategy is to provide services and products according to the aspirations and desires of its guests, which give them a distinctive shopping experience, and to give priority to the development of new categories of products that provide health solutions to guests. In addition, Nahdi continues to expand its own brands

and direct import products, to ensure the provision of products with more choices for guests with high quality and at competitive prices.

- **Expand Omni-Channel's multiple retail channels**

To ensure a unique experience for its guests across all points of sale, the Company applies the concept of guest focus as its main focus, in addition to its bold innovations and creative solutions. The Company has had significant success in migrating to (Omni-Channel), and is today in the process of expanding its sales channels into the more guest-focused Omni-Channel system. The Company is expanding its presence through digital channels and seeks to be the first in providing a seamless experience for guests and providing a distinctive assortment of products and services. The Company will focus on redistributing neighborhood pharmacies and expanding into central and premium pharmacies that work with some smart equipment as logistical support platforms for the comprehensive sales channel system. The Company also continues to open additional pharmacies in the United Arab Emirates in shopping centers and various neighborhoods, in addition to digital expansion and comprehensive sales channels, with a significant increase in this number in the medium term. Finally, the Company aims to improve digital shopping, product pick-up and home delivery services to increase the loyalty and care of its guests, strengthen ties with them, and add more value to their shopping experience.

- **Building and developing the health services system Omni-Health**

The integrated health services system is concerned with providing an integrated health care system for the guests of the Company, starting from the provision of pharmaceutical products to the provision of special care services. The Company aims to develop this system to be centered around the guest, as it is characterised by unique factors that achieve this goal by using the locations of its pharmacies as an integrated health services system that takes care of its guests very smoothly. The services of the Company to guests take care of all phases of their own experience. It aims to significantly grow the beneficiaries of these services in the medium term by investing in the growth of the network of primary care centres through Nahdi Express clinics, increasing the number of complexes of medical clinics, laboratories and home healthcare services, in addition to developing remote medical consultation services.

- **Develop core capabilities to support corporate strategy**

The Company is working to enhance its capabilities in the basic and required areas to ensure the implementation and management of its strategy by enhancing technical capabilities and supply chains, attracting and retaining the best talent, and building strategic partnerships with various relevant authorities in the public and private sectors in line with the Kingdom's future vision.

Twelfth: Information related to any risks faced by the Company (whether they are operational risks, financing risks, or market risks) and the policy for managing and controlling these risks.

The risk is managed in Nahdi by senior management in accordance with policies accredited by the Board of Directors, where the management identifies and assessing risks, and is through close cooperation between the Company's departments, and evaluating the possibilities and appreciation of what may be taken from and then necessary measures to reduce and avoid these risks and contain them as much as possible to avoid any damages they may cause if they occur.

There are many risks associated with the activities of the Company, including:

Economic risks:

The risks to which the economy in general is exposed, whether inside or outside the Kingdom, which would have an impact on spending for individuals and institutions, and what would have an impact on suppliers and manufacturers.

Strategic risks:

Not being aware of the economic variables, taking the wrong strategic decisions, or applying the strategies wrongly. Nahdi is keen to be aware of the economic variables through studying the market and the economic situation and seeking the assistance of the distinct experts to avoid any strategic risks.

Operational risks:

All the errors and deficiencies facing operational operations, and the ability to work in a competitive environment, and these risks include:

1- Credit risk:

It is the inability of one party to a financial instrument to meet its obligations, which leads to the other party incurring a financial loss. In order to avoid credit risk, cash is deposited with banks with a high credit rate and recording receivables after deducting the provision for doubtful debts.

2- Liquidity risk:

It is the risk of difficulty in securing the necessary liquidity to meet its obligations. Liquidity risk is managed by ensuring periodically that sufficient liquidity is available to meet any future obligations.

3- Human Resources Risks:

The ability to attract and maintain qualified and distinguished human cadres, and Nahdi continuously recruits and trains national cadres, and develops an incentive bonus to support the continuity and efficiency of its employees.

4- Legal risks:

Risks related to legislative and legal changes in the Kingdom or the countries in which Nahdi operates, whether from taxes or labour laws and others.

5- Technology risks:

Operational risks associated with technical software in the event of a technical defect, Nahdi continues to develop and support its technical programmes and alternative technical infrastructure.

The management of the Company monitors and evaluates all these risks and deals with them on an ongoing basis by following them up periodically and submitting them to the Board of Directors, which in turn takes the necessary decisions to reduce their impact to an acceptable level.

Thirteenth: A summary in the form of a table or a graph of the assets of the Company, liabilities and results of its operations in the last four fiscal years.

Consolidated statement of financial position for the last four years

Millions of Saudi Riyals	As on December 31, 2018 AD Review	As on December 31, 2019 AD Review	As on December 31, 2020 AD Review	As on December 31, 2021 AD Review
Assets				
Non-current assets	827	2,187	2,239	2,488
Current assets	1,862	1,999	2,427	1,799
Total assets	2,689	4,186	4,666	4,287
Rights and liabilities of Partners				
Rights of Partners				
Total Equity	1,679	1,784	2,079	1,604
Liabilities				
Non-current liabilities	144	1,164	1,173	1,397
Current liabilities	866	1,238	1,414	1,286
Total Liabilities	1,010	2,402	2,587	2,683
Total Liabilities and Equity	2,689	4,186	4,666	4,287

Consolidated statement of profit or loss and other comprehensive income for the last four years

Millions of Saudi Riyals	As on December 31, 2018 AD Review	As on December 31, 2019 AD Review	As on December 31, 2020 AD Review	As on December 31, 2021 AD Review
Sales/Revenue	7,350	7,825	8,642	8,066
Gross profit	2,074	2,464	3,250	3,305
Operating profit	646	814	959	920
Net profit after zakat and tax	611	692	849	813
Total comprehensive income	601	670	829	785

Fourteenth: Analysis of the total revenue of the Company and its subsidiaries.

Fiscal year 2021 AD (administration)	Fiscal year 2020 AD (administration)	Millions of Riyals
		Nahdi Medical Company
8,028	8,629	Total pharmacy revenue
7	8	Medical Equipment and Other Income
8,035	8,637	Total retail revenue
Fiscal year 2021 AD (administration)	Fiscal year 2020 AD (administration)	Thousands of Saudi Riyals
8,035	8,637	Revenues of Nahdi Medical Company
3	1	Revenues of Nahdi Investment Company (UAE)
32	8	Revenues of Nahdi Care Company
254	55	Revenues of Sakhaa Golden Company
(258)	(59)	Deletion and Reclassification Adjustments
8,066	8,642	The total revenue of the company

Fifteenth: A clarification of any material differences in the operating results from the results of the previous year or any expectations announced by the Company.

The year's profits decreased by 4.3% to 812.5 million SAR, compared to 849.1 million SAR in the previous year for the following reasons:

1 - Revenues: The revenues in 2021 decreased by 6.7% to 8,066.2 million SAR, with a decrease of 576.0 million SAR, compared to 8,642.2 million SAR in the previous year. The decrease is attributable to the increase in sales in 2021 due to the pandemic and the cumulative consumer behaviour impact.

2 - Gross profit: Gross profit has increased by 1.7% in 2021 to 3,304.7 million SAR, with an increase of 55.0 million SAR, compared to 3,249.7 million SAR in the previous year. The gross profit margin has improved by 3.4% to 41.0% of the revenues, compared to 37.6% in the previous year. The gross profit improvement was driven by the cost reclassification of the operating pharmacies from revenues cost to selling and distribution expenses +2.7%, a positive mix of products +2.4%, and the reflection allocated for inventory related to Corona items, such as masks +4.9% (reflection in the allocated as a result of a change in the sales index of personal protective products and more improvement in their sales than expected). Compared to a decrease in profits resulting from the decrease in sales -8.2%.

3 - Operational expenses: The total operational expenses in 2021 increased by 5.7% to 2,356.8 million SAR, with an increase of 132.2 million SAR, compared to 2,325.6 million SAR in the previous year. This increase in the total operational expenses is primarily due to the reclassification cost of the operating pharmacies from revenues cost to selling and distribution expenses.

4 - Net profit for the period: The profit in 2021 decreased by 4.3% to 812.5 million SAR, with a decrease of 36.6 million SAR, compared to 849.1 million SAR in the previous year, while the profit margin improved by 0.25% to 10.1%, compared to 9.8% in the previous year. The decrease in the net profit for the period is due to the decrease in revenues (as described above). The impact of the revenues decrease, and operating expenses increase, were partly offset by the positive mix of products and the reflection allocated for inventory of the personal protective products related to Corona. In addition, net profit for the period had a positive impact by the non-recurring items 60 million SAR, which were related to the reflection allocated for the operating pharmacies and other allocations, and adjustment related to IFRS No. 15 was applied for the for loyalty program benefits.

Sixteenth: A clarification of any difference in the accounting standards approved by the Saudi Organization for Chartered and Professional Accountants.

The Company confirms that the accounting standards adopted in auditing financial statements are the standards approved by the Saudi Organization for Certified Public Accountants, and there are no differences between the internally applied and those approved by the Organization.

Seventeenth: The name of each subsidiary company, its capital, the Company's ownership percentage, its main activity, the country where its operations are

located, and the country where it is incorporated (Corporate Governance Regulations Article 90)).

The Company owns full and direct ownership of three companies, inside and outside the Kingdom of Saudi Arabia, which are as follows:

#	Nahdi Care Co. Ltd.	
1	Its Capital	50,000 fifty thousand SAR
2	The percentage of the ownership by the Company	100%
3	Its main activity	Construction, education, information and communication, real estate activities, administrative and support services activities, human health and social work activities, public administration, defence and compulsory social security, water supply and sanitation activities, waste management and treatment.
4	Its main headquarters	Kingdom Saudi Arabia
5	Place of incorporation	Kingdom Saudi Arabia
#	Sakhaa Golden for Contracting and Trading Co. LTD.	
1	Its Capital	1,000,000 million SAR
2	The percentage of the ownership by the Company	100%
3	Its main activity	Wholesale and retail trade, human health and social work activities, construction, transportation and storage, accommodation and food services activities, information and communication, real estate activities, professional, scientific and technical activities, administrative and support services activities, education, manufacturing, agriculture, forestry and fishing.
4	Its main headquarters	Kingdom Saudi Arabia
5	Place of incorporation	Kingdom Saudi Arabia
#	Nahdi Investment Company LLC	

1	Its Capital	100,000 one hundred thousand Emirati Dirhams
2	The percentage of the ownership by the Company	100%
3	Its main activity	Investing in, establishing and managing health and commercial projects
4	Its main headquarters	The United Arab Emirates
5	Place of incorporation	The United Arab Emirates

Eighteenth: Details of shares and debt instruments issued for each subsidiary company.

#	Nahdi Care Co. Ltd.	
1	Number of shares	50
2	Shares details	Cash
3	Debt Instruments	None
#	Sakhaa Golden for Contracting and Trading Co. LTD	
1	Number of shares	1000
2	Shares details	Cash
3	Debt Instruments	None
#	Nahdi Investment Company LLC	
1	Number of shares	100
2	Shares details	Cash
3	Debt Instruments	None

Nineteenth: A description of the dividend policy of the Company.

- **Profit distribution**

Dividends are distributed in the Company in accordance with Article (47) of the Company's Bylaws, which states the following:

Subject to the provisions of other relevant regulations, the annual net profits of the Company shall be distributed as follows:

- (10%) of the net profits shall be set aside to form the statutory reserve of the Company, and the Ordinary General Assembly may decide to discontinue this deduction when the said reserve reaches (30%) of the paid-up capital.

- The Ordinary General Assembly, based on the proposal of the Board of Directors ,may set aside (10%) of the net profits to form a consensual reserve to be allocated for a specific purpose or purposes.
- The Ordinary General Assembly may decide to create other reserves in the amount which achieves the interest of the Company or guarantees the distribution of fixed profits as much as possible on the shareholders. The aforementioned Organization may also deduct from the net profit amounts for the establishment of social institutions for workers of the Company or to assist what already exists out of these institutions.
- Unless the shareholders decide to form other reserves or carry over the balance of profits in whole or in part for the following fiscal year, the remainder shall be distributed at a rate equivalent to (99.98%) to shareholders in cash shares, and a percentage equivalent to (0.02%) shall be distributed to the sweat equity. This applies to profits and losses alike. Save the foregoing, the right of the shareholder to work is limited to the profits resulting from the activity of pharmacies only, and he has no right to the profits resulting from any other activities that are the exclusive right of the shareholders in cash shares.
- The Company may distribute interim dividends to its shareholders, in accordance with the regulatory controls and procedures issued in implementation of the Companies Law.

Twentieth: Information related to any loans on the Company (whether they are payable on demand or otherwise), a statement of the total indebtedness of the Company and its subsidiaries, any amounts paid by the Company in repayment of loans during the year, the principal amount of the loan, the name of the donor, its duration and the remaining amount. In the absence of loans on the Company, it shall submit an acknowledgment thereof.

- **Credit facilities and loans**

- Facilities between the Saudi British Bank and Nahdi Medical Company dated 17/01/2021 AD with a total value of 259,960,000 SAR.
- Facilities, between the National Bank (National Commercial Bank) and Nahdi Medical Company, dated 11/03/2021 AD, with a total value of 100,000,000 SAR.
- A facility between Bank Al-Jazira and Nahdi Medical Company, dated 01/10/2022 AD, with a total value of 200,000,000 SAR.

Twenty-first: The number of Board meetings held during the last fiscal year, their dates, and the attendance record for each meeting, which is indicated in the names of the attendees.

On 04/10/2021 the Company was converted from a limited liability company to a closed joint-stock company, according to which the Board of Directors was established as stated in item number 1 above, the first meeting was held on 12/12/2011, and the attendance was as follows:

Board meetings		
#	Attendance Record	Date of their convening
#	The first meeting	
1	Mr. Saleh Salem Bin Mahfouz - Board Chairman	12-12-2021
2	Mr. Abdullah Amer Munif Al Nahdi – Vice-Chairman.	
3	Mr. Abdelelah Salem Ahmed bin Mahfouz - Non-Executive Member	
4	Mr. Yasser bin Ghulam bin Abdulaziz Joharji.	
5	Mr. Abdulatif bin Ali bin Abdulatif Al-Seif - Independent Member	
6	Mr. Romain Voog - Independent Member	
7	Mr. Junaid Ezmat Bajwa- Independent Member	

Twenty-second: A description of any transaction between the Company and a related party and the information related to any business or contracts to which the Company is a party, and/or in which there was an interest for a member of the Board of Directors of the Company or for its senior executives management or for any person related to any of them, including the names of those involved in the business or contracts, the nature, conditions, duration and amount of these works or contracts, and, if there are no such works or contracts, the Company shall submit an acknowledgment thereof.

• **Transactions and contracts with related parties**

The members of the Board of Directors of the Company acknowledge that all contracts with related parties described in this section do not include any preferential terms and that they have been conducted in a regular and legal manner and on appropriate and fair commercial bases. Except for what was mentioned in this section of this prospectus, the members of the Board of Directors acknowledge that the Company is not involved in any dealings, agreements, commercial relationships or real estate deals with a related party, including financial advisors and the legal advisor for the offering.

The members of the Board of Directors also agree to abide by Article Seventy-first (71) and Article Seventy-second (72) of the Companies Law and the instructions of Article Forty-six (46) of the Corporate Governance Regulations issued by the organization regarding agreements with related parties. The General Assembly has approved all transactions and contracts with related parties.

The nature of the Company transactions with related parties is represented in lease contracts, providing contracting services, engineering labour, supervision services for implementation, construction and finishing, in addition to providing administrative services.

The total value of the rents of the Company from related parties amounted to 2,050,469 SAR, 1,955,469 SAR, 1,838,457 SAR, and 915,469 SAR for the years 2018, 2019 and 2020 and for the financial period ending on June 30, 2021, respectively.

As at the date of this prospectus, all transactions and contracts with the Company's related parties are subject to official contracts.

• **Rental agreements with related parties**

The Company has entered into 6 lease agreements with related parties as shown below:

- The Company entered into a lease agreement with Red Sea Markets Co. Ltd., which is a related party, as it is indirectly owned by Mr. Saleh Salem Ahmed bin Mahfouz by 5.74%, who is a member of the Board of Directors of the Company.
- The Company entered into a lease agreement with IntimaaReal Estate Services company, a related party, as it is indirectly owned by Mr. Saleh Salem Ahmed bin Mahfouz by 11.58%, who is a member of the Board of Directors of the Company.
- The Company entered into a lease agreement with Abdullah bin Salah bin Abdullah Al Nahdi, who is a related party, as there is a kinship relationship with Mr. Abdullah Amer Abdullah Al Nahdi, who is a member of the Board of Directors of the Company.
- The Company entered into a lease agreement with Abdullah Salah Al Munif Al Nahdi, who is a related party, as there is a kinship relationship with Mr. Abdullah Amer Abdullah Al Nahdi, who is a member of the Company Board of Directors.
- The Company entered into a lease agreement with Amer bin Salah bin Abdullah Al Nahdi, who is a related party, as there is a kinship relationship with Mr. Abdullah Amer Abdullah Al Nahdi, who is a member of the Company Board of Directors.

• **Other agreements concluded with related parties**

The Company has entered into other agreements with related parties as follows:

- Car rental agreement Al-Jazira Equipment Co. Ltd. (Auto World), which is a related party, as it is indirectly owned by Mr. Saleh Salem Ahmed bin Mahfouz by 11.58%, who is a member of the Board of Directors of the Company.
- Goods transport agreement with Nahdi Transport Company, a related party, as it is owned indirectly by Mr. Abdullah Amer Al Nahdi by 90.1%, who is a member of the Board of Directors of the Company.

- The agreement of the Al Mahmal Facilities Services Company, which is indirectly owned by SEDCO Holding Company, provided that the contract term is one year, subject to renewal.

Twenty-third: A statement of the value of the regular payments paid and due for the payment of any zakat, taxes, fees or any other entitlements that have not been paid until the end of the annual financial period, with a brief description of the same and a statement of their reasons.

The Company is expected to pay zakat amounts estimated at(44,836,825) SAR, bearing in mind that this amount is an estimate by the Company's management and no official decision has been issued by the official authorities, especially since the legal procedures are still in force to assess the amounts owed to the Department of Zakat.

Twenty-fourth: Acknowledgment

Nahdi Medical Company acknowledges that the account records have been correctly prepared and that the internal control system has been prepared on a sound basis and has been effectively implemented and that there is no doubt about the ability of the Company to continue its activities.

Twenty-fifth: If the auditor's report contains reservations on the annual financial statements, the report of the Board of Directors shall clarify those reservations, their reasons and any information related thereto.

Nahdi Medical Company acknowledges that the auditor's report did not include any reservations on the annual financial statements, and no information was received from the auditor indicating the necessity of taking any order or precautionary measure in accordance with the financial statements audited by him.