DRIVEN BY OUR **PURPOSE**
INSPIRED BY OUR **GUESTS**
LED BY OUR **STRATEGY**

ANNUAL REPORT 2023

King Abdulaziz bin Abdulrahman Al Faisal Al Saud
The Founder

King Salman Bin Abdulaziz Al Saud
The Custodian of the Two Holy Mosques

Prince Muhammad Bin Salman Bin Abdulaziz Al Saud
His Royal Highness, Crown Prince and Prime Minister of the Kingdom of Saudi Arabia

CONTENTS

OVER 37 YEARS, NAHDI HAS BECOME ONE OF THE MIDDLE EAST'S LEADING PURPOSE DRIVEN HEALTHCARE BRANDS.

OUR INTEGRATED NETWORK ENCOMPASSES 1,120 PHARMACIES, A FAST-GROWING OMNIHEALTH BUSINESS, AND A STATE-OF-THE-ART DIGITAL PLATFORM.

FINANCIAL HIGHLIGHTS 2023

8,714

Revenue (SAR million)

Revenue increased 1.1%, reaching SAR 8,714 million, up from SAR 8,616 million in 2022.

16.6%

Return on Assets (percent)

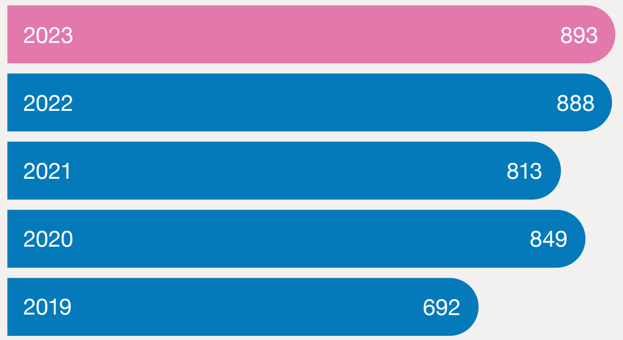
ROA for 2023 stood at 16.6%, illustrating the sustainable profitability of the business.

36.2%

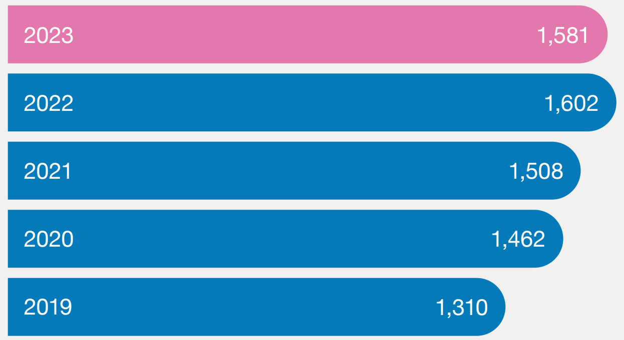
Return on Equity (percent)

ROE of 36.2% in 2023 was higher than the retail industry average.

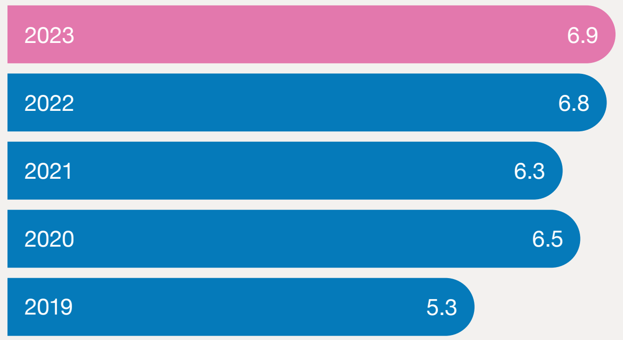
Net Profit (SAR million)



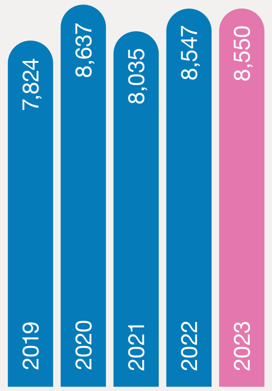
EBITDA (SAR million)



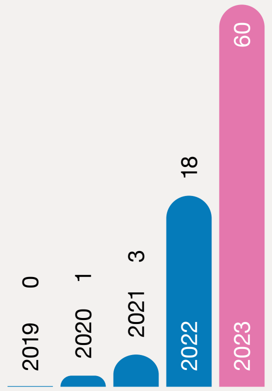
Earnings per Share (SAR)



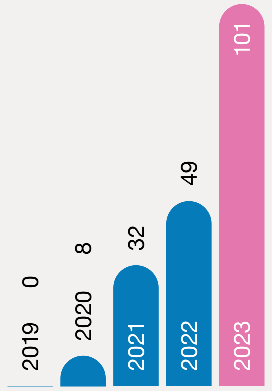
Saudi Arabia Pharmacy Revenue (SAR million)



UAE Pharmacy Revenue (SAR million)



Healthcare Revenue (SAR million)



STRATEGIC HIGHLIGHTS 2023

PHARMACY RETAIL

Strengthen our core retail offering

- Boost strategic product categories
- Enhance strong brand image and loyalty
- Grow Private Label brands and Direct Import products' contribution

7
Industry leading Nielson Brand Equity Score

+1.5mn
Increase in Nuhdeek loyalty program members

7.1%
Growth in our medicine category

13%
Revenue contribution from Private Label brands and Direct Import products

OMNICHANNEL

Expand the omnichannel retail footprint

- Extend footprint in Saudi Arabia
- Continue to expand our footprint in the UAE
- Drive omnichannel offering

74
New pharmacies opened, reaching a total of 1,120 pharmacies

236%
Revenue growth in UAE driven by the opening of eight new pharmacies

16%
Nahdi Online contribution to overall company revenue (2022: 13%)

+217%
E-pharmacist sessions doubled to 192,950

OMNIHEALTH

Evolve into a leading omnihealth platform

- Expand health services via polyclinics and home healthcare
- Further enhance Nahdi virtual medical consultation services
- Achieve break-even in the healthcare business

+3
New NahdiCare polyclinics opened (2022: 3), for the first time outside Jeddah (Makkah and Taif)

SAR140mn
Medicine prescriptions from healthcare to our pharmacies

+204%
Telemedicine sessions doubled to 564,847

STRATEGIC ENABLERS

Enable Nahdi's key strategic functions

- Enhance technology and supply chain capabilities
- Attract and retain top talents
- Expand strategic partnerships

2nd
Great Place to Work in Saudi Arabia, and one of the top workplaces for Saudi nationals

91%
New hires who were Saudi nationals

212mn
Units delivered to our Guests and stores regionally, ensuring 94.3% shelf availability

AWARDS AND RECOGNITION 2023

Ranked 2nd in Healthcare across 22 countries
Fortune 500 Arabia

One the 10 most trusted organizations, Saudi Arabia
IPSOS index

One of the 10 most valuable Saudi brands
Kantar index

Most Admired Retailer of the Year, Pharmacy and Healthcare category, KSA and GCC Region
RetailME Awards

Most Admired Store Design of the Year, KSA
RetailME Awards

Fourth most downloaded healthcare app, KSA
Communications, Space & Technology Commission

Nahdi's CEO ranked 14th in Middle East's Top 100 Healthcare Leaders
Forbes Middle East

HR Strategy of the Year 2023
Le Fonti Awards

Employer of the Year Award 2023
HRSE KSA Awards

One of the Best Workplaces for Saudi Nationals
Great Place to Work

Iron Award in the Advertising, Marketing and Communication Design category
A'Design Award

3rd Best Annual Report, Print Category
MEIRA

CHAIRMAN'S STATEMENT

WITH OUR UNIQUE OMNIHEALTH OFFERING – NAHDICARE POLYCLINICS, VIRTUAL CONSULTATIONS, AND HOME HEALTHCARE – WE HAVE ELEVATED THE DELIVERY OF HEALTHCARE TO LEVELS THAT WERE UNIMAGINABLE JUST A FEW YEARS AGO.

Saleh Salem Ahmed Bin Mahfouz
Chairman

In reflecting on our contribution over the last 37 years, Nahdi has provided access to health and wellbeing services and products to millions of Saudi citizens. We are firmly part of the Kingdom's fabric as a trusted healthcare partner.

This strong relationship also reflects Nahdi's commitment to delivering on the Health Sector Transformation Program, a crucial Vision 2030 initiative, and the active role we have in contributing to the quality of life of people living in Saudi Arabia. The goals of transforming the sector are to provide greater value, reduce pressure on the public healthcare system, and increase access to healthcare services.

The outcome of our long-term investment in building the Kingdom's largest retail network is that 97% of the population now has ready access to a Nahdi pharmacy. And with our unique omnihealth offering – NahdiCare polyclinics, virtual consultations, and home healthcare – we have elevated the delivery of healthcare to levels that were unimaginable just a few years ago.

In 2023, the first full year since Nahdi's listing on the Saudi Exchange (Tadawul), we achieved a number of strategic and financial milestones. Our revenues reached SAR 8.7 billion, 1.1% higher than 2022, and net profit reached SAR 893 million. ROA was 16.6% with ROE of 36.2%, among the highest in the sector.

Nahdi generated EPS of SAR 6.9 for the year (2022: SAR 6.8) and the Board has approved a total cash dividend distribution of SAR 715 million, equivalent to SAR 5.5 per share.

As market leader, we are committed to creating a tangible, lasting impact through initiatives that comprehensively improve people's lives and make a positive impact on the communities we serve.

Our community health programs focus on four areas: tackling the incidence and management of chronic disease, bridging the knowledge gap for new moms and babies, and promoting healthier lifestyles.

This success is based on our passion for people and developing some of the Kingdom's finest healthcare professionals. Furthermore, our collaboration with 24 universities has resulted in Nahdi training and recruiting about 1,500 Saudi male and female pharmacists over the last three years. Our vibrant culture is attracting the best local talent and is widely recognized as among Saudi Arabia's best workplaces for nationals.

Initiatives like this are what differentiate Nahdi, in the same way that our application of advanced technology to enhance the lives of our Guests has singled us out as one of the sector's leading innovators.

I express our gratitude and loyalty to the Custodian of the Two Holy Mosques, King Salman Bin Abdulaziz Al-Saud and His Royal Highness, The Crown Prince, Mohammed bin Salman bin Abdulaziz, for their wise leadership fostering progress, prosperity, and wellness in the Kingdom.

I would further like to thank the Ministry of Health for its central role in contributing to the development of Saudi Arabia's healthcare ecosystem, and other government and regulatory institutions, who work relentlessly to implement Vision 2030. Moreover, I express my sincere gratitude to the Capital Market Authority for demonstrating incredible collaboration and support as the market regulatory authority of our Kingdom.

Finally, on behalf of my Board colleagues, I thank our executive team and all colleagues for their dedication to making Nahdi a trusted and highly effective national healthcare resource.

BOARD OF DIRECTORS

Saleh Salem Ahmed Bin Mahfouz
Chairman

An accomplished business leader, Mr. Bin Mahfouz was appointed Chairman of Nahdi's Board of Directors in 2021. He also chairs the boards of SEDCO Holding, Red Sea Markets Company, Red Sea Market for Real Estate, Al Mahmal Development, Numu Real Estate Development Company, Chairman of the Investment Committee and Board member at Khumasia Tabah Holding Company, and Board member at Al Khomasiah International Real Estate Development Company.

Mr. Bin Mahfouz has a Bachelor's degree in civil engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia.

Abdullah Amer Abdullah Al-Nahdi
Vice Chairman

Mr. Al-Nahdi was appointed to the position of Vice Chairman in 2021. He holds a number of business leadership positions, including Chairman of AlNahdi Holding Company, Chairman of the Board of Trustees at Al Nahdi Humanitarian Institution, Board Member at King Salman Center for Disability Research, Endowments of King Abdulaziz University, General Director of Nahdi Transportation Company, and Dose Fitness Company.

Mr. Al-Nahdi holds a Bachelor of Business Administration (BBA) from King Abdulaziz University, Saudi Arabia.

Abdelelah Salem Ahmed Bin Mahfouz
Board member

Mr. Bin Mahfouz joined the Nahdi Board in 2021. An accomplished business leader, he is also Vice Chairman of SEDCO Holding. In addition, Mr. Bin Mahfouz is Chairman at Methak Holding Company and Vice Chairman at Salem bin Mahfouz Foundation (SBMF), a non-profit organization.

Mr. Bin Mahfouz graduated from Ohio State University, USA, with a BA in Business Administration.

Yasser Ghulam Abdulaziz Joharji
Board member and Chief Executive Officer

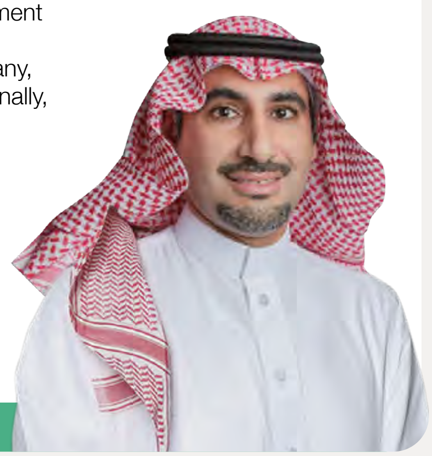
Mr. Joharji was appointed Nahdi's CEO in 2014 and became a Board member in 2021. With over 30 years of sectorial experience, he has held a number of leadership positions at Unilever Saudi Arabia and Savola Group.

Mr. Joharji has a BA in Industrial Engineering from King Saud University, Saudi Arabia.

Abdulatif Bin Ali Al-Seif
Board member

Joining the Nahdi Board in 2021, Mr. Al-Seif is a non-Executive member of the Board. He also sits on the boards of Al Rajhi Bank, Saudi Agricultural and Livestock Investment Company, Wisayah Global Investment Company, Southern Province Cement Company, Arabian Internet & Communications Services Company, and Albilad Tourism Fund. Additionally, he is currently Managing and Executive Director at Sabeen Investment Company.

Mr. Al-Seif has a Master's degree in Economics and an MBA from Boston University, USA.



Junaid Ezmat Bajwa
Board member

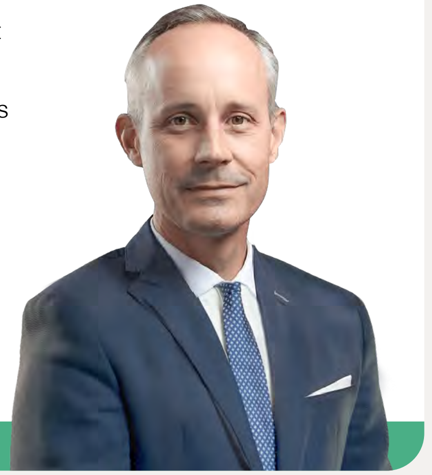
Appointed to the Nahdi board in 2021, Dr. Bajwa is the Chief Medical Scientist at Microsoft. In addition, he holds board positions at the Medicines and Healthcare Products Regulatory Agency, Nuffield Health, University College London Hospitals, Trustee at University College London Charity, and Director at Essential Guides UK Limited.

Dr. Bajwa has an MBA from Imperial College London, UK, and a Master's degree in Medical Administration from the University of Birmingham, UK.

Romain Voog
Board member

Mr. Voog was appointed to the Nahdi Board in 2021. A seasoned digital and retail senior executive, he is a Board member and Director at GetGo Carsharing and previously held senior positions at OLX Group, Airbnb and Amazon.

Mr. Voog's academic qualifications include a Master's degree in Economics and Business from École Centrale Paris, and a Diploma in Mathematics and Physics from the Lycée Chaptal in Paris.



CEO'S MESSAGE

Nahdi's proven formula for success is founded on three pillars: engagement with our Guests, stakeholders and business partners; driving efficiency, while investing in the capabilities of our people; and continuous innovation. This formula served the company well in 2023, supporting our growth and evolution.

Engaging positively with our Guests at every touchpoint is a strategy that has proved its value time and again – particularly when external factors, such as the inflationary pressure and price-driven competition we experienced at the beginning of 2023, impact consumer spending patterns.

We took some crucial, and ultimately successful, actions to mitigate against these factors. We set about realizing the full potential of Nahdi Online and Nahdi Global, adding a further 5,000 SKUs, and invested in a range of sales promotions in our front shop to sustain our competitiveness.

Maintaining the momentum of our pharma business and consolidating our healthy financial position underpinned the company's stronger performance in the second half of the year. The message to our Guests was simple: Nahdi always has your best interests at heart and will act decisively to meet your needs, whatever the circumstances.

Our regional network now encompasses 1,120 pharmacies. In Saudi Arabia, Nahdi provides 97% of the population with access to health and wellbeing products and services.

Further evidence of our obsession to deliver on Guests' needs was the continued expansion of our physical presence to provide people with an outstanding shopping experience. In 2023 we extended our domestic network to 1,105 pharmacies.

Nahdi's UAE business also continued to expand. Our 15 pharmacies in Abu Dhabi, Ajman, Dubai and Sharjah witnessed outstanding 236% revenue growth in 2023. These is a very positive results that underscores our ambition to serve more Guests across other regional markets.

The physical and virtual expansion of our omnihealth services was another major highlight. Thanks to the steady growth of our polyclinic network – which attracted more than 1 million Guests in 2023. We now cover all major hubs for pilgrims visiting Saudi Arabia, while our virtual consultation services are available across the Kingdom.

Our partnership with our stakeholders, meanwhile, is based on a committed, collaborative effort that has the greater good of Saudi Arabia and its citizens at its heart. We are firmly aligned with the Health Sector Transformation Program and its aspirations for better health.

Nahdi is committed to improving people's lives and impacting the communities it serves. We focus our initiatives on chronic disease management, preventing them, and educating future generations on the risks of unhealthy lifestyles.

BY LEVERAGING ITS FULL ARSENAL OF INNOVATIVE SOLUTIONS, NAHDI SEEKS TO EDUCATE, EMPOWER AND ENRICH COMMUNITIES BY ENSURING GREATER ACCESS TO HEALTHCARE AND HEALTH EDUCATION.

Yasser Ghulam Abdulaziz Joharji
Chief Executive Officer

CEO'S MESSAGE CONTINUED

By leveraging its full arsenal of innovative solutions, Nahdi seeks to educate, empower and enrich communities by ensuring greater access to healthcare and health education.

Initiatives like our diabetes education program through our E-pharmacist service, prescription reminders via adherence programs, and the convenient ez-pill service, ensure better health management. Moreover, our Convoys of Hope aim to enhance rural healthcare access.

Further, our Wazen Hayatak Program, available in 800 Saudi pharmacies, offers tailored advice for a healthier lifestyle, benefiting 70% of the country's population supported by a BMI reduction program available in 200 of our pharmacies. Furthermore, Nahdi focuses on educating children and parents about the lasting effects of dietary choices, particularly concerning excessive sugar intake.

We have a similar responsibility to our business partners and the investor community, creating mutual value, adhering to the highest standards of corporate governance and transparency, and practicing good corporate citizenship.

Driving efficiency

Driving operational efficiency is a constant for any retail business, but doing so in a dynamic, ever changing environment requires substantial additional effort. Nahdi has risen to the task, using the 'fuel' we generate from our efficiency and optimization initiatives to fund innovation.

Our Refuel program has helped to identify many opportunities. The resulting savings are re-invested in fresh initiatives that create more value for our Guests and the business. Its success has made us all think harder about how to turn optimization into a way of life and embed the culture into our organization.

The Road to Efficiency Excellence "R2E" program that we rolled out in partnership with a global consultancy firm was a further efficiency drive to rationalize Nahdi's operating expenses. By benchmarking key processes against global and local peers, the program generated a three-year roadmap, featuring 40+ projects, which will be key to achieving our financial optimization targets and delivering value added solutions.

Innovation

Nahdi's substantial investment in technology has generated tangible returns in delivering cutting-edge services and solutions. It has earned us a reputation as a pioneer in using technology to improve Saudi Arabia's quality of life and clearly differentiated the company and how it operates.

Innovations such as Nahdi Global, which has facilitated the widespread availability in Saudi Arabia of thousands of products from around the world, and IMDAD, our state-of-the-art smart distribution center, are typical of our visionary thinking.

As a result, our e-commerce sales through Nahdi Online accounted for 16% of total revenues in 2023, up from 13% the previous year, and positioned us in the top tier of online players regionally.

Virtual consultations with our physicians and medical specialists doubled to nearly 565,000 sessions in 2023. The role of technology in terms of convenience, speed and efficiency is clear, but we are determined that Guests who prefer to use our digital channels enjoy the same customized and seamless experience that they are accustomed to in our retail pharmacies.

Looking ahead, we anticipate that the macroeconomic headwinds of 2023 may persist for the next few years, but these need to be viewed in the context of Saudi Arabia's emergence as an economic powerhouse and the fresh opportunities that will follow in the wake of this.

So, while we approach the coming year with cautious optimism, we do so with humility and an awareness that we must always stay true to our mission.

I thank the Board for their wise counsel and guidance throughout the year, all Nahdi employees for their hard work in the best interests of our Guests, and our partners for bringing fresh perspectives to what we do.

Finally, I thank our millions of Guests for their continued support and loyalty to Nahdi. They drive our daily mission and fuel our obsession with serving them at every touchpoint to the very best of our ability.

Nahdi pharmacies' network expansion

↗74

New pharmacies opened in 2023 took the total to 1,120 in Saudi Arabia and the UAE

Omnihealth revenue doubles

↗106%

Our healthcare business grew rapidly and achieved break-even in 2023

EXECUTIVE MANAGEMENT

Yasser Ghulam Abdulaziz Joharji
Chief Executive Officer

Eng. Joharji was appointed Nahdi's CEO in 2014 and became a Board member in 2021. With over 30 years of sectorial experience, he has held a number of leadership positions at Unilever Saudi Arabia and Savola Group.

Eng. Joharji has a BA in Industrial Engineering from King Saud University, Saudi Arabia.

Mohammed Al-Khubani
Chief Financial Officer

Mr. Al-Khubani joined Nahdi in 2013 as Senior Director of Planning and Financial Analysis. Previously he held a number of managerial positions at Procter & Gamble, including Regional Financial Director of Strategic Planning.

Mr. Al-Khubani has a Bachelor's degree from King Fahd University of Petroleum and Minerals, Saudi Arabia, and is a Certified Management Accountant.

Zuhair Aytah
Chief Network Development Officer

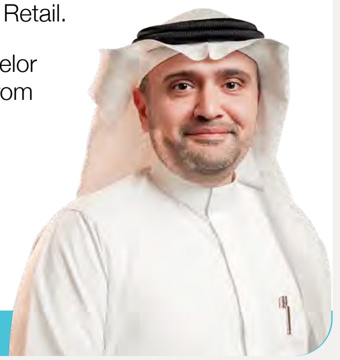
Mr. Aytah joined the company in 2006 and was promoted to his current role in 2016. He has held several leadership positions at Nahdi, including Vice President of Network Development. Previously, he was General Manager of Retail at Abdulatif Jameel Electronics & Air Conditioning.

Mr. Aytah has a Bachelor's degree in Sciences from King Abdulaziz University, Saudi Arabia.

Raed Monagel
Chief Corporate Governance and Business Support Officer

Eng. Monagel has more than 23 years' experience across retail, warehouse, and supply chain management. He joined Nahdi in 2013. Previously, Eng. Monagel was Vice President of Supply Chain at Panda Retail.

Eng. Monagel has a Bachelor of Industrial Engineering from King Abdulaziz University, Saudi Arabia.



Samer Bokharee
Chief Human Resources Officer

Mr. Bokharee joined Nahdi in 2018. Before joining the company, he was at Pfizer and the National Commercial Bank (NCB), where he held several HR roles.

Mr. Bokharee has a Bachelor's degree in Management Information Systems and Decision Sciences, and a Master's in Information Systems from George Mason University, USA.

Yasir Jamal
Chief Supply Chain Officer

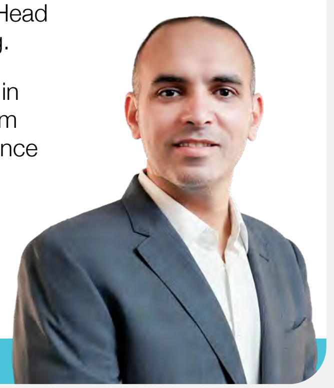
Eng. Jamal has more than 32 years' experience in supply chain. He joined Nahdi from Unilever, where he held several positions including Vice President of Supply Chain.

Eng. Jamal has a Bachelor's degree in Chemical Engineering from King Abdulaziz University, Saudi Arabia, and a Certificate in Organizational Leadership from INSEAD Business School, Singapore.

Hossam Khattab
Chief of Commercial and Marketing

Dr. Khattab joined Nahdi in 2016. With 20 years' experience in retail and marketing, he joined the company from Unilever, where he held several marketing roles, including Head of Personal Care Marketing.

Dr. Khattab has a Master's in Executive Management from the Arab Academy for Science and Technology and a Bachelor's degree in Pharmacy from Alexandria University, Egypt.



Khalid Tadlaoui
Chief Information Technology Officer

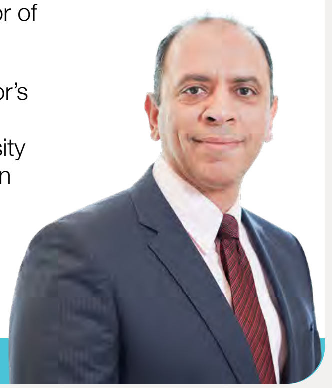
Dr. Tadlaoui has held his current position since 2011. Beginning his career in 1993 as an EMEA Communications Project Manager at Procter & Gamble, he subsequently held managerial roles at Hewlett Packard Enterprise and Savola.

Dr. Tadlaoui has an Engineering degree and a PhD in Computer Science from the Institute National des Sciences Appliquées, France.

Mohamed Abdulatif
Chief Operations Officer

With more than 22 years' experience in Nahdi's Operations sector, Dr. Abdullatif is GM for the Riyadh, Jeddah and Makkah regions. Previous Nahdi roles include Senior Director of Omnihealth Excellence.

Dr. Abdullatif has a Bachelor's degree in Pharmaceutical Science from Tanta University in Egypt, and a Certificate in Healthcare Management from Yale University, USA.



Mohammed Mustafa Salim
Chief Omnihealth Officer

Dr. Salim leads the NahdiCare Clinics business. His 20+ years at Nahdi include leading strategy, operations, and growth.

Dr. Salim has a Bachelor's degree in Pharmaceutical Science from Mansoura University, Egypt, and has conducted advanced studies in leadership, strategy, finance, and healthcare management at Harvard Business School, INSEAD, Yale School of Management, and the University of Maryland, USA.

ABOUT NAHDI

NAHDI AT A GLANCE

OVER THE LAST 37 YEARS, NAHDI HAS CONFIRMED ITS POSITION AS A LEADING HEALTHCARE BRAND IN THE KINGDOM, WITH THE PURPOSE OF 'ADDING BEATS TO THE LIVES OF ITS GUESTS EVERY DAY.'

We are proud of our strong and trusted partnership with millions of loyal Guests, who are served through a network of 1,120 pharmacies and a fast-growing primary healthcare business, with six polyclinics and state-of-the-art digital channels.

Today, Nahdi is a leading pharmaceutical retailer, serving 97% of the population of the Kingdom across 140+ cities and villages in the pharmaceutical and health products sector, including medicine, wellness, mom & baby, beauty, and other wide-ranging fast-moving consumer goods.

In addition, we provide omnihealth services through our NahdiCare polyclinics and home healthcare, and provide our Guests across the Kingdom with healthcare consultation through our dedicated telemedicine platform.

Our culture of exploring and evaluating new opportunities, analyzing market trends, and responding positively to changing Guest behaviors, has enabled Nahdi to meet any challenges and develop innovative solutions.

These include identifying where to develop product and service offerings, such as Nahdi's Private Label brands and Direct Import products meeting our Guests' needs and, wherever possible, exceeding their expectations.

We continue to provide a unique and interactive shopping experience through the latest technologies and artificial intelligence and to remain at the forefront of robotic pharmacy, all of which have become part of Nahdi's unique culture.

We also plan to harness our supply chain and distribution capabilities using the best artificial intelligence and automated systems to support our logistics operations, expansion, and future growth.

100mn

Nahdi is proud to serve more than 100 million Guests each year

10,311

Our 10,311* employees are considered the company's greatest asset

8.71bn

2023 revenues grew to SAR 8.71 billion, 1.1% higher than 2022

97%

Our national reach extends to 140+ cities and villages throughout the Kingdom

1,120

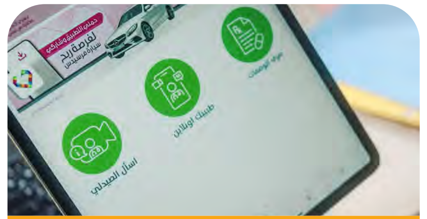
Retail pharmacies across Saudi Arabia and the United Arab Emirates

6

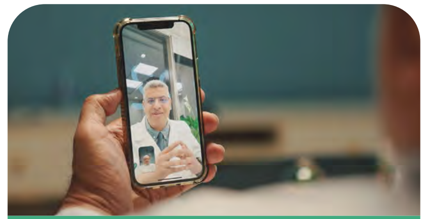
NahdiCare polyclinics in Jeddah, Makkah and Taif (and Madinah in early 2024)

Core pharmacy segments: medicine, wellness, mom & baby, beauty, personal care

6,455 Private Label brands and Direct Import products



Nahdi Online and Nahdi Global are world-class e-commerce channels



Integrated NahdiCare polyclinics, telemedicine and home healthcare

* Total number of Nahdi and Nahdi's subsidiaries staff

NAHDI AT A GLANCE CONTINUED

NAHDI HAS BECOME AN INTEGRAL PART OF THE COMMUNITIES IN WHICH WE OPERATE. BY 2030, WE AIM TO ADD 36 MILLION BEATS TO GUESTS' LIVES THROUGH OUR SOCIAL SUSTAINABILITY PROGRAMS FOCUSED ON THE PROMOTION OF HEALTH, WELLNESS, AND MOM & BABY CARE.

Our purpose

We exist to add beats to our Guests' lives every day.

Our vision

To be the most loved and trusted health and wellbeing partner for all our Guests.

Our mission

To exceed our Guests' expectations by providing superior personalized life care experiences every day, everywhere.

Our core values

Integrity
We aim to deliver on our promises and do what is right – in Nahdi, and for our Guests and the entire community.

Excellence
We aim to work for our Guests with a high level of efficiency and effectiveness and to take ownership of everything we do, while striving to be the 'Best in Class.'

Leading with purpose
We aim to lead with curiosity and innovation in all that we do for the benefit of our Guests, while remaining true to our mission.

Collaboration
We aim to work collaboratively among ourselves, with our business partners, and with the entire community to achieve shared success.

Care
We aim to care for our Guests and respect their preferences, needs, and values. We are committed to 'going the extra mile' for our Guests each and every day.

Accreditations

Saudi Central Board For Accreditation of Healthcare Institutions (CBAHI)
NahdiCare's four Jeddah polyclinics (Tahlia, Marwa, Samer and Obhur).

CBAHI
المركز السعودي لاعتماد المنشآت الصحية
Saudi Central Board for Accreditation of Healthcare Institutions

Australian Council on Healthcare Standards International (AHCSI)
All NahdiCare polyclinics, for virtual consultation and home healthcare services.

ACHS International

ISO/IEC 27001
Nahdi Medical Company, for business information security.

ISO

ISO 22301
IMDAD for business continuity management systems.

ISO

LEED v4
IMDAD Distribution Center, for green building design, construction, operations and performance.

LEED PLATINUM

National Cybersecurity Authority
Certificated as compliant with NCA Essential Cybersecurity Controls (ECCs).

الهيئة الوطنية للأمن السيبراني
National Cybersecurity Authority

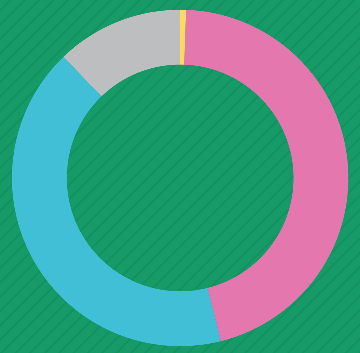
WHERE WE OPERATE

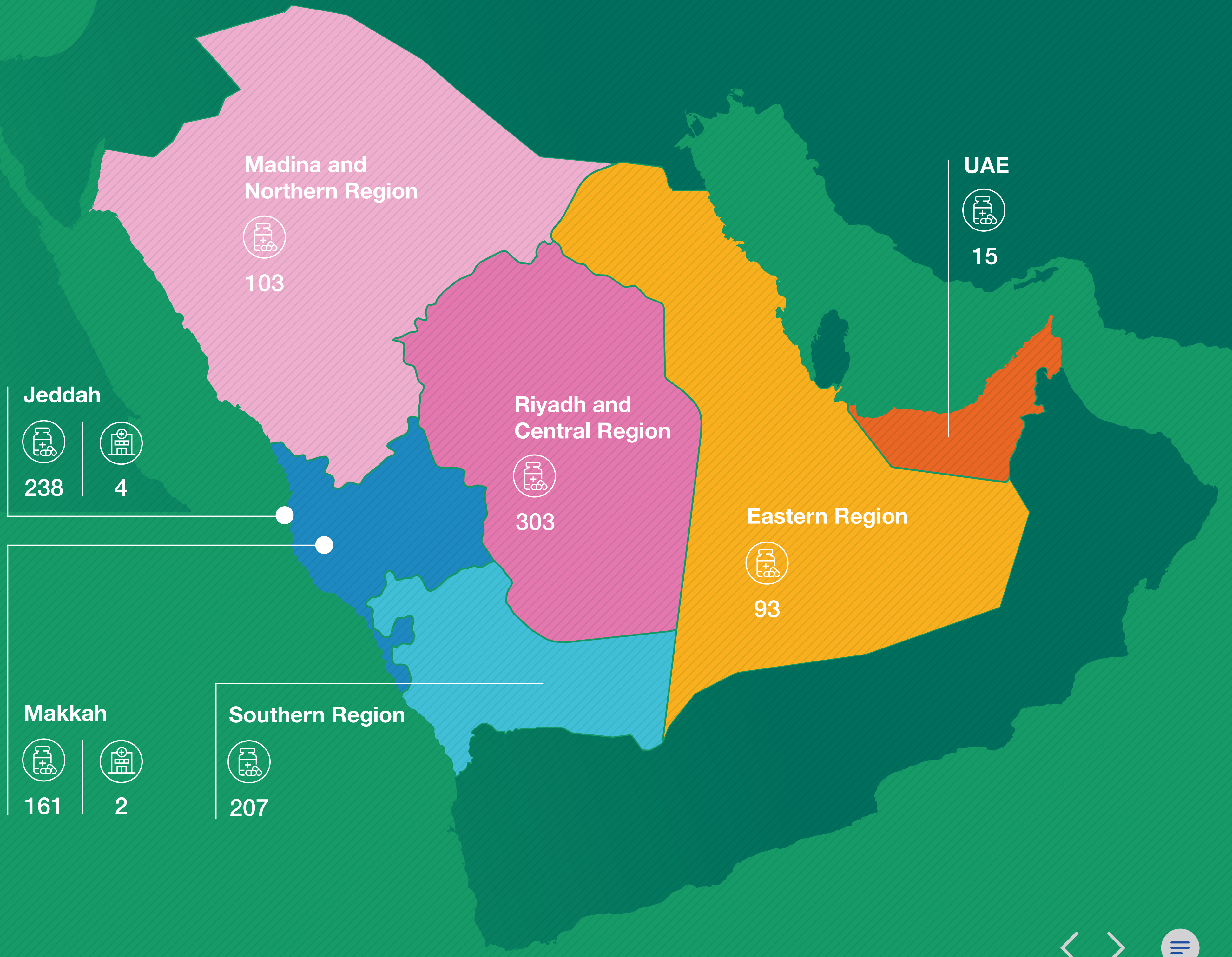
THE REGION'S LARGEST PHARMACY NETWORK AND CUTTING-EDGE TECHNOLOGIES ARE SUPPORTING OUR RAPID EVOLUTION INTO A PRIMARY HEALTHCARE PROVIDER.

1,120
Nahdi pharmacies

6
NahdiCare polyclinics

Pharmacy type	
Flagship	7
Destination	503
Neighborhood	458
Other	132





OUR GROWTH JOURNEY

Disrupting the industry

1986
Sheikh Abdullah Al Nahdi opens two pharmacies in Jeddah.

Nahdi expands into pharma and non-pharma products.

1986-2002
The company grows rapidly, reaching 50 pharmacies by 1998, and 100 by 2002.

Institutionalization

2003
SEDCO Holding acquires 50% of the shares in Nahdi Medical Company.

2009
The Nahdi Academy is established to train and develop employees.

2010
Nahdi pharmacies reach 500, with 50 million Guest transactions.

2012
Nahdi wins an award for best work environment in the Kingdom.

Nahdi launches its new social responsibility strategy and diabetes education programs.

Redefining Guest-centric

2013
Nahdi rebrands and embraces the community pharmacy concept.

2014
Nuhdeek loyalty program is launched.

Nahdi Pharmacies are redesigned, enhancing the Guest experience.

2015
Wazen Hayatak is launched, helping Guests to achieve healthy lifestyles.

Aligning with Vision 2030 and the health sector transformation

2016
Nahdi launches its omnichannel sales concept.

Nahdi reaches 1,000 pharmacies, with 80 million Guest transactions.

2017
A new 5-year corporate strategy is introduced to keep pace with the objectives of Vision 2030.

'Beats of Hope' is launched, for sustainable social responsibility.

Nahdi opens its first central pharmacy, providing a unique new shopping experience for Guests.

2018
Nahdi launches a new strategy for omnichannel e-commerce.

Nahdi signs an agreement with the Saudi Ministry of Health, initiating a new community partnership.

2019
The first NahdiCare polyclinic is opened, in downtown Jeddah.

Nahdi opens its first pharmacy in the UAE.

2020
Nahdi's Guest transactions pass 100 million for the first time.

Accelerating to 2030

2021
Nahdi opens its Smart Logistics Distribution Center (IMDAD).

2022
Nahdi becomes a public company, listing on the Tadawul Exchange.

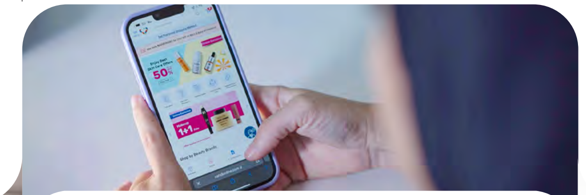
Nahdi Global is launched, utilizing Saudi Arabia's first bonded zone, based at IMDAD.

2023
NahdiCare polyclinics break-even for the first time, and expand outside of Jeddah, to Makkah and Taif.

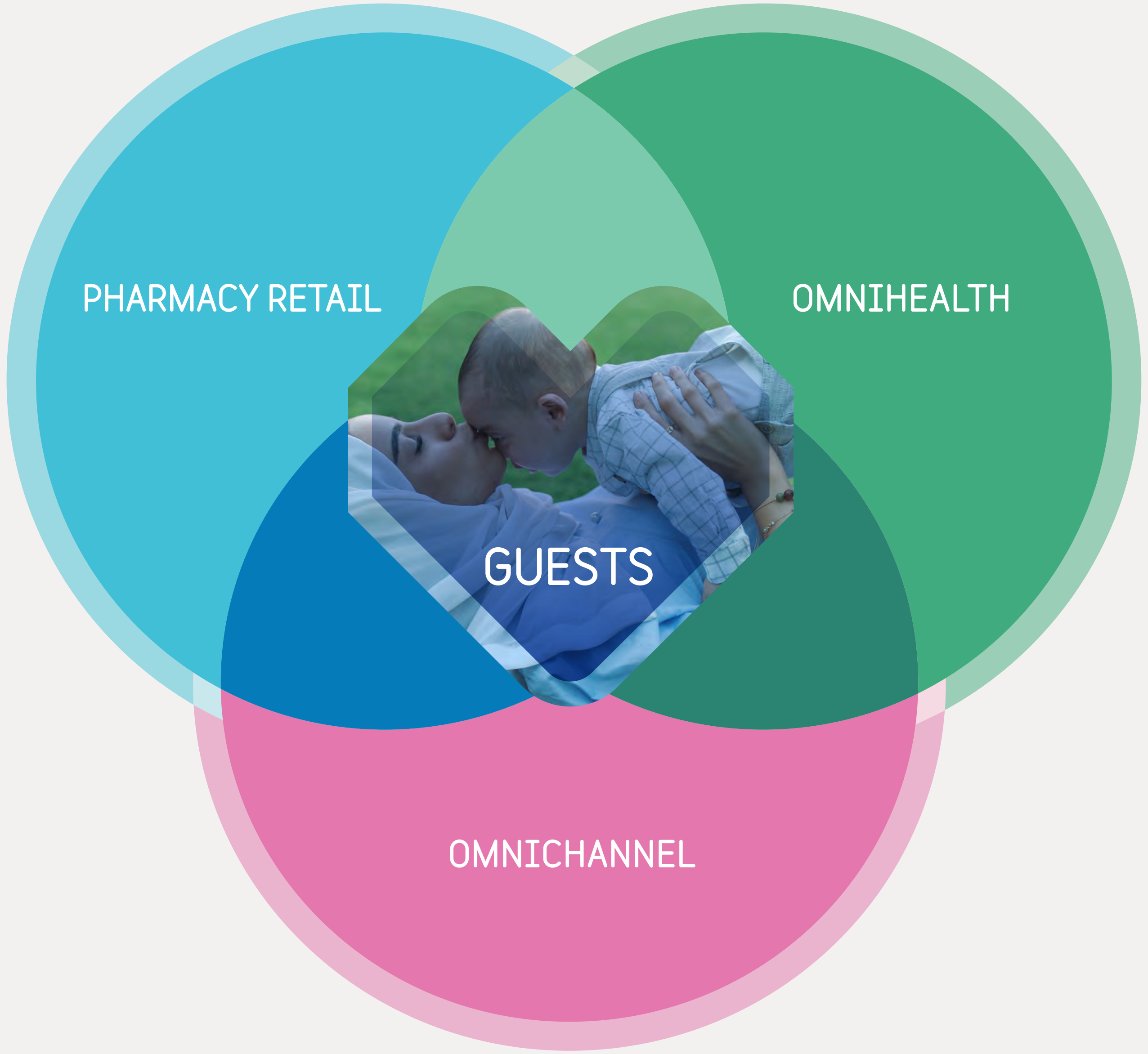
Nahdi launches its innovative ez-pill service, part of its medical adherence program.








OUR BUSINESS MODEL



Adding beats to the lives of our Guests, every day

OUR RESOURCES

People
Our 10,311 talented employees are led by a highly qualified executive team, guided by an independent Board.

Brand
A trusted Saudi healthcare brand, with the purpose of 'adding beats to the lives of our Guests every day.'

Culture
A unique corporate culture, underpinned by the company's enduring heritage and values.

Partnerships
Strategic relationships with our stakeholders and partners for the benefit of our Guests.

Technology
State-of-the-art technology to improve our service, for the convenience of our Guests.

Financial
A strong financial position, with zero-debt and healthy cash flow generation, enables us to invest in future growth.

THE VALUE NAHDI CREATES

Guests' health and wellbeing
Our integrated pharmacy and healthcare businesses provide a unique omnihealth ecosystem for our valued Guests.

97%
Nahdi's Saudi Arabia national reach

100+mn
Guests through our pharmaceutical retail and omnihealth network, every year

Vibrant, sustainable communities
We educate, empower and enrich our communities by providing greater access to pharmaceuticals and healthcare.

192,950
Free E-pharmacist sessions for our Guests

36mn
Beats to Guests' lives by 2030, through our ongoing sustainable programs

Delivering on our passion for people
Through continuous development, we provide long and rewarding careers for our dedicated and diverse workforce.

48.5hours
Training hours per employee in 2023

10years
Top 20 Great Places to Work since 2014

Delivering shareholder value
In its first full year since listing on the Saudi Exchange, Nahdi continued to add value for shareholders.

36.2%
Sector leading Return on Equity

SAR5.5
Dividend per share

OUR STRATEGY

THROUGH NAHDI'S STRONG REGIONAL FOOTPRINT AND WELL-DIVERSIFIED STORE FORMATS, PRODUCTS, PRODUCT CATEGORIES, AND SERVICES, THE COMPANY MAINTAINS A ROBUST, SYSTEMATIC APPROACH TO ACHIEVING LONG-TERM SUSTAINABLE GROWTH.

Strategic pillars

1 Strengthen our core retail offering

Key performance indicators
- Boost strategic product categories
- Enhance strong brand image and loyalty
- Grow contribution of Private Label brands and Direct Import products

2 Expand the omnichannel retail footprint

Key performance indicators
- Extend footprint in Saudi Arabia
- Continue to expand our footprint in the UAE
- Drive omnichannel offering

3 Evolve into a leading omnihealth platform

Key performance indicators
- Expand health services via polyclinics and home healthcare
- Further enhance Nahdi's virtual medical consultation services
- Achieve break-even in the healthcare business

4 Enable Nahdi's four key strategic functions

Key performance indicators
- Enhance technology and supply chain capabilities
- Attract and retain top talents
- Expand strategic partnerships

OUR INVESTMENT CASE

NAHDI IS A LEADING SAUDI ARABIAN PHARMACY RETAILER AND A FAST-GROWING OMNIHEALTH PLATFORM. OVER THE PAST 37 YEARS, WE HAVE GROWN TO BECOME A BELOVED BRAND AND A LEADING HEALTHCARE PROVIDER, DELIVERING EXCELLENT SERVICE WHILE CONTINUALLY GROWING, INNOVATING, AND DIVERSIFYING TO CREATE STRONG AND SUSTAINABLE VALUE FOR OUR STAKEHOLDERS.

OUR INVESTMENT CASE CONTINUED

1 Highly qualified workforce

led by a strong Board and management team

- We firmly believe that our employees are our most valuable assets. We aim to foster a unique corporate culture underpinned by Nahdi's values.
- Ranked second "Great Place to Work" in Saudi Arabia in 2023 and among the top companies throughout Saudi, GCC and Asia for the 6th consecutive time.
- The company is overseen by a highly qualified executive leadership team, guided by an independent board with multinational corporation experience.
- Nahdi also has strong corporate governance and compliance standards in place, which have resulted in 100% regulatory compliance across our various businesses.
- Continuous learning is at the heart of Nahdi, with more than 500,000 hours of training conducted in 2023 for its 10,311 full-time employees, including subsidiaries.
- 50% of the newly hired 361 national pharmacists in 2023 were females.

2 Saudi Arabia's leading pharmacy

with growing Private Label brands and Direct Import products

- Nahdi is a well-known Saudi Arabian brand that has grown with the purpose of 'adding beats to the lives of its Guests every day'.
- Nahdi has developed unparalleled coverage across the Kingdom. Its 1,105 pharmacies provide 97% of the Saudi Arabian population with access to health and wellbeing products & services.
- Nahdi has expanded internationally, with 15 pharmacies in the UAE and plans to enter other selected GCC markets in the future.
- Nahdi Global provides Guests with access to a wide array of competitively priced products, sourced from trusted international manufacturers all over the world and delivered conveniently to the Guests' doorsteps.
- The company's brand equity has continued to grow and strengthen, as illustrated by the success of our Nuhdeek loyalty program. Nuhdeek members generate approximately 83% of our revenue.
- Nahdi's high-quality and competitively priced Private Label brands and Direct Import products contributed around 13% of revenue in 2023.

OUR INVESTMENT CASE CONTINUED

3 Seamless omnichannel experience

underpinned by best-in-class digital and online offerings and state-of-the-art supply chain capabilities

- Nahdi's seamless omnichannel Guest experience connects our pharmacies and online platforms.
- Our pharmacies are evolving from convenience to experience by optimizing the store mix and investing heavily in technology. By the end of 2023, this resulted in a Net Promoter Score (NPS) of 88.
- Online transactions through Nahdi's website and mobile apps rose by 26% in 2023. In total, Nahdi's digital platforms hosted more than 182 million sessions during the year.
- Following the launch of our state-of-the-art distribution center (IMDAD) the previous year, Nahdi delivered 212 million units in 2023.

4 Integrated omnihealth offering

including polyclinics, telemedicine and home healthcare

- Nahdi's omnichannel experience has been integrated with its healthcare services, creating a unique omnihealth gateway for Guests and positioning Nahdi at the forefront the sector globally.
- Nahdi's virtual medical consultation services, home healthcare, online offerings, and NahdiCare polyclinics go above and beyond the offering of a standard pharmacy business.
- Nahdi's six polyclinics served more than one million Guests in 2023, while our home healthcare services made 14,310 visits during the year.
- Total virtual medical consultation sessions grew to 564,847 in 2023, up from 276,389 in 2022.
- We built strategic partnerships with world-class medical providers to enhance the Guest experience and become the nation's most trusted health and wellbeing partner.
- Synergy between healthcare and pharmacy retail generates 1.4x revenue in Nahdi's core business through prescription flow.

5 Robust business and financial profile

consistently delivering sector-leading shareholder returns

- Nahdi achieved a revenue increase of 1.1% in 2023 (SAR 8.7 billion compared to SAR 8.6 billion in 2022). This compared to a compound annual growth rate (CAGR) of 3.5% over the previous five years (2018-2023).
- Gross profit in 2023 decreased by 0.7% (SAR 3,522 million, compared to SAR 3,545 in 2022), delivering a gross margin of 40.4%.
- Net profit remained flat in 2023 at SAR 893 million (10.2% of revenue) compared to SAR 888 million (10.3% of revenue) in 2022.
- Return on equity (ROE) was 36.2% in 2023 (2022: 39.6%) and return on assets (ROA) was 16.6% (2022: 18.0%).
- Nahdi is a well-invested business, with a strong financial position and zero debt, positions the company to support the next phase of growth organically with lower working capital requirements.
- Nahdi's Board has approved a total cash dividend distribution of SAR 715 million, equivalent to SAR 5.5 per share.

SHAREHOLDER INFORMATION

WE REPORT TO SHAREHOLDERS AND INVESTORS THROUGHOUT THE YEAR THROUGH QUARTERLY FINANCIAL ANNOUNCEMENTS AND PERFORMANCE REPORTS, THE ANNUAL REPORT, GENERAL ASSEMBLY MEETINGS, AND VARIOUS OTHER CHANNELS.

Investor communications

Nahdi aims to treat shareholders with the same care that our Guests experience. The company has a dedicated Investor Relations department, with team members who are IFSAH and CIRO certificated.

We communicate with shareholders and investors through various channels. These include the Saudi Exchange website (https://www.saudiexchange.sa) and the company's Investor Relations website (https://investors.nahdi.sa). We ensure that all stakeholders have ready access to information that helps them make investment decisions based on correct and timely data.

We communicate with participants in the global and local capital markets – including institutional and individual investors and financial buy-side or sell-side analysts – through periodic meetings and by participating in investor conferences.

We hosted two earnings calls during the year.

Nahdi's 2022 Annual Report was awarded 3rd place for best annual report in the mid-cap segment by the Middle East Investor Relations Association.

We participated in two major events during the year:

- SCMF, where we interacted with more 116 guests representing 51 companies.
- Conference in London hosted by HSBC, where we met 67 guests representing 42 companies.

Regulatory compliance

Nahdi is firmly committed to implementing all policies and procedures for disclosing financial statements and performance reports in accordance with legal requirements, applicable regulations, and instructions received from the relevant regulators and authorities.

Shareholder rights

We are also committed to achieving the principles and protection of shareholders' rights and ensuring quality and fairness by providing accurate and comprehensive information to shareholders and investors at the right time.

Dividend distribution

The company aims to distribute dividends to shareholders on a timely basis. To prevent delays, we regularly remind shareholders to update their personal information and to link their bank accounts to Tadawul's portfolios.

For more information, please visit https://investors.nahdi.sa.

If you have queries, please contact us by email at ir@nahdi.sa.

SHAREHOLDER INFORMATION CONTINUED

Company and shareholder profile

Date established	18 June 1986
Listing date	22 March 2022
Trading name	NAHDI
Tadawul code	4164
ISIN code	SA15HG521213
Exchange	Saudi Exchange Main Market (Tadawul)
Industry group	Consumer Staples Distribution & Retail
Number of shares issued	130 million
Paid capital	SAR 1.3 billion
Par value/share	SAR 10
Free float	30%
Foreign ownership as of December 2023	9.07%
Closing price as of December 2023	SAR 137
Market capitalization as of December 2023	SAR 17,810,000,000

Major shareholders

Name	Shares (number)	Shares (%)
Al Nahdi Holding Company	45,500,000	35%
SEDCO Holding	45,500,000	35%

Financial and events calendar 2023

01-Nov-23	Q3 2023 Financial Results (9 months)
24-Oct-23	The Results of the EGM
02-Aug-23	H1 2023 Dividends Announcement
02-Aug-23	Q2 2023 Financial Results (6 months)
01-Jun-23	The Results of the EGM
10-May-23	Q1 2023 Financial Results (3 months)
20-Mar-23	H2 2022 Dividends Announcement
20-Mar-23	FY 2022 Annual Financial Results

Shareholder register

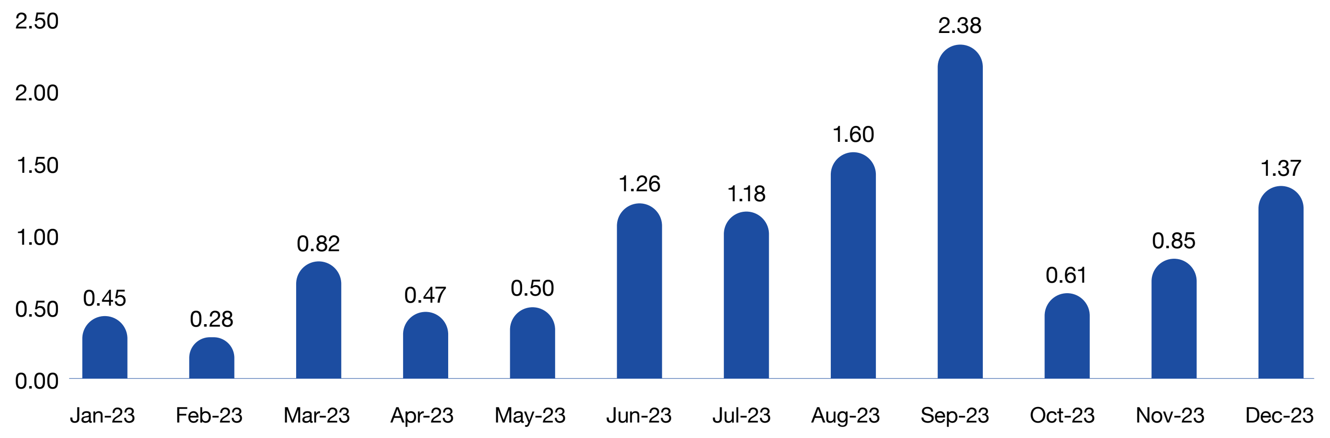
In 2023, Nahdi requested the Shareholders' Register from the Securities Depository Center (Edaa) 12 times. The dates and reasons for these requests were as follows:

# Request	Date of request	Reasons
1	03-Jan-23	For the Company's Internal Reporting and Procedures Purposes
2	02-Feb-23	For the Company's Internal Reporting and Procedures Purposes
3	02-Mar-23	For the Company's Internal Reporting and Procedures Purposes
4	02-May-23	For the Company's Internal Reporting and Procedures Purposes
5	31-May-23	For the EGM purpose
6	04-Jul-23	For the Company's Internal Reporting and Procedures Purposes
7	9-Aug-23	For the Company's Internal Reporting and Procedures Purposes
8	9-Aug-23	For the Company's Internal Reporting and Procedures Purposes
9	23-Oct-23	For the EGM purpose
10	29-Nov-23	For the Company's Internal Reporting and Procedures Purposes
11	11-Dec-23	For the Company's Internal Reporting and Procedures Purposes
12	31-Dec-23	For the Company's Internal Reporting and Procedures Purposes

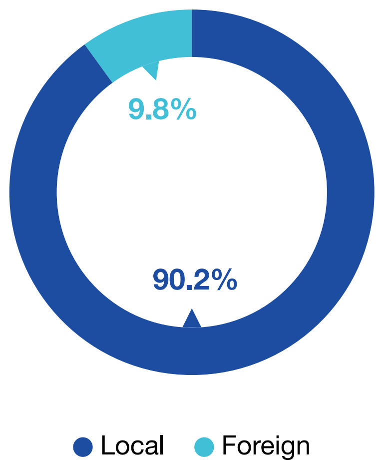
SHAREHOLDER INFORMATION CONTINUED

Nahdi share performance 2023

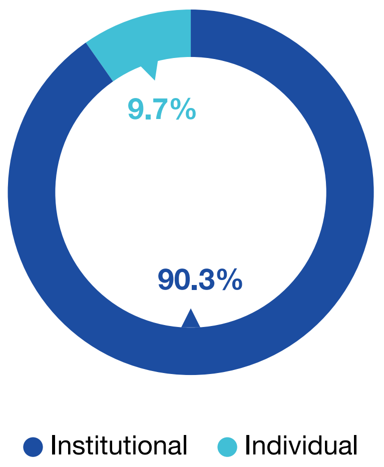
Monthly traded volumes



Investor type: local and foreign



Investor type: individual and institutional



As end of 2023

Closing share price	SAR 137
Closing market capitalization	17,810,000,000
Dividend payout	SAR 715,000,000
Total number of shareholders	134,735
Number of nationalities	60+

Dividends 2023

Nahdi's Board of Directors recommended the distribution of dividends to shareholders for the fiscal year ending 31 December 2023, as stated below:

Announcement date	Eligibility date	Distribution date	Dividend per share	Status
1 August 2023	10 August 2023	24 August 2023	SAR 2.51	Approved, distributed in August 2023
17 March 2024	21 March 2024	2 April 2023	SAR 3.00	Approved, to be distributed in April 2024

STRATEGIC REVIEW

DELIVERING ON THE KINGDOM'S HEALTHCARE VISION

NAHDI TAKES A PROACTIVE ROLE IN DEVELOPING THE KINGDOM'S HEALTHCARE SECTOR.

WE ARE PRIVILEGED TO SERVE 100 MILLION GUESTS ANNUALLY, AND WITH THIS COMES A HUGE SOCIAL RESPONSIBILITY. WE STRIVE TO BE A POSITIVE INFLUENCE AND AN AGENT FOR CHANGE.

Saudi Arabia's Health Sector Transformation Program
As part of Saudi Vision 2030, the Health Sector Transformation Program (HSTP) was established to contribute to the realization of the 'Vibrant Society', one of the main pillars of the Kingdom's vision.

To meet its objectives, the HSTP seeks to restructure the health sector, consequently enhancing its capabilities as an effective, integrated, value-based ecosystem that sets the health of every member of society at the forefront of its priorities.

The program strives towards transparency and financial sustainability by promoting public health and disease prevention and implementing modern healthcare paradigms. The program also aims to facilitate citizen's access to free health and healthcare services and insurance.

This is accomplished by guaranteeing fair and comprehensive geographical coverage across all regions of the Kingdom, expanding e-health services and digital solutions, and improving the quality of healthcare.

In addition, the program focuses on increasing levels of beneficiary satisfaction by implementing value-based healthcare and international best practices, and by enhancing community awareness of traffic safety.

The HSTP will work in cooperation and coordination with all health sector bodies, vision realization programs, and relevant government entities to align with the strategic national and Vision 2030 objectives throughout the transformation journey.

Direct objectives
The program strives to achieve four direct objectives that have been transferred from the National Transformation Program to the Health Sector Transformation Program. These are:

- Facilitating access to healthcare services
- Improving the quality and efficiency of health services
- Promoting the prevention of health risks
- Enhancing traffic safety

DELIVERING ON THE KINGDOM'S HEALTHCARE VISION CONTINUED

Health Sector Transformation Program, Direct Objective 1

Facilitating access to healthcare services

Nahdi is playing a pivotal role in reshaping Saudi Arabia's healthcare sector with the seamless integration of healthcare, pharmacy, and digital services.

This is being achieved by aligning our healthcare business with the strategic objectives of the National Healthcare Transformation Program, with a focus on providing Guests with access to affordable, high-quality healthcare services.

The company has developed unparalleled coverage across the Kingdom. Its 1,105 pharmacies provide 97% of the Saudi Arabian population with access to health and wellbeing products and services. As Nahdi continues to optimize its store mix, and invests heavily in technology, our pharmacies are evolving from convenience to experience.

Nahdi's seamless omnichannel experience connects our pharmacies and online platforms – transactions through our website and mobile apps rose by 26%, and our digital platforms hosted more than 182 million sessions in 2023.

Meanwhile, the company has doubled its polyclinics network, grown its home healthcare services, and provided widespread access to telemedicine services throughout the Kingdom, catering to the healthcare needs of a growing and aging population. Guests can rely on having access to some of the finest consultants in the healthcare field as Nahdi attracts national, American and Canadian Board-certified consultants.

By expanding our polyclinics to Jeddah, Makkah, Taif and, in early 2024, to Madinah, we now cover all major hubs for pilgrims visiting the Kingdom, and the communities that serve them.

In 2023, Nahdi's omnihealth ecosystem saw a significant increase in visitations, exceeding one million Guests for the first time, representing a 100% increase from 2022. Essential to this growth is Nahdi's agile, light and hybrid business model which allows our healthcare ecosystem to expand at speed and scale, physically and digitally.

Services available include ER, pediatrics, cardiology, dental, dermatology, family medicine, gynecology, internal medicine, neurology, ophthalmology, orthopedics, otolaryngology, urology, endocrinology, nutrition, physiotherapy and fully equipped diagnostics (radiology and laboratory).

NahdiCare's telemedicine services provide guests with more than just access to a healthcare practitioner. They allow Guests – at the click of a button and from the comfort of their home – to access the full omnihealth ecosystem and benefit seamlessly from the synergy between Nahdi's healthcare services and pharmacies.

The 24/7 availability of general practitioners and specialist consultations for both cash and insurance Guests has undoubtedly contributed to an increase in the popularity of telemedicine, with virtual consultations growing by more than 200% in 2023.

Similarly, our ability to offer Guests home healthcare services, at a location of their choice, resulted in Nahdi serving 14,310 Guests, a massive jump of 443%.

Health Sector Transformation Program, Direct Objective 2

Improving the quality and efficiency of health services

Since its incorporation in 1986, Nahdi has disrupted the industry – contributing to a paradigm shift in the pharmaceuticals sector – and become the Kingdom's leading pharmacy retailer, and its most trusted health and wellbeing partner.

Nahdi's Private Label brands and Direct Import products offer our Guests high quality products at competitive prices. The company manages products at all stages of production, from conception, to shelving the products in our pharmacies, based on our Guests' feedback and needs.

As part of our role to improve the health of society, Nahdi's new ez-pill service is designed to enhance the quality of life of our Guests who live with chronic disease.

Seamless omnichannel experience

↗26%

Transactions through Nahdi's website and mobile apps rose by 26% in 2023

NahdiCare polyclinic Guest visits

+1mn

Visits to our polyclinics doubled in 2023, exceeding 1 million for the first time

DELIVERING ON THE KINGDOM'S HEALTHCARE VISION CONTINUED

NahdiCare home healthcare

14,310

Our home healthcare services made 14,310 visits in 2023

NahdiCare telemedicine

↗105%

Our telemedicine sessions reached 564,847 in 2023, up from 276,389 in 2022

ez-pill makes medical adherence worry free by ensuring people receive their correct medication doses at the right time. Since the service was launched, ez-pill has impacted the lives of thousands of people, with the aim of increasing our Guests' average adherence rate from 30% to 50%.

The integration of Nahdi's omnichannel experience with its healthcare services has created a unique omnihealth ecosystem for Guests and positioned Nahdi at the forefront of the sector globally.

Nahdi's telemedicine services, home healthcare, online offerings, and NahdiCare polyclinics go above and beyond the offering of a standard pharmacy business, while our e-commerce and other online offerings have contributed to a surge in online shopping for health, wellbeing and beauty items.

Our polyclinics are fully certified by the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI). Our telemedicine and home healthcare services are accredited by the Australian Council on Healthcare Standards International (ACHSI).

The company is committed to delivering a compelling omnichannel experience by providing Guests with seamless online and offline optionality. We are consistently scaling up our digital experience to build Nahdi's websites and apps as destinations for products, solutions and knowledge.

In 2023, Nahdi partnered with a global consultancy firm to rationalize the company's operating expenses under the Road to Efficiency Excellence (R2E) initiative.

Rigorous reviews of key processes were benchmarked against global and local peers, from which the R2E program delivered a three-year roadmap featuring 40+ projects, which will be key to achieving our financial optimization targets over that period.

Following the launch of our state-of-the-art distribution center (IMDAD) in 2022, Nahdi delivered 212 million units in 2023. IMDAD has played a pivotal role in ensuring the smooth operation of our extensive network across Saudi Arabia, serving millions of Guests with every possible product.

We have also built strategic partnerships with medical providers to support our growth and to give us fresh perspectives.

Health Sector Transformation Program, Direct Objective 3

Promoting prevention of health risks

Chronic disease management involves providing ongoing care and support to those members of our communities with long-term medical conditions, such as diabetes and hypertension.

At Nahdi we are using our healthcare expertise and various programs to optimize health outcomes, improve quality of life, and reduce healthcare costs.

In the case of healthcare outcomes, we have put in place a series of tangible measurables. By 2030, we aim to reduce A1C levels by 1%, enhance early detection of pre-diabetes by 20% through proactive screenings and interventions, increase healthcare accessibility in rural areas via our Convoys of Hope and telemedicine initiatives, and improve medication adherence among patients with chronic diseases to a minimum of 50%.

In collaboration with Joslin Diabetes Center, and under the supervision of the Ministry of Health, Nahdi launched 'Let's Talk About Diabetes', an in-store diabetes education program that focuses on topical medical regimes and works with dedicated healthcare practitioners to monitor glucose levels.

We are planning to make this program more accessible by moving it on to the Nahdi E-pharmacist platform.

Our Convoys of Hope program is also improving access to healthcare and medical advice in rural areas by tackling the issue of preventable disease. Medically-equipped vehicles, staffed by our experienced healthcare professionals, travel the country to bring beats of hope to those in need.

Further, our Salemtum Health Club helps Guests' adherence journeys by issuing refill reminders and using e-prescriptions to refill their medication. Other Club benefits include access to our ez-pill pill packing system, consultations with E-pharmacists and doctors, and a wide choice of personalized educational material.

ECONOMIC ENVIRONMENT

SAUDI ARABIA'S VISION 2030 HEALTHCARE PLAN AIMS TO MODERNIZE THE COUNTRY'S HEALTH ORGANIZATION THROUGH SIGNIFICANT PRIVATIZATION AND DIGITALIZATION REFORMS.

These global developments partially impacted the Kingdom of Saudi Arabia. Real GDP declined by 0.8% in 2023 compared to the previous year. This was primarily due to a deliberate decrease in oil production by the Kingdom, as well as lower crude oil prices.

The oil sector experienced a significant reduction in capacity, by 9.0%, while the non-oil sector showed progress with a growth rate of about 4.4% driven by local consumption and labor market reforms.

Moreover, government activities achieved an increase of 2.1% during the year 2023 according to General Authority of Statistics (GAZAT). During the year, Saudi Arabia continued to focus on implementing Vision 2030's economic and social reforms, with increased infrastructure development mega projects and successful bids to host Expo 2030 and the FIFA World Cup 2034, which are expected to provide a substantial economic boost to the nation.

Population Growth

Saudi Arabia is the largest GCC economy with a population size of 36 million which is accounts for nearly 60% of the region's (GCC) population. The population in Saudi Arabia is expected to grow and reach 50 to 60 million by 2030, with half being foreigners, which would manifest in terms of strong demand for healthcare services. In anticipation of a growing older population, higher investments in the healthcare sector are expected.

Controlled Inflation

Saudi Arabia has successfully managed to bring down inflation and maintain low inflation rates throughout 2023. The country's Consumer Price Index (CPI) peaked at 3.4% in January 2023 but gradually decelerated throughout the year reaching its lowest level in December 2023, at 1.5%. Average annual inflation consumer price index for 2023 increased by 2.3% compared to 2022 according to General Authority of Statical (GASAT).

Well-directed fiscal policies, including measures to support affordability of goods and services, were implemented to control price growth, as well as various interventions such as capping domestic fuel prices, enhancing strategic food reserves, and strengthening social security programs contributed to this success.

Tighter monetary policy, including increased interest rates, also played a role in curbing inflation. Saudi Arabia's ability to control inflation stands out in contrast to other countries experiencing rising inflation globally. The Saudi Ministry of Finance in the 2024 budget statement expected inflation to record 2.6% at the end of 2023 and to decline to 2.2% in 2024.

Mandatory Health Insurance

The mandatory health insurance policy implemented by the Saudi Arabian government, particularly for expatriates, has significantly contributed to the growth of the health insurance industry in recent years. The government introduced health insurance for private sector expatriate employees in July 2020 through the Wage Protection System, aiming for a 26.7% vertical growth within a year.

The inclusion of expatriate health insurance aligns private sector insurance plans with the national health coverage policy, which had 10% of citizens covered by insurance plans in 2023.

This showcases the regulatory power and improvement rate of the policy.

Saudi Vision 2030: Healthcare and Privatization

Saudi Arabia's Vision 2030 healthcare plan aims to modernize the country's health organization through significant privatization and digitalization reforms. The goal is to increase private sector participation by 35% annually, with the current participation rate at 20%.

This involves selling 290 hospitals and 2,300 primary outpatient clinics to the public. With a budget of SAR 244 billion, the government aims to transform the healthcare system, train medical staff, reform the delivery model, and expand the electronic health system.

The healthcare budget continues to expand, with SAR 189 billion allocated in 2023, leading to the opening of three new hospitals and the addition of 900 beds. Governance reforms related to 'health clusters' have already been initiated, with all four regions establishing these clusters.

BUSINESS REVIEW

PHARMACY RETAIL

Strengthening the core retail offering

Nahdi's pharmacy retail business performance and expansion is supported by four distinct goals: to enhance our brand equity, to grow our loyalty proposition, to drive each of our five core pharmacy segments (medicine, wellness, beauty, personal care and mom & baby), and to differentiate our Private Label brands and Direct Import products.

Since its incorporation in 1986, Nahdi has disrupted the industry contributing to a paradigm shift in the pharmacy retail sector, with the introduction of new product categories and its Private Label brands and Direct Import products catering to all the health and wellbeing needs of our Guests. As a result, our operations have significantly expanded, making Nahdi the leading pharmacy retailer today.

Medicine as the core driver of our business, and 2023 results confirm that we remain the first choice for our Guests, driven by our differentiated service offering and our network reach and strategy.

Our medicine strategy played a substantial role in the company's overall performance in 2023 with an overall growth of 7.1%, compared to 2022, in the medicine category.

These outstanding results were due to our evolving synergy between healthcare and retail pharmacy business, our strong partnerships with medical insurance companies, expanding innovative products, as well as our provider pharmacy growth.

Nahdi's front shop experienced a positive momentum starting from the second half of 2023, after experiencing the headwinds at the beginning of 2023, driven by pressures on disposable income resulting in changing consumer behavior, the growing presence of international online players, and the emergence of new channels in Saudi Arabia.

Accordingly, Nahdi took various mitigation actions helped to reignite the front shop performance towards the second half of the year.

We focused on:

- Offering fair value to our Guests by investing in sales promotions.
- Enriching our offering by listing 5,000 additional SKUs during the second half of 2023, taking it up to 25,000+ SKUs.
- Accelerating our online penetration by unlocking the full potential of Nahdi Global, which provides Guests with access to a significantly wider array of competitively priced products, sourced from trusted international manufacturers all over the world.
- Continuing to nurture strategic partnerships through solid joint business plans.

As a result, we witnessed an increase in Beauty sales, by 3.3% year-on-year during the last quarter of the year, marking a decisive shift from the overall annual decline, starting August 2023.

As a core part of the business, we have developed a range of Private Label brands and Direct Import products over recent years, offering our Guests high quality products at competitive prices.

BUSINESS REVIEW CONTINUED

Core segment product lines

↗5,000

We added 5,000 additional SKUs to our front shop segments in 2023, reaching a total of 25,000+

Private Label and Direct Import

SAR1.1bn

Private Label brand and Direct Import product revenues exceeded SAR 1.1 billion in 2023

The company manages products at all stages of production, from conception, to shelving the products in our pharmacies, based on our Guests' feedback and needs.

Private Label brand and Direct Import product sales exceeded SAR 1.1 billion in 2023, representing 13% of Nahdi's total sales, covering medical accessories, baby food, beauty products, self-medication and health food, all sourced from reputable international manufacturers with whom the company has longstanding strategic relationships.

Healthcare and Wellness Brand of Choice for our Guests

More than 7.5 million Guests and their families benefit from even greater value and personalized offers through Nuhdeek, receiving rewards in the form of Nuhdeek points, free products, vouchers, or charitable donations after each purchase.

Nahdi's strong brand equity has grown year after year, evidenced by our Nuhdeek loyalty program which generates approximately 83% of revenue and represents 74% of all sales transactions.

Our strong partnership with Guests is reflected in Nahdi being among the leading Saudi brands. Nahdi was among the top 10 most trusted organizations in the Kingdom, according to IPSOS index, one of the top 10 most valuable Saudi brands in 2023by the Kantar index while being ranked second in healthcare in the Fortune500 MENA 2023 ranking.

Nahdi's strong brand equity puts it at the forefront of its industry with a Nielson equity score of 7. Contributing to Nahdi's success is the overall guest satisfaction (88 NPS score), its network that provides 97% of the Saudi population with access to health and wellbeing services and products, its online presence, which contributes 16% of the company's total revenue, as well as its marketing and communication capabilities (achieving 4.5 million social media followers), and well as meeting Guests' needs with innovative product and service solutions.

Nahdi, is an innovation pioneer and part of its role to improve the health of the society, introduced ez-pill pill packing service as part of its medical adherence program enhancing the quality of lives for our Guests living with chronic disease.

ez-pill makes medical adherence worry free, by ensuring that our Guests, receive their doses with the correct medication at the correct time. Since the inception of the service ez-pill impacted the lives of 23,540 Guests, with the aim of increasing the adherence rate from 30% to 50%.

Our pill-packing machines that were introduced in selected pharmacies across all major cities in Saudi Arabia, in 2023, help to accurately arrange medication by dose and time. This makes it easy to keep track of your medications and make sure they take them at the required time without missing a dose, through linking it with our mobile and application reminder system.

BUSINESS REVIEW CONTINUED

OMNICHANNEL

Expanding the omnichannel retail footprint

Nahdi's transformation into Saudi Arabia's ultimate omnichannel destination involves further expanding of our physical reach at home and abroad, ongoing optimization of our store mix, and further efforts to leverage our impressive array of e-commerce and online channels, which has made us one of the leading e-commerce platforms in the region.

Nahdi is proud of its strong and trusted partnership with millions of loyal Guests served through its 1,120 pharmacies in the region and an integrated network of clinics, underpinned by state of-the-art digital channels. As Nahdi adopts a Guest-centric approach, this partnership has gone above and beyond simply providing products and services, to become a unique healthcare experience delivered through multiple channels, operational excellence and highly trained and skilled staff.

The company aims to remain at the forefront of providing the best services to its Guests by building innovative experiential pharmacies, providing unique and interactive shopping experiences through the latest artificial intelligence technologies, and robotics, all of which became part of Nahdi's unique experience.

Guests are at the heart of our omnichannel offering. They benefit from a range of services within our pharmacies – such as consultations, medical adherence programs, beauty applications, Scan&Go and drive-thru, in addition to Nahdi's free wellness program, Wazen Hayatak, and increased assortments.

As a result, our customer loyalty to the Nahdi brand remained high during the year, with a Net Promoter Score (NPS) of 88 of our Guests likely to recommend us to their friends and family (2022: 85).

In 2023, we continued to optimize and enhance our Kingdom-wide network, diversifying our store mix even further to cater to the various needs of our Guests. As part of this strategy, we opened 66 new pharmacies.

The continuation of our store mix optimization strategy led to better throughput and productivity and, therefore, an increased basket size.

We continued to fortify our leadership in Riyadh with the opening of 17 pharmacies and further elevated the in-store experience. The surge in Riyadh's population, to nearly eight million, makes the Central region one of our key priorities. Already home to Nahdi's largest pharmacy in the Kingdom, we are finalizing ambitious plans to further grow our network there.

Nahdi goes where its Guests need them most. The successful integration of Nahdi 'provider' pharmacies was reflected in a significant increase in their revenues during the year. Crucial to our omnichannel expansion strategy, we comfortably exceeded our target by opening 28 new provider pharmacies in 2023.

BUSINESS REVIEW CONTINUED

Accelerating our expansion in the UAE is central to Nahdi's strategy. We opened eight new pharmacies in the Emirates during 2023, bringing our presence to 15 pharmacies: two in Abu Dhabi, 11 in Dubai, and one each in Sharjah and Ajman. Nahdi's omnichannel offering in addition the new pharmacies, made the UAE witness a revenue increase of 236%. Nahdi's success in the UAE is testament to the company's business model, being replicable across regional markets.

Nahdi is committed to delivering a compelling omnichannel experience by providing Guests with seamless online and offline optionality. We are consistently scaling up our digital experience to build Nahdi's websites and apps as destinations for products, solutions and knowledge.

The popularity of online shopping for health, wellbeing and beauty items, in addition to consultations, is nowhere more evident than through our highly successful e-commerce and other online offerings.

Our omnichannel platform includes Nahdi Online, Nahdi Global, E-pharmacists, store to home, click & collect and more, providing our Guests with a seamless experience in accessing the world of healthcare at the click of a button.

The marked increase in traffic through Nahdi's world-class digital platform continued in 2023, with the total number of sessions reaching 182 million (2022: 145 million). Our total e-commerce sales, through Nahdi Online and Nahdi Global, grew to 16% of total revenues in 2023, up from 13% in 2022.

Our Guests have access to a significant range of products from around the world through Nahdi Global and our last mile delivery service, across our categories, apart from medicine. By only sourcing from reputable manufacturers and ensuring that storage and distribution meets strict quality standards, and are in line with the Kingdom's regulations, Nahdi has given Guests the peace of mind and confidence to buy an entirely new range of products from a brand they already know and trust.

As Nahdi brings new products and services on stream, e-commerce offers endless opportunities for growth. We are permanently on alert for new opportunities and routinely trawl the globe to evaluate new offerings that potentially offer the right fit for Nahdi's portfolio and benefit our Guests.

Our innovative Nahdi E-pharmacist service, which provides our Guests with free virtual consultation services with a pharmacist via the Nahdi app, has soared since its launch at the beginning of 2022. E-pharmacist sessions more than doubled to 192,950 in 2023 (2022: 89,083).

This further illustrates that our omnichannel ecosystem is fulfilling a vital role and meeting Nahdi's primary objective of adding beats to the lives of our Guests. Not only does the E-pharmacist give people the freedom of choice to decide what service they need and when, but the ease with which they can access services and expertise online, which mirrors the same experience and quality our Guests are used to in our pharmacies.

Net Promoter Score (NPS)

88

Our NPS in 2023 indicates that 88 of our Guests are likely to recommend Nahdi to their friends and family (2022: 85)

E-pharmacist sessions

↗117%

Virtual consultations with our E-pharmacists more than doubled in 2023, to 192,950 (2022: 89,083)

BUSINESS REVIEW CONTINUED

OMNIHEALTH

Becoming an omnihealth gateway

Nahdi's omnihealth ecosystem offers integrated healthcare services to Guests, along with all their key healthcare needs. Our healthcare services include polyclinics, virtual medical consultation services, home healthcare and Laboratory services.

Nahdi is playing a pivotal role in reshaping Saudi Arabia's healthcare sector by seamlessly integrating healthcare, pharmacy, and digital services. This was achieved by aligning our healthcare business with the strategic objectives of the National Healthcare Transformation Program with the focus of providing Guests with access and affordable cost of high-quality healthcare services.

Catering to the healthcare needs of a growing and aging population, Nahdi has expanded its network of polyclinics for the first time outside of Jeddah, has grown its Home Healthcare services, in addition to providing widespread access to virtual medical consultation services throughout the Kingdom.

In 2023, Nahdi's omnihealth ecosystem saw a significant increase in visitations, exceeding one million for the first time, representing a 100% increase from 2022.

The expansion of NahdiCare clinics continued, with the number of clinics doubling in 2023, while revenues witnessed a 100% increase versus last year.

Essential to this growth is Nahdi's agile, light and hybrid business model which allows our healthcare ecosystem to expand at speed and scale, physically and digitally. Further our healthcare operations broke even for the very first time for the total business.

By expanding our polyclinics to Jeddah, Makkah, Taif and in early 2024 to Madinah, Nahdi now covers all major hubs for pilgrims visiting the Kingdom, and the communities that serve them.

BUSINESS REVIEW CONTINUED

Home healthcare

↗443%

Nahdi's home healthcare grew to 14,310 visitations in 2023, an increase of 443%

Telemedicine consultations

564,847

Virtual consultations increased by more than 200% to 564,847 (2022: 276,389)

Guests can rely on having access to some of the best national consultants in the field of healthcare, certified by the American, Canadian and Arab board and multispecialty state-of-the-art medical infrastructure and technology. The range of specialized services available, include ER, pediatrics, cardiology, dental, dermatology, family medicine, gynecology, internal medicine, neurology, ophthalmology, orthopedics, otolaryngology, urology, endocrinology, nutrition, physiotherapy and fully equipped diagnostics (radiology and laboratory).

Ensuring that our Guest receive the best service and consultation, Nahdi focuses on fostering culture and values through training and development for its healthcare practitioners, utilizing the latest evidence based educational technology.

NahdiCare clinics further utilize the latest technology to improve our service for the convenience of the Guests. The introduction self-check-in through our mobile application and stationary kiosks, reduced the waiting time in our Clinics by 30% and is a relevant contributor high levels of Guest satisfaction, with our Net Promoter Score reaching a staggering score of 80.

Nahdi's virtual medical consultation services provide guests with more than just access to a healthcare practitioner. It allows Guests to access the full omnihealth ecosystem and seamlessly benefit from the synergy between Nahdi's healthcare services and pharmacies, with the click of a button and from the comfort of their home. Once our Guests are fully emersed into Nahdi's omnihealth environment, their spending increases three-fold, while the flow of prescriptions between healthcare and pharmacy contributed 1.4x increase in pharmacies' medicine revenue.

One of the significant factors contributing to the increase in virtual medical consultations in 2023 is the 24/7 availability of general practitioners and specialist consultation both, cash and insurance guests. As a result, our number of virtual consultations increased by more than 200% to 564,847 (2022: 276,389). In addition, Nahdi provides home healthcare services to Guests, which served 14,310 (2022: 3,230), an increase of 443%.

Nahdi's clinic services are 100% compliant with all regulators' required licenses and certifications. Four Nahdi clinics in Jeddah are fully certified by the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI), while our telemedicine and home healthcare services are accredited by the Australian Council on Healthcare Standards International (ACHSI).

BUSINESS REVIEW CONTINUED

STRATEGIC ENABLERS

Developing our strategic organizational capabilities

Nahdi's foundational strategic enablers are vital capabilities and resources that contribute to the successful execution of our corporate strategy, and our operational and financial efficiency.

At Nahdi, our aim is to attract the finest talent at every level of the company, to develop capabilities and capacity that meet the growing needs of our business, to emphasize digital transformation that enhances Guest care and convenience, and to apply the latest technologies across our world-class supply chain. These enablers are critical to the company's success and contribute to our unique value proposition.

People

As a people-centric business, Nahdi has created a dynamic work environment where our people can unlock their full potential in a collaborative and inclusive way. To deliver on our promise of exceeding our Guests' expectations while providing them with superior personalized healthcare we have consciously set out to attract, nurture and retain the very best talent with the mindset and drive to create a winning organization.

One of the key differentiators that singles out Nahdi as a provider of exceptional Guest care, is the dedicated effort we devote to employee training. Of the 500,000+ training hours allocated in 2023, 300,000 hours were specific to pharmacists.

Our pioneering Nahdi Academy App – a microlearning platform – has empowered our professionals by equipping them with knowledge and giving them cutting-edge skills right at their fingertips. It is a strategic investment that is not only raising the standard of care, but also signals our commitment to innovation and excellence in the healthcare sector.

Through our partnership with 24 universities across the Kingdom, Nahdi provides specialist training to more than 2,000 pharmacy students annually. It is a mutually beneficial collaboration that supports higher education and serves to attract young Saudi talent to the company.

BUSINESS REVIEW CONTINUED

Employee development

+500,000

Of the 500,000+ training hours allocated in 2023, 300,000 hours were specific to pharmacists

Great Place to Work

2nd

in Saudi Arabia in 2023. Among the top companies throughout Saudi, GCC and Asia for the 6th consecutive time

These efforts have reinforced Nahdi's reputation as the pharmacy retail sector's employer of choice. In a recent study of pharmacy graduates, eight out of 10 respondents said they would prefer to work for Nahdi – citing as positives our brand strength, reputation, awards and in-store experience.

Since 2014, Nahdi has consistently ranked in the Top 20 list of 'Great Places to Work' (GPTW) in the Kingdom, the GCC region, and Asia. Our last two GPTW rankings placed us in the top five organizations and among the Kingdom's top employers and in the retail sector for large organizations.

Our passion for people has also resulted in numerous industry awards, most notably the Le Fonti Award 2023 for excellence in HR strategy, and the Employer of the Year Award at the 2023 HR Summit & Expo KSA.

As a proud Saudi company, we are one of the preferred and strategic partners of the Ministry of Human Resources and are fully aligned with Vision 2030 in supporting the goal of cultivating and empowering national talent.

In 2020, Nahdi formed an alliance with the Ministry of Human Resources' Tawteen program, and since then we have hired more than 1,500 national pharmacists and extended our commitment. In 2023, more than 91% of the company's new hires were Saudis, a level we intend to maintain in the coming years.

To support Nahdi's growth in omnihealth, we hired 245 health professionals in 2023, reaching a Saudization rate of 35.6%. Guests can rely on having access to some of the finest consultants in the healthcare field as NahdiCare attracts national, American and Canadian Board-certified consultants.

Our Passion for People strategy – which has Saudization, hiring the best talent and the empowerment of women at its core – is a powerful acknowledgment of Nahdi's responsibilities in this area and our hands-on approach to addressing a major recruitment challenge. This clearly resonated with women, who accounted for 40% of all new hires in 2023, while 50% of the 361 new Saudi pharmacists we hired were women.

Our commitment to hiring more female staff has gone well beyond their recruitment. Women joining Nahdi can expect a safe working environment that is appropriate and inclusive. Separate rest and prayer areas, and a free nursery for women with young children at our head office as well as a valet service, are consistent with our modernizing approach and reflect the growing contribution of women in the workplace.

We expect to strive even harder in our quest to attract the best talent to a healthcare sector that is poised to expand dramatically. We will maintain a high profile at recruitment touchpoints, including universities, and further consolidate our reputation as one of the Kingdom's most preferred employers.

Technology

At Nahdi, we are determined that Guests who use our digital channels can enjoy the same customized and seamless experience that they are accustomed to in our retail pharmacies.

Our adoption of a 'composable' e-commerce architecture represents a leap forward in Nahdi's digital transformation journey. This opens-up almost limitless possibilities in terms of enhancing customization, improving time-to-market, and introducing new e-commerce brands to enrich and differentiate our Guest experience. It has also ensured that, by allowing us to harness unified content management, experiences across all digital touchpoints are consistent.

By improving flexibility, scalability and security, composable architecture has laid the ground for the company's future growth and provided the agility to adapt to the market and respond more quickly to Guest feedback. Further, its enhanced security features and SEO benefits are supporting our leadership position.

BUSINESS REVIEW CONTINUED

Personalization and digital experience platform (DXP)

Two years ago, Nahdi launched a comprehensive personalization initiative, the outcome of which were numerous tailored Guest offers that have driven repeat engagement and built long-term Guest loyalty.

Data and analytics play a pivotal role in driving our strategic initiatives across all business areas. They are integral business tools for data-driven decision-making, with diverse projects spanning customer analytics, inventory optimization, supply chain analytics, and more.

On the Guest experience front, DXP represents the operationalization of our personalization and data and analytics strategies. Thanks to DXP, we have successfully implemented initiatives to improve the Guest experience, optimized communications based on Guest preferences, and introduced greater personalization.

Next-generation point of sale (POS)

In 2023, we rolled out a new POS system designed to revolutionize the Guest experience. New, powerful tools empower our pharmacists to offer Guests personalized healthcare services and exclusive offers. The system is supported by seamless integration with our Nuhdeek loyalty platform and backed by a strong foundation of AI and analytics, which has improved efficiency and boosted Guest satisfaction.

We have also introduced self-checkout and piloted store mobility solutions to boost efficiency and provide each Guest with a unique shopping experience.

Cybersecurity and data privacy

In line with Saudi Arabia's National Cybersecurity Authority regulations, and those of its equivalent in the UAE, we have established Himaya, an information security and data privacy program which ensures our Guests, employees and digital assets are fully protected.

In 2023, Nahdi achieved ISO 22301 certification in business continuity management for the fourth consecutive year.

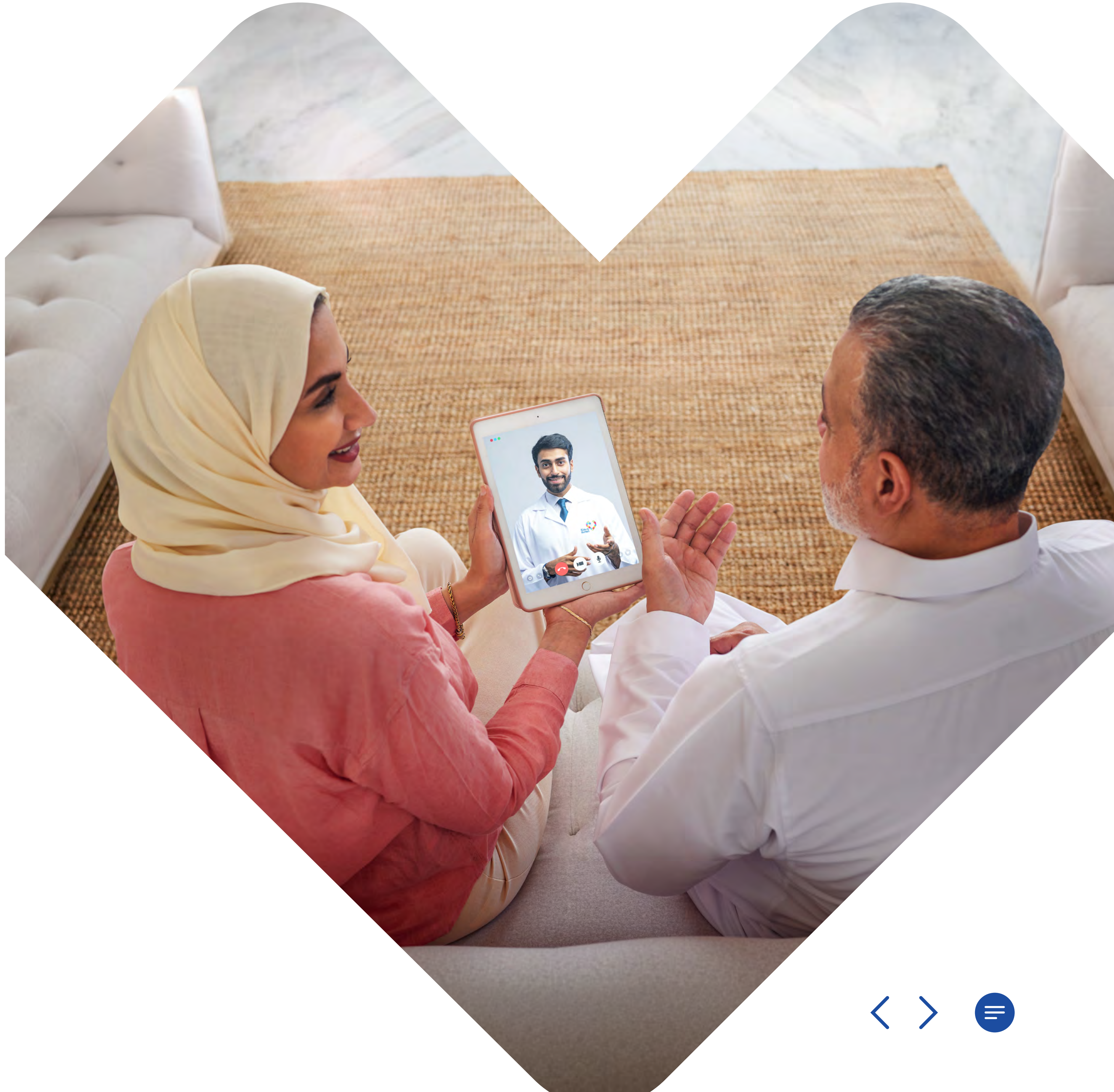
Supply chain

Nahdi made significant strides forward in 2023 to integrate advanced technologies into our distribution operations, paving the way for greater efficiency, agility and responsiveness to our Guests' needs.

A cornerstone of our technological advancement is IMDAD, our state-of-the-art smart distribution center, delivered in partnership with the Saudi Authority for Industrial Cities and Technology Zones (MODON).

IMDAD stands as a testament to our dedication to excellence. Meticulously designed, built and tested to meet the highest standards of quality and efficiency, it has been certified LEED v4 for green building design, construction, operations and performance.

In 2023, IMDAD played a pivotal role in ensuring the seamless operation of our extensive network across Saudi Arabia, effectively serving millions of Guests with all the products that cater to their needs.



BUSINESS REVIEW CONTINUED

As a result of an ongoing drive to optimize – including adding automation and piece-picking lines – IMDAD stands as a beacon to excellence, while lowering our operational costs.

Furthermore, Nahdi's proactive approach to ensuring product safety, quality and integrity is exemplified by our early adoption of the Drug Track and Trace System (RSD), in collaboration with the Saudi Food and Drug Authority. This groundbreaking system allows us to track pharmaceutical products from manufacturing to consumption, guaranteeing our Guests the highest standards of quality and safety.

In a significant milestone for Saudi Arabia's healthcare market, Nahdi was granted approval to trial the first bonded zone within IMDAD, in consultation with ZATCA (Saudi Zakat, Tax, and Customs Authority). This initiative enables Nahdi to import a wide range of wellness, mom & baby, and other products from around the world, providing our Guests with unparalleled access to an extensive selection of products.

With the support of ZATCA, these products are swiftly distributed to Guests –within 24 hours in the Western region and 48 hours for the rest of the country – further evidence of how seriously we take Guest satisfaction and convenience.

As we reflect on the achievements of 2023 and look to the future, we can confidently predict that our pursuit of excellence and innovation will never waver. Exceeding expectations and delivering unmatched value to our Guests will remain our watchwords. The relentless dedication for which Nahdi is known leaves us poised to have a major say in determining the future direction and quality of the region's healthcare and wellness.

Optimization

Nahdi's 'Refuel' program is a platform for capturing financial optimization opportunities within the company. The resulting savings are re-invested into new initiatives, creating more value for the business and driving the optimization culture across the organization.

The program encourages Nahdi employees and teams to share with the program committee their ideas for optimization, which span multiple streams such as OPEX and CAPEX savings, cost avoidance, cash savings, and improvements to working capital. These ideas are then converted into actionable programs and supported by cross functional teams.

In 2023, Nahdi partnered with a global consultancy firm to rationalize the company's operating expenses under the Road to Efficiency Excellence (R2E) initiative. Rigorous reviews of key processes were benchmarked against global and local peers, from which the R2E program delivered a three-year roadmap featuring 40+ projects, which will be key to achieving our financial optimization targets over that period.

IMDAD smart distribution center

24 hours

Nahdi delivers to Guests in 24 hours within the Western region, and in 48 hours across the Kingdom

Financial optimization

R2E

Our Road to Efficiency Excellence (R2E) program features 40+ financial optimization projects

RISK MANAGEMENT

NAHDI HAS ADOPTED A SYSTEMATIC APPROACH TO IDENTIFYING, ASSESSING, AND MANAGING ALL TYPES OF RISK THAT COULD AFFECT THE COMPANY AND HAVE A SIGNIFICANT IMPACT ON OUR STRATEGIC OBJECTIVES.

These include external factors such as changing economic conditions, political developments, the regulatory landscape, and shifts in consumer behavior, and internal factors such as our quality of management, processes, and systems.

Our management team focuses on identifying and mitigating risk to ensure the continuity of business operations and to protect the company from financial loss and reputational damage.

Enterprise risk management

Since risk management is integrated throughout the business, we regard risk as a value creation function and have implemented a robust enterprise risk management framework, which is aligned with leading global standards and best international practice.

This approach, along with effective frameworks and a sound operating model, means we can focus on developing and protecting strategies. Proper risk management is vital to achieving agility, being innovative, and differentiating our brand.

Nahdi is exposed to various risks which impact the company directly and/or indirectly. These are:

Global political and microeconomic environment

Geopolitical instability in Europe and the Middle East during 2023 resulted into exposure to greater risk and changes to the risk landscape in capital flows, trade, and commodity markets worldwide.

While pressure on disposable income and possible supply shortages that result could negatively impact Nahdi, our risk identification and management process is actively monitoring risks as the global political situation develops, particularly in the Middle East, and assessing its potential effect on the company.

By closely analyzing the market, we can assess the microeconomic variables and their impact on suppliers and Guests. Robust contingency plans are in place for dealing with any adverse outcomes.

Disruptive environment and competition

Nahdi continues to face fierce competition from domestic and international operators in the region, including new and existing pharmacies, clinics, retailers, and online business platforms.

The company's executive team routinely monitors the pricing and promotion of competitor products and services, and our investment in new and emerging technologies keeps pace with disruptive innovations to ensure Nahdi stays ahead of its competitors. Further, our dynamic, tech-enabled approach to risk management means we can move faster, act more decisively, and be bolder and braver in today's fast-changing conditions.

Operational challenges

Some of the factors that may affect Nahdi's operations in the execution of its strategy are the increased cost of conducting business, supply chain challenges, skills availability, and increasingly onerous regulatory compliance.

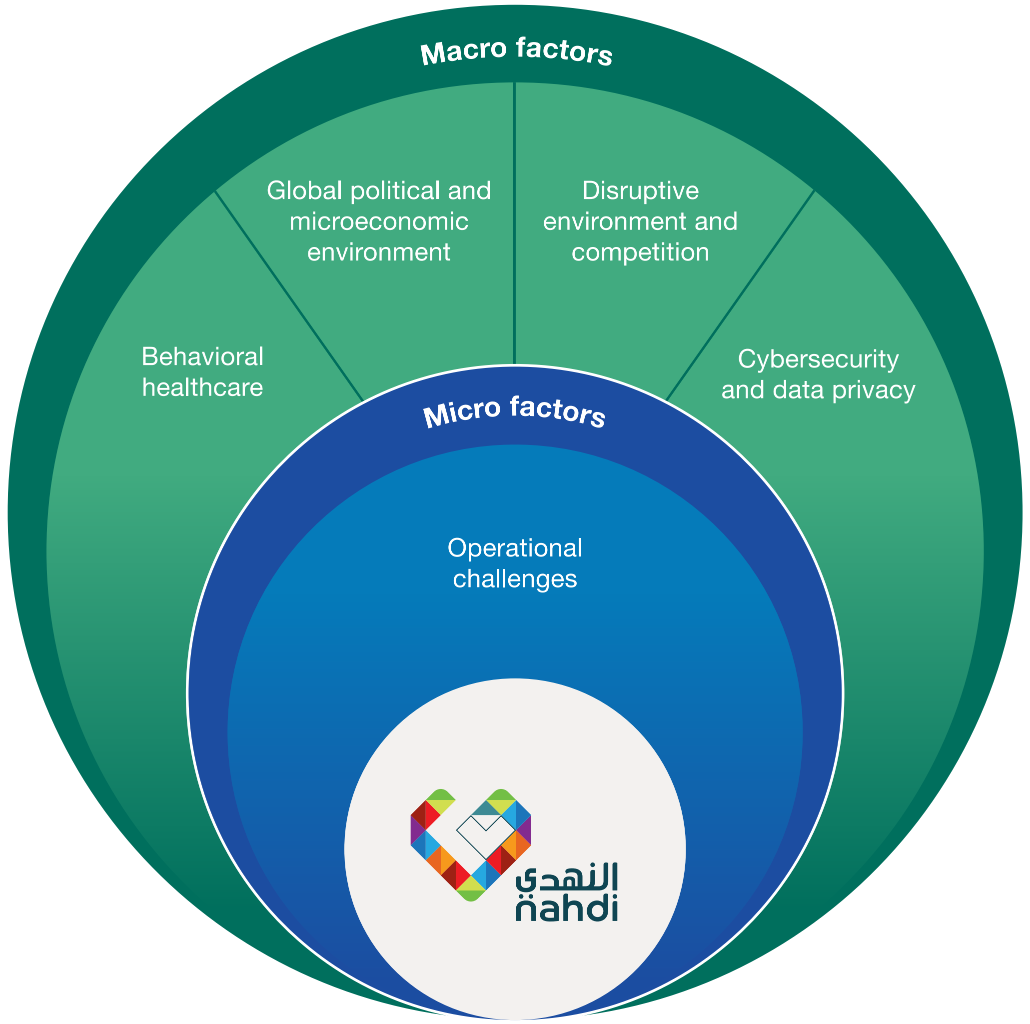
The post-Covid situation, current geopolitical issues in Europe and the Middle East, and the possibility of a global recession, could disrupt supply chains and the delivery of key products.

However, by working closely with our local and international supply partners, regular due diligence monitoring of key suppliers and robust monitoring to ensure that product inventory levels are always met, means we can mitigate the impact of any disruption.

We are subject to numerous regulatory requirements in Saudi Arabia and internationally but, by cultivating healthy working relationships with local regulatory bodies and continuously monitoring regulatory compliance across the business, we can effectively manage regulatory compliance risk.

Human resources are also challenging to attract and retain in the current market. Nahdi has an effective program in place to attract, develop, and retain top talent. A sound succession plan is in place for strategic/critical roles in the organization.

RISK MANAGEMENT CONTINUED



Cybersecurity and data privacy

Data privacy and cybersecurity risks remain a top concern for the healthcare industry, particularly given their potential to disrupt core operations and damage a company's brand reputation. Cyber-attacks can easily paralyze health services by rendering critical infrastructure unavailable.

Nahdi has built a culture where security is seen as everyone's responsibility. We adopt new technologies and tools to identify and mitigate all possible cybersecurity threats and security breaches, while the executive team ensures that employees become part of the company's cybersecurity shield. A highly secure working environment is essential in a company such as ours, so we are putting in place security measures that meet the highest standards possible.

We routinely upgrade our technology infrastructure to improve the company's overall resilience and have put in place business continuity plans and disaster recovery procedures to minimize disruption in the event of a technology failure.

Behavioral healthcare

Interest in behavioral healthcare has grown tremendously over the past three years, following the Covid-19 pandemic and its devastating impact on the mental health of adults and children alike. The quality of health services depends on several factors including, but not limited to, the effectiveness of diagnosis and treatment; experience; standards; professional protocols; and the state of the health facility's infrastructure.

Providers are expanding their behavioral health services as they extend their whole-person approach to patient care in recognition of the inextricable link between mental and physical health.

Consistent with that whole-person approach, Nahdi is conducting more screenings for behavioral health issues, as part of physical health assessments, and as an added service to Guests.

Until an acute episode happens, behavioral health issues are more nebulous and abstract than physical illnesses or injuries and are, therefore, harder to detect and diagnose. But, despite the difficulties of detection and diagnosis, the company would be failing in its duty to provide and maintain such health services, which could materially and adversely affect its reputation.

In addition, the nature and proposed expansion of Nahdi's healthcare services may render the company liable for medical errors committed by our health practitioners, or by a failure to provide health practitioners. The executive team has identified this risk and has a monitoring program in place to ensure that the risk, and any related regulatory requirements, are fully addressed.

SUSTAINABILITY REVIEW

NAHDI AND SUSTAINABILITY

At Nahdi we consider it a privilege to serve our 100 million Guests annually in our pharmacies across Saudi Arabia. We are firmly part of the Kingdom's fabric as a trusted healthcare partner and friend, and have a strong sense of responsibility towards those we serve and the communities we operate in. This commitment guides us in every aspect of our business.

The company is committed to operating responsibly and sustainably and we are aligning with globally accepted Environmental, Social and Governance (ESG) principles.

By doing so, we reinforce our position as socially responsible entity in the healthcare sector, thereby building trust among Guests and investors and ensuring long-term business resilience and success.

GUESTS

We provide 97% of the Saudi population with access to healthcare services and products through our network of 1,105 pharmacies.

We engage with around 100 million Guests every year and they can access our services with the click of a button, through our unique omnichannel ecosystem.

COMMUNITIES

Our social sustainability programs aim to optimize health outcomes and improve quality of life.

Nahdi contributes to a healthier, more vibrant society by promoting access to healthcare and physical activity, and we support the well-being of children by providing access to essential healthcare and educational resources.

ENVIRONMENT

Our environmental initiatives reflect Nahdi's commitment across its operations, supply chains, recycling efforts, networks, and clinics.

By actively implementing a range of measures, we strive to minimize our ecological footprint, conserve resources, and contribute to a greener future.

EMPLOYEES

Nahdi's workforce of 10,311 talented employees is our greatest asset.

The company been consistently ranked by Great Place to Work (GPTW) since 2014 and, this year, we were recognized as one of the Best Workplaces for Saudi nationals, and second overall in the Kingdom.

SHAREHOLDERS

We maintain an excellent relationship and regular communication with our 130,000+ shareholders.

Nahdi is committed to achieving the principles and protection of shareholders' rights and ensures quality and fairness by providing accurate information to shareholders and investors, at the right time.

GOVERNMENT AND REGULATORS

Nahdi is aligned with the Ministry of Health's objective of enhancing healthcare access and quality across the Kingdom.

We adhere to all applicable government regulations and implement strategic projects to the benefit of the nation, local communities, and our Guests.

PARTNERS AND SUPPLIERS

We work collaboratively with our business partners and suppliers to achieve shared success.

Nahdi has built a strategic partnership with a range of insurance companies, as well as world-class medical providers in the Kingdom and around the world, to enhance our Guests' experience.

SOCIAL SUSTAINABILITY

ENVIRONMENTAL SUSTAINABILITY

CORPORATE SUSTAINABILITY

OUR STAKEHOLDERS AND HOW WE ENGAGE

Guests

We provide 97% of the Saudi population with access to healthcare services and products through our network of 1,105 pharmacies.

Nahdi engages with around 100 million Guests every year through our pharmacy and omnihealth networks.

Guests gain access to our healthcare services and products with the click of a button through Nahdi's unique omnichannel ecosystem.

Nahdi's digital platforms had more than 182 million sessions in 2023.

192,950 E-pharmacist sessions were conducted in 2023.

564,847 NahdiCare telemedicine sessions were conducted in 2023.

14,310 NahdiCare home healthcare visits were made in 2023.

Our Guest Care Center is available across various channels including phone, email and social media.

Our Nuhdeek loyalty program members benefit from even greater value and personalized offers. Nuhdeek members contributed 83% of total sales in 2023.

Communities

Nahdi has implemented a range of social sustainability programs.

In line with our commitment to promoting health and wellbeing, Nahdi has launched the 'Move to Donate' campaign in collaboration with Ehsan and SDAIA to raise awareness of personal wellness and the wellbeing of loved ones.

Nahdi's free Wazen Hayatak program is offered across 800 pharmacies, giving 70% of the Saudi Arabian population access to wellness services.

In 2023, Nahdi launched the free ez-pill service, an innovation that helps Guests to maintain the accuracy and timing of their medications.

Nahdi has positively impacted the health of over 2.7 million Guests through our health and wellness responsibility initiatives.

Nahdi has positively impacted the health and wellbeing of 850,000 mothers and babies through our mom & baby responsibility initiatives.

Employees

Nahdi aims to attract, develop and retain the best talent to create a winning organization and mindset, prioritizing Saudization, diversity and inclusion.

500,000+ hours of employee training were conducted in 2023.

The Nahdi Academy App represents a transformative leap in continuous healthcare education

Nahdi's Leadership Program is meticulously tailored for current and future leaders, preparing them for the dynamic healthcare landscape

Our employee code of ethics and Code Committee deals with any occurrences of unethical behavior. Ensuring compliance, employees need to conduct the code training twice a year.

Nahdi creates an appropriate and safe working environment for women. Women with young children who work at Nahdi's head office are supported with a free nursery.

Nahdi has been consistently ranked by Great Place to Work (GPTW) in Saudi Arabia, the GCC region and Asia since 2014.

Shareholders

Nahdi held two General Assembly Meetings in 2023.

The company maintains active communications with the Capital Market Authority (CMA) and the Saudi Exchange (Tadawul).

Nahdi hosted two earnings calls and regular investor/analyst meetings to keep our investor community updated on key matters.

Our dedicated Investor Relations department conducts regular communication with investors, analysts, and regulatory bodies through various channels including the newly launched dedicated webpage and email.

Wazen Hayatak program

70%

Nahdi's free Wazen Hayatak program is offered across 800 pharmacies, giving 70% of the Saudi population access to wellness services

Health and wellness impact

+2.7mn

Nahdi has improved the health of over 2.7 million Guests through more than health and wellness responsibility initiatives

OUR STAKEHOLDERS AND HOW WE ENGAGE CONTINUED

Nuhdeek loyalty program

83%

Our Nuhdeek members benefit from even greater value and contributed 83% of Nahdi's total sales in 2023

Health and wellness impact

850,000

We have positively impacted 850,000 families through our mom & baby responsibility initiatives

Government and Regulators

Nahdi is aligned with the Ministry of Health's objective of enhancing healthcare access and quality across the Kingdom.

Nahdi is committed to fair competition while strictly adhering to all relevant laws and regulations set by The Saudi Council of Competition.

The company is recognized as a preferred partner of health regulators, companies, and investors such as the Ministry of Health, SFDA, and insurance companies.

Nahdi has consistently adhered to all applicable government regulations and furnished detailed reports to relevant authorities as required.

We have activated the NPHIES platform services at all Nahdi pharmacies, an innovative web-based platform that facilitates the exchange of administrative and financial data among relevant parties in the health insurance sector.

We have also implemented the Drug Track and Trace System (RSD) in collaboration with the Saudi Food and Drug Authority.

Nahdi was granted approval to trial the first bonded zone within IMDAD, in consultation with ZATCA (Saudi Zakat, Tax and Customs Authority).

Nahdi partnered with the Saudi Authority for Industrial Cities and Technology Zones (MODON) to build IMDAD, our smart distribution center.

In line with the regulations of the National Cybersecurity Authority's (NCA) in Saudi Arabia, and its equivalent in the UAE, Nahdi has a comprehensive information security & data privacy program (Himaya).

Partners and Suppliers

We have developed strong relationships with suppliers and vendors to become a preferred partner.

Nahdi Global is a gateway for global suppliers into the Saudi market, benefiting from Nahdi's bonded zone.

We are also a preferred partner for insurance companies, for the benefit of our Guests.

SOCIAL SUSTAINABILITY

NAHDI'S SOCIAL SUSTAINABILITY PRIORITIES ARE ALIGNED WITH THE SAUDI GOVERNMENT'S NATIONAL HEALTHCARE TRANSFORMATION PROGRAM.

Unlocking the potential for national growth lies in the wellbeing and vitality of citizens. To proactively address the reduction of noncommunicable disease (NCD) risk factors, Saudi Arabia needs to overcome distinct challenges. These challenges also inform our priorities.

Growing and Aging Population

By 2026, Saudi Arabia's population, characterized by a predominantly youthful demographic, is projected to reach 36 million. However, there is also an increasing older population, with those aged 64 and above expected to make up 5.1% of the population by 2026. The adult Saudi population is facing a growing health concern in the form of diabetes, with the prevalence of the disease estimated to affect 24.3% of the total adult population by 2026. The rate of obesity is expected to rise to 42.3% during the same period.

Prevalence of Chronic Diseases

Addressing the health challenges presented by an aging population and Noncommunicable Diseases (NCDs), which account for 73% of all deaths, requires targeted strategies. Initiatives promoting healthy lifestyles and chronic disease management are key. Saudi Arabia aims to reduce premature mortality from chronic diseases by 25% by 2025. Through educational campaigns and early intervention, significant reductions in NCDs are achievable.

Access to Healthcare

Approximately 20% of Saudi Arabians live in rural areas, where healthcare access can be limited. The Government is working to change this, as evidenced by its plan to build 2,600 new clinics and 23 new hospitals by 2030.

Medication Adherence

Medication adherence is low among Saudi Arabian patients with chronic diseases, such as type 2 diabetes. In one study, 59.4% reported moderate medication adherence, while the remainder reported poor (30.6%) and good (10.0%) medication adherence, and there was a negative correlation between adherence score and blood sugar control.

Occasions like Ramadan and Eid led many patients to modify their medication therapy. In Madinah city, 67.9% of older adults had poor adherence, mainly due to forgetfulness and polypharmacy. Overall, medication adherence presents a significant challenge for Saudi Arabian patients with chronic disease.

SOCIAL SUSTAINABILITY CONTINUED

Nahdi's social sustainability initiatives fall under three pillars:

Yesterday

CHRONIC DISEASE MANAGEMENT

Involves the ongoing care and support provided to members of our communities with long-term medical conditions such as diabetes and hypertension. At Nahdi we aim to optimize health outcomes, improve quality of life, and reduce healthcare costs through our healthcare expertise and various programs.

Today

COMMUNITY WELLNESS

We promote the wellbeing of communities by proactively addressing the prevention of chronic diseases. Through our programs, we promote the access to healthcare and physical activity, as well as social support networks and educational programs, which contribute to a healthier, more vibrant society.

Tomorrow

CHILDREN'S HEALTH

We aim to promote the well-being of children by providing access to essential healthcare services and educational resources. These programs offer a range of benefits, including preventive care, early detection of health issues, immunizations and nutritional support.

At the heart of Nahdi's mission lies a deep commitment to our 3E's approach – Educate, Empower, and Enrich – which allows us to make a difference to the lives of people, one beat at a time.

Educate and enable minds, transforming lives

Health education contributes to the community wellbeing by empowering individuals to make informed decisions about their wellbeing, promoting preventative practices and raising awareness about risks. Investing in health education creates a healthier, more empowered society.

Empower communities for a brighter future

We strive to provide communities with tools and access to healthcare services, promoting awareness of preventative measures, and supporting initiatives that address critical health issues. We enable individuals to unlock their potential and create a better future for themselves and their communities, fostering self-reliance and independence.

Enrich lives, one beat at a time

We are committed to creating a tangible, lasting impact through initiatives that comprehensively improve people's lives and make a positive impact on the communities we serve. Our initiatives are driven by compassion and sustainability, measured by tangible outcomes. We work closely with local stakeholders to address unique needs and implement solutions.

SOCIAL SUSTAINABILITY CONTINUED

Improving the quality of lives

50%

By 2030, we aim to improve medication adherence among patients with chronic diseases to a minimum of 50%

ez-pill medical adherence

23,540

Since the 2023 launch of ez-pill, it has impacted the lives of 23,540 Guests

Chronic Disease Management programs

Nahdi aims to improve healthcare outcomes through a series of concrete measurables. By 2030, we aim to reduce A1C levels by 1%, enhance early detection of pre-diabetes by 20% through proactive screenings and interventions, increase healthcare accessibility in rural areas via our Convoys of Hope and telemedicine initiatives, and improve medication adherence among patients with chronic diseases to a minimum of 50%.

These metrics signify our commitment to delivering quality care, promoting preventative measures, and ensuring better health outcomes for our patients.

Educate

Nahdi in collaboration with Joslin Diabetes Center and under the supervision of the Ministry of Health have launched an in-store diabetes education program “Let’s Talk About Diabetes” focusing on topics medical regimes and monitoring glucose levels through dedicated Healthcare Practitioners.

In striving to continuously innovate, Nahdi will move this program onto its digital platform, E-pharmacist and therefore removing accessibility barriers. Nahdi’s E-pharmacist service, which provides our Guests with free virtual consultation services with a pharmacist via the Nahdi app, has soared since its launch at the beginning of 2022.

E-pharmacist sessions more than doubled to 192,950 in 2023 (2022: 89,083). Not only does the E-pharmacist give people the freedom of choice to decide what service they need and when, but the ease with which they can access services and expertise online mirrors the quality of their in-pharmacy experience.

Guests with chronic disease can further check on their Hemoglobin A1C, lipid levels, and uric acid level in our 50 NahdiCare Express Clinics within our pharmacies.

Nahdi continues to utilize all it channels to raise awareness on issues related to chronic disease.

Nahdi Salemtum Health Club which helps on their adherence journey allows Guests to get customized advice based on their condition and needs and can consult with an E-pharmacist or E-doctor.

In our pharmacies Guest benefit from consulting with one of our highly trained and expert pharmacists. Ensuring the high-standard our Guest require on their chronic disease journey, Nahdi has provided 300,000 hours of training to its pharmacist in 2023. The company also utilizes the wide reach of its social media channels with a combined followership of c.4.5million.

Empower

Salemtum Health Club

Nahdi has further introduced Salemtum Health Club which helps on their adherence journey. The club allows Guests to receive refill reminders, refill their medication through e-prescription, benefit from Nahdi’s pill packing system ez-pill, consult with a E-pharmacist/ doctor and have access to a wide array of educational material personalized as per guests’ needs.

ez-pill

Nahdi, as an innovation pioneer and part of its role to improve the health of the society, introduced ez-pill pill packing service as part of its medical adherence program enhancing the quality of lives for our Guests living with chronic disease.

ez-pill makes medical adherence worry free, by ensuring that our Guests, receive their doses with the correct medication at the correct time. Since the inception of the service ez-pill impacted the lives of 23,540 Guests, with the aim of increasing the adherence rate up from 30% to 50%.

Our pill-packing machines that were introduced in selected pharmacies across all major cities in Saudi Arabia, in 2023, help to accurately arrange medication by dose and time. This makes it easy to keep track of your medications and make sure they take them at the required time without missing a dose, through linking it with our mobile and application reminder system.

SOCIAL SUSTAINABILITY CONTINUED

Leveraging Innovation

Nahdi leverages technological innovation to help Guests overcome geographical barriers and ensure that healthcare professionals can provide guidance and monitor progress effectively.

In addition to our innovative Nahdi E-pharmacist service, our virtual medical consultations, which are now available to Guests with a GP or a specialist, have reached 500,000 consultations.

This further illustrates that our omnichannel ecosystem is fulfilling a vital role and meeting Nahdi's primary objective of adding beats to the lives of our Guests.

Enrich

Convoys of Hope

Our Convoys of Hope program aims to enhance the access to healthcare and medical advice in rural areas, by tackling the issue of preventable disease. In the form of medical vehicles staffed by our experienced healthcare professionals, our Convoys of Hope travel across the country to bring beats of hope to those in need access.

In 2023 Nahdi conducted 78 Convoys of Hope, serving 26,645 Guests across three regions of the Kingdom. The program aims to increase health and wellness knowledge across the Kingdom by:

- Delivering sound medical advice to diabetics via our accredited diabetes educators.
- Providing reliable medical consultancy services to all those in need.
- Promoting health awareness and management strategies for chronic diseases.
- Encouraging healthy behaviors to prevent diseases and reduce their spread.
- Measuring vital signs – such as blood pressure, blood glucose level, weight, and height – to promote early disease identification and management.
- Dispensing medicine

Nahdi's Convoys of Hope have been an integral part of Hajj and Umrah season in Saudi Arabia. Partnering with local health authorities and NGOs e.g. Makkah Region Health Affairs, Nahdi has performed blood sugar tests, measured blood pressure and body temperatures of pilgrims at the holy sites.

In 2023, Nahdi's Convoys of Hope ran 34 convoys over 30 days serving more than 15,000 pilgrims in Madinah, providing health advice, physical examination as well as dispensing medication in partnership with Hayat.

Moving forward Nahdi has signed a Memorandum of Understanding with Doyof Ar-Rahman covering collaboration in Corporate Social Responsibility and the provision of health services during Hajj and Umrah.

Doses of Hope

The Doses of Hope Program aims to promote medical adherence in communities with limited access to healthcare services. One of the key objectives is to gather valuable data from selected pilot communities to assess the impact of medical adherence on patient outcomes.

To enhance the reach and effectiveness of the program, we have established partnerships with our Convoy of Hope NGOs to leverage their expertise and resources. Through close collaboration, we will implement a comprehensive Diabetes Treatment Plan that addresses the specific needs of patients in these communities. This plan will encompass medical adherence consultations and seamlessly integrate adherence programs.

SOCIAL SUSTAINABILITY CONTINUED

Strategic Partnership for Donations

Building on the success of the previous donation campaigns, we introduced a new concept the 'Donate Hope" Roadshow, an initiative that aims to showcase our efforts in collaboration with our partners, and to drive donations to support these essential healthcare initiatives. Through this interactive approach, we hope to engage the community and foster a sense of collective responsibility in supporting our crucial healthcare initiatives that contribute to improving healthcare access in the region.

Beyond the "Donate Hope" Roadshow, we are committed to sustaining donation streams to our valued partners. We have established multiple avenues for our Guests to contribute, through our pharmacies, or via our online platform. With each donation, we ensure that these resources make a tangible impact on the lives of those in need.

Volunteering

Volunteering at Nahdi is a well-structured initiative aimed at empowering employees to make a meaningful contribution to the communities we serve as part of our CSS strategies. The program's success is measured through key performance indicators that are aligned with Vision 2030 and which reflect Nahdi's commitment to sustainable development. In 2023, Nahdi employees conducted 250+ hours of volunteering, mainly in the company's Convoys of Hope program.

Community Wellness Programs

Nahdi's ambitions are centered on achieving a healthier lifestyle for the Guests it serves. To quantify our success, we aim to reduce the obesity rate in our guest population by 1% by the year 2030. A reduction of the Body Weight Index by 1 point increases the health benefits by almost 15%.

To accomplish this goal, we are committed to increasing our engagement in physical activity and health lifestyles, through partnerships with nutrition and fitness experts, and facilitating educational initiatives designed to encourage healthier habits.

Educate

We recognize the importance of educating the community about the gravity of chronic diseases and their long-term effects on the health of individuals and the community at large. Our Wazen Hayatak Program aims to help Guests achieve a healthy lifestyle by offering them personalized solutions and advice on their journey towards better health.

Nahdi utilizes its full fledge digital arsenal to raise awareness on healthy lifestyle choices running awareness campaigns through its social media platforms and its dedicated Wazen Hayatak digital platform.

Nahdi offers a full BMI program across 200 pharmacies in the Kingdom with the objective to provide Guests with a 30-day wellness program that includes several checkups. Further, guests can consult with our pharmacists and health practitioners in our physical pharmacies and our growing network of polyclinics or via our application.

Empower

Wazen Hayatak

To encourage positive behavioral change, the Wazen Hayatak Program has launched a digital presence on the Nahdi app. This digital platform provides Guests with convenient access to features such as personalized meal plans, weight management consultations with E-pharmacists, information on healthy lifestyles, and nutrition information.

SOCIAL SUSTAINABILITY CONTINUED

Additionally, the platform offers incentives such as discounts or offers on gym and diet center memberships, acting as an enabler for individuals to adopt healthier habits. This comprehensive approach aims to support individuals in making positive lifestyle changes and achieving their wellness goals.

Wazen Hayatak had earlier collaborated with the Ministry of Sports' initiative, Sports for All, to foster healthy lifestyles through virtual weight management competitions and community sports support.

Moreover, Nahdi partnered with The National Platform for Charitable Work, Ehsan, an initiative led by the Saudi Data and Artificial Intelligence Authority (SDAIA), to introduce the impactful "Move to Donate" event. This endeavor seeks to heighten awareness regarding personal health significance and extend aid to those in need through charitable contributions.

Journey of Hope

Nahdi has addressed the lack of physical activity in Saudi Arabia through 'The Billion Step Challenge.' This nationwide campaign encourages individuals of all ages and genders to walk 10,000 steps each day, thereby promoting healthy habits and combating lifestyle-related diseases.

Nahdi is now bolstering its commitment to creating a healthier Saudi Arabia, in alignment with the health objectives outlined in Vision 2030 and aims to raise awareness of the importance of regular exercise in fighting obesity, diabetes, heart disease, and other chronic diseases, tapping into all domains of physical exercise.

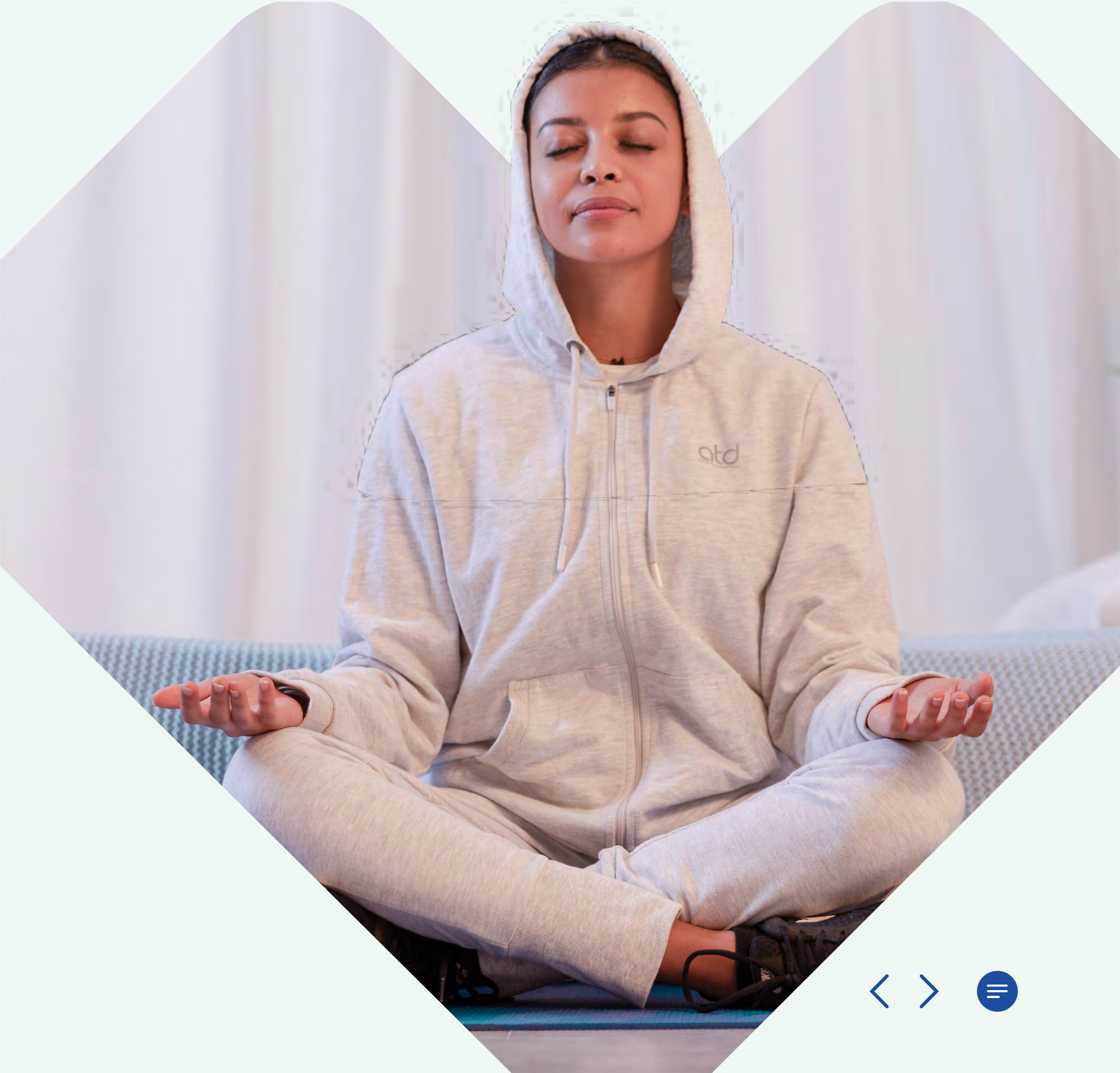
With the Journey of Hope Program, Nahdi is inviting everyone to step up to the plate. Led by a key influencer in the wellness arena, we've set our sights on captivating the nation, one step at a time. Our trailblazing movement isn't just about walking; it's about embarking on a journey towards better health and community wellbeing.

Enrich

Nahdi has expanded its successful Wazen Hayatak Program to 800 pharmacies across the Kingdom giving 70% of the Saudi population access to wellness services. This program aims to build a sustainable initiative for weight management and become a reliable source of wellness support and services to our Guests.

Since the inception of the Wazen Hayatak program in 2018, we have witnessed significant achievements in weight loss, with a cumulative total of 102 tons shed by participants. Our program has garnered substantial interest and engagement, as evidenced by the enrollment of 251,302 guests since its launch, including 74,426 individuals who joined in 2023 alone.

Moreover, the dedication to healthier lifestyles is evident in the 438,110 Wazen sessions conducted thus far, with 132,454 sessions taking place in 2023. These statistics underscore the impactful journey participants have undertaken towards better health and well-being through the Wazen Hayatak initiative.



SOCIAL SUSTAINABILITY CONTINUED

Children's Health

To foster a generation better equipped to manage their health, we aim to enhance education on dietary choices and their long-term impact among children and their parents. Nahdi's target is to provide 50,000 mothers with their children access to these programs on an annual basis.

Educate

Generation Hope Club

Excessive sugar consumption in children's diets can have significant negative effects on their health, including increased risk of obesity, diabetes, heart disease, tooth decay, weakened immune systems, inflammation, and cognitive challenges. Currently, sugary drinks contribute to half of children's added sugar intake, making it crucial that this issue is addressed.

Nahdi's Generation Hope Club (Gen-H) is taking a proactive approach to combating excess sugar consumption, focusing on raising awareness among children and their caretakers.

The club aims to educate children about making healthy food choices with lower sugar content and help them understand the connection between excessive sugar intake and diabetes.

Nahdi will leverage its team of experts in pharmacies to drive this program, partnering with day cares and kindergartens across Saudi Arabia. The program will be implemented both at the educational facilities and at Nahdi's flagship pharmacies.

Empower

However, Nahdi's efforts extend beyond raising awareness. To further reduce health risks, Nahdi will continue to promote vaccination campaigns among Kids Club members.

This digital platform will offer educational sessions for parents and their kids, providing forums where parents can discuss their concerns with experts. The platform will also provide incentives such as discounts and offers for gyms, play areas, and diet centers, encouraging families to adopt healthier lifestyles.

By taking a comprehensive approach, Nahdi aims to empower parents and children to make informed choices and foster healthier habits to support their overall wellbeing.

Accompanying the awareness around these risks, is a vaccination campaign that target the prevention of infections known to exacerbate diabetes complications. These infections can spike blood sugar levels, potentially leading to a worsening of diabetic symptoms. All initiatives will be pursued with the end goal of instilling lifelong habits that reduce the prevalence and severity of diabetes in future generations. From the early days of a baby's life, parents receive regular text messages on their phones reminding them about vaccination their children require.

Enrich

Partnering with parents (mothers) for happy and healthy child development Nahdi Parenting Program aims to be the trusted source of information, advice and support for young and future mothers.

Nahdi has connected with over 850,000 Guests to date through the Motherhood Club. As part of the program, we also added a Parenting program, whereby any mother has access to the region's best experts in connection with her or her child's health.

The program aims to provide mothers with the best scientific-based resources to nurture their children's developing minds and bodies, as well as enhance their mothering skills. It also offers mothers a free of charge platform to interact with one another and share their experiences.

Children's health programs

50,000

Our target is to provide our programs to 50,000 mothers and children each year

Generation Hope Club

Gen-H

Nahdi's Gen-H club is raising awareness of the dangers in consuming excess sugar

ENVIRONMENTAL SUSTAINABILITY

NAHDI IS COMMITTED TO ENVIRONMENTAL SUSTAINABILITY AND TAKES PROACTIVE MEASURES TO MINIMIZE IMPACT ON THE ENVIRONMENT.

We have implemented many initiatives across our operations, supply chains, recycling efforts, networks, and clinics to promote a greener and more sustainable future.

Our environmental initiatives reflect Nahdi's commitment to sustainability across its operations, supply chains, recycling efforts, networks, and clinics. By actively implementing a range of measures, we strive to minimize our ecological footprint, conserve resources, and contribute to a greener future.

Reducing our Environmental Impact

Nahdi continues to reduce the use of paper and single use plastics, encourage recycling, and adopt various other best practices throughout the Company's operations.

Last Paper Project

The transition to electronic processes significantly reduces paper use and promotes a more sustainable business environment.

In 2018, we introduced a new and innovative solution, replacing the inefficient legacy system with a single paper slip that integrates barcodes with the Company's digital infrastructure. Previously, each transaction in a Nahdi pharmacy was accompanied by five pieces of paper documentation. Every day, this resulted in a vast number of paper slips being generated across the store network.

We have also implemented a host of paperless processes in our NahdiCare polyclinics, including for Guest appointment reservations, doctor consultations, prescription management, and medication dispensing. Through digital systems, we eliminate the need for paper, thereby reducing paper waste and promoting efficiency.

Reusable Ties for Parcel Wrapping

Switching to reusable ties in 2018 provided a dual benefit: reducing the Company's environmental footprint and generating substantial cost savings of roughly SAR 600,000 annually.

Previously, Nahdi's parcels and packages were secured with single-use plastics, which contributed to significant environmental wastage in addition to higher and recurring costs.

Recycling

In 2023, Nahdi actively participated in recycling efforts at our IMDAD distribution center. We recycled 175,600 wooden pallets, 992 tons of cartons, and 79 tons of plastic (shrink wrap). These recycling efforts contribute to waste reduction and resource conservation. In addition, the plastic bags used in our pharmacies are biodegradable. We have obtained certification to validate their biodegradability, ensuring that they have a minimal impact on the environment.

To minimize capital expenditure costs for new store openings, we implement a sustainable approach by reusing metal fixture shelves from closed pharmacies. This practice significantly reduces waste and extends the lifecycle of materials.

Disposal of Medical and Hazardous Waste

We ensure proper disposal of all medical waste generated in our polyclinics. We collaborate with a specialized company, Saudi Gulf Environmental Protection Company (SEPCO), to handle the disposal of medical waste according to established guidelines and regulations. This ensures the safe and responsible management of hazardous materials.

Adherence to National Center for Environmental Compliance Standards

Our supply chain operations ensure that dust, gases, noise, and illumination levels in our facilities fall well within the permissible limits set by the National Center for Environmental Compliance standards. Regular reports confirm our adherence to these standards.

CORPORATE SUSTAINABILITY

AT NAHDI, WE PLACE A STRONG EMPHASIS ON GOVERNANCE PRACTICES TO ENSURE TRANSPARENCY, ACCOUNTABILITY, AND EFFECTIVE CONTROL THROUGHOUT OUR OPERATIONS.

We recognize the importance of sound governance in promoting trust among stakeholders, driving sustainable growth, and contributing to the achievement of our ESG goals.

Employees

At Nahdi we demonstrate a passion for our workforce of 10,311 talented employees who are considered our greatest asset.

Providing 500,000+ hours of training each year, we aim to develop our employees' technical skills, foster their knowledge, and upskill their expertise, in compliance with Vision 2030's aim to develop national talent. This ensures both employee growth and achievement of company goals.

These objectives are met through the various programs offered by Nahdi Academy, from the onboarding and preparation programs for new employees to on-the-job training programs that cover the range of behavioral and technical skills. This benefits employees' professional development and, in turn, enhances the provision of services to our Guests.

The company aims to ensure retention of staff through financial and moral incentive programs and benefits, including bonuses, annual pay increases, and benefits through a's cooperation with the largest service providers in the Kingdom, with offers and discounts that meet employee needs.

Such programs contribute to Nahdi being recognized as among the Great Places to Work (GPTW) in Saudi Arabia and Asia since 2014.

In 2023, Nahdi was recognized as being one of the Best Workplaces for Saudi nationals by GPTW and was ranked second overall in the Kingdom.

Empowering Women

Nahdi is proud to have around 1,400 female employees, more than 30 of which hold leadership positions. The company aims to attract, retain, and develop the skills of and women, and female representation has doubled from 7% to 14% over the past four years.

The company creates an appropriate and safe working environment for women. We provide separate rest and prayer areas and dedicated female parking spaces. Women with young children who work at Nahdi's head office are supported with a free nursery.

CORPORATE SUSTAINABILITY CONTINUED

Partnering with universities

1500

Nahdi's collaboration with 24 universities has resulted in our training and recruiting about 1,500 Saudi pharmacists over the last three years

Other Initiatives to Support Nahdi Employees

Talent Management Program

Through this program, Nahdi aims to equip pharmacists with diverse skills in digital marketing, data analytics, operations management, category management, and supply chain management. The Company's Talent Management Program provides 1,300 training sessions annually, totaling 40,000 hours.

Leap for Success

'Leap for Success' is a performance improvement program for employees.

Nahdi Academy App

Nahdi's pioneering Nahdi Academy App represents a transformative leap in continuous healthcare education

Nahdi's Leadership Program

Nahdi's Leadership Program, is meticulously tailored for current and future leader preparing them for the dynamic healthcare landscape

LinkedIn Learning

With more than 2,000 accounts, Nahdi has reached a LinkedIn activation rate of 93%, through which we drive more focus towards leadership development and enhance technology-related skills.

Flu Shots

Nahdi conducts a range of events in partnership with the Ministry of Health and hospitals to raise vaccination awareness and inoculate employees and Guests with flu shots at their workplaces.

Partnerships with 24 Universities

Nahdi claims the remarkable accomplishment of providing around 50% of the community pharmacy training in Saudi Arabia, covering Introductory Pharmacy Practice Experience (IPPE) for junior pharmacy students and Advanced Pharmacy Practice Experience (APPE) for senior students.

We also provide hundreds of internships each year at no cost to the students, underlining our role as a key educator and employer in the pharmaceutical sector.

Corporate Governance

Nahdi's governance initiatives highlight its commitment to transparency, compliance, and effective controls. We continuously strive to implement robust systems and technologies that streamline processes, transparent decision-making, and improve the overall quality of our services.

By adhering to strong governance practices, we ensure the long-term sustainability and success of our business while satisfying the expectations and requirements of our stakeholders.

Nahdi has worked to develop its corporate governance policies to comply with the provisions of the Corporate Governance Regulations issued by Saudi Arabia's Capital Market Authority.

In 2023, Nahdi Enterprise and Risk Management department, Governance department and compliance department were consolidated to the Governance Risk and Compliance Department to create greater synergy.

Shareholders

Nahdi's shareholders are considered the most precious element in Nahdi's governance framework. In 2022, at the time of Nahdi's listing on the Saudi Exchange (Tadawul), a dedicated Investor Relations department was formed with the objective of maintaining the company's excellent relationship and communication with its 130,000+ shareholders.

Nahdi's Board Charter encourages Board members' attendance at General Assemblies and the company's Corporate Governance Manual states that Board members should regularly meet with shareholders to discuss their observations and suggestions for how to improve the company and its performance.

Shareholders' Rights

Nahdi is committed to achieving the principles and protection of shareholders' rights and ensuring quality and fairness by providing accurate and comprehensive information to shareholders and investors, at the right time.

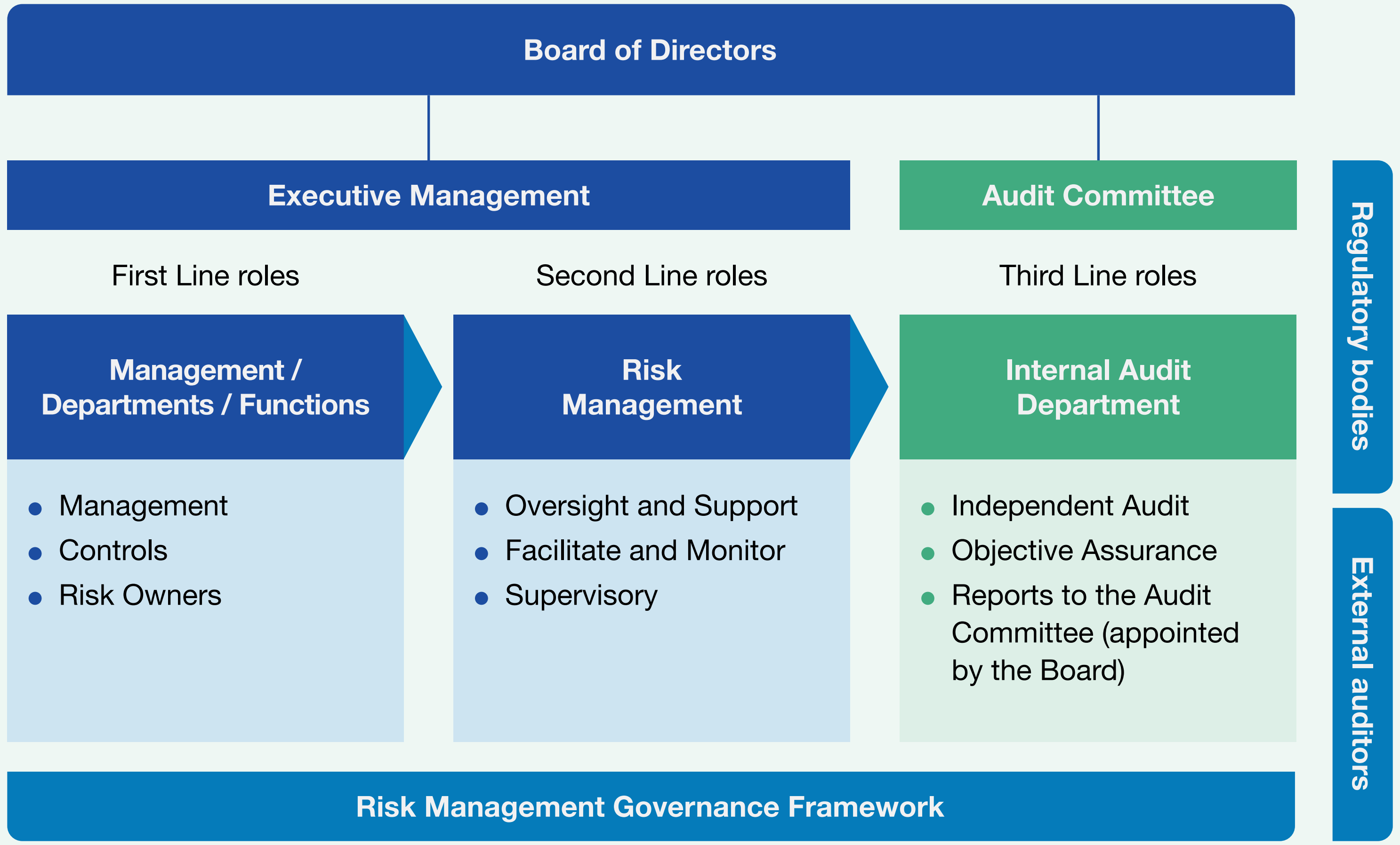
Risk Management

Effective risk management is core to Nahdi's management practices that help deliver the company's strategy and commitments to its Guests, investors, and other stakeholders. The Executive Team regularly monitors the overall risk profile of the Company by determining adequate policies to ensure that key risks are managed at acceptable levels.

The Three Lines of Defense Model is a valuable framework that outlines internal audit's role in assuring the effective management of risk, and the importance for delivering this of its position and function in the corporate governance structure.

CORPORATE SUSTAINABILITY CONTINUED

Our 'Three Lines of Defense' Model



Board of Directors Committees

Nahdi Medical Company has worked on developing its own Corporate Governance Regulations to comply with the provisions of the regulations issued by the Capital Market Authority.

The administrative structure of Nahdi consists of the Board of Directors, three Board committees and an Executive Management team. The Board of Directors has the overall responsibility for establishing, supervising, and reviewing Nahdi's governance principles and policies to ensure full compliance with the relevant regulations to enhance Nahdi's growth and sustainability.

The Board formed three committees to support its responsibilities: the Audit Committee, the Nomination and Remuneration Committee, and the Digital Transformation and Cyber Security Committee. The performance of these committees is subject to periodic review by the Board of Directors in accordance with the statutory requirements and according to the Board's need for the recommendations issued by these committees.

Government and Regulators

Nahdi is a preferred partner for governmental entities to implement strategic projects to the benefit of the nation, local communities, and our Guests.

Partnerships with governmental and regulatory stakeholders

Ministry of Health

Nahdi has fulfilled a central role in contributing to the development of Saudi Arabia's healthcare ecosystem, in line with the Vision 2030 goal to create a vibrant community and the National Transformation Program to the Health Sector Transformation Program. For more information, refer to 'Delivering on the Kingdom's Vision for the Health Sector on page 28.

Council of Cooperative Health Insurance (CCHI)

Nahdi's partnership with the CCHI and its National Platform for Health and Insurance Exchange Services (NPHIES), aims to facilitate the exchange of beneficiary health information with healthcare providers, have been critical to the success of Nahdi's insurance offerings across its Kingdom-wide network of pharmacies.

Zakat, Tax and Customs Authority

The Saudi Zakat, Tax and Customs Authority (ZATCA) handles the collection of Zakat, taxes, and customs duties in Saudi Arabia. The Authority also managers all activities connected to ports and customs operations.

In 2023 Nahdi trialed the first bonded zone in Saudi Arabia, located within its IMDAD Distribution Center, following close consultation with ZATCA. The facility, which is supervised onsite by ZATCA, has been set up for Nahdi Global to import wellness, mom and baby, and other products from around the world into the Saudi market.

Ministry of Human Resources and Social Development

Nahdi seeks to comply with all relevant quotas set by the Ministry of Human Resources and Social Development, and other entities, to promote the recruitment and training of home-grown talent.

CORPORATE SUSTAINABILITY CONTINUED

In April 2021, Nahdi signed an MOU with the Ministry of Human Resources and Social Development to employ more Saudi nationals with a shared goal to create jobs for young people in the company's pharmacies in Riyadh, Jeddah, Dammam, the Southern region, Makkah and Madinah. Since then, Nahdi has hired almost 1500 Saudi pharmacists. The MOU illustrates the importance of the private sector in driving transformation in the Kingdom and contributing to national development.

Regulatory Compliance

Nahdi is fully committed to implementing all policies and procedures for disclosing financial statements and performance reports, in accordance with legal requirements, applicable regulations, and instructions received from the relevant authorities.

Saudi Central Board for Accreditation of Healthcare Institutions

CBAHI is the official agency authorized to grant accreditation to all governmental and private healthcare facilities in Saudi Arabia.

The principal function of CBAHI is to set the healthcare quality and patient safety standards against which all healthcare facilities are evaluated for evidence of compliance.

Capital Market Authority

The CMA is responsible for setting and policing the rules and regulations and developing the capital markets. This includes regulating all public companies listed on the Saudi Exchange (Tadawul).

National Cybersecurity Authority

In line with the regulations of the National Cybersecurity Authority's (NCA) in Saudi Arabia, and its equivalent in the UAE, we have established a comprehensive information security & data privacy program (Himaya) ensuring data privacy for our Guests and employees as well protecting Nahdi's digital assets.

Partners and Suppliers

We aim to work collaboratively with our business partners and suppliers to achieve shared success. Nahdi has built a strategic partnership with a range of world-class medical providers to enhance our Guests' experience.

Efficient Supplier Solutions

Nahdi uses ZATCA's e-invoicing platform to streamline our financial processes and enhance transparency in our interactions with vendors. This digital solution enables secure and efficient invoicing between Nahdi and our vendors, providing a centralized system for invoice management and control. Using this platform, we can effectively monitor and manage all financial transactions to ensure accurate and timely processing while reducing paperwork and administrative burdens.

Strategic Collaboration with Insurance Providers

Our partnerships with insurance companies have been instrumental in delivering Nahdi's medicines strategy. These partnerships enable us to dispense prescriptions insured through the insurance companies, allowing us to cross-sell other categories in the process.

Our dedicated insurance system for pharmacies applies comprehensive insurance rules to control the dispensing of insurance prescriptions. This system verifies prescription validity, member eligibility, and pre-authorization requirements, thereby minimizing rejection rates and improving compliance.

By leveraging this system, we aim to provide reliable and efficient insurance services to our customers while safeguarding compliance with insurance regulations.

National Platform for Health and Insurance Exchange Services (NPHIES) Platform

We have successfully activated NPHIES platform services at all Nahdi pharmacies across the Kingdom. The NPHIES is an innovative web-based platform that facilitates the transparent exchange of administrative and financial data among relevant parties in the health insurance sector.

By leveraging the NPHIES platform, we promote digital transformation, improve the quality and effectiveness of healthcare services, and contribute to the objectives of the Health Sector Transformation Program and Vision 2030.

Drug Track and Trace System

Nahdi was one of the first companies to implement the Drug Track and Trace System (RSD) in collaboration with the Saudi Food and Drug Authority. The RSD guarantees the safety of all drugs by tracking them from the manufacturing phase to consumption.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

THIS REPORT HAS BEEN DRAFTED TO COMPLY WITH THE CORPORATE GOVERNANCE REGULATIONS ISSUED BY SAUDI ARABIA'S CAPITAL MARKET AUTHORITY, AND TO BE COMPATIBLE WITH THE DISCLOSURE AND TRANSPARENCY REQUIREMENTS OF THE REGISTRATION AND LISTING RULES.

Introduction

Nahdi Medical Company has worked on developing its own Corporate Governance Regulations in order to comply with the provisions of the regulations issued by the Capital Market Authority.

The administrative structure of Nahdi consists of the Board of Directors, three Board committees and an Executive Management team. The Board of Directors has the overall responsibility for establishing, supervising, and reviewing Nahdi's governance principles and policies to ensure full compliance with the relevant regulations to enhance the Company's growth and sustainability.

The Board formed three committees to support its responsibilities: the Audit Committee, the Nomination and Remuneration Committee, and the Digital Transformation and Cyber Security Committee. The performance of these committees is subject to periodic review by the Board of Directors in accordance with the statutory requirements and according to the Board's need for the recommendations issued by these committees.

Shareholders are considered particularly important in the framework of Nahdi's governance, as the Board of Directors' Charter allows "the attendance of the Board members at the meetings of the General Assembly". Therefore, the Governance Manual aims for Board members to meet with shareholders to listen to their suggestions, observations, and directions about the Company and its performance.

The Company has also established a dedicated Investor Relations department to strengthen the relationship between shareholders and Nahdi. For more information, please refer to page 23.

CORPORATE GOVERNANCE REPORT CONTINUED

1. Members of the Board of Directors, members of committees, executive management, their positions in the company, their qualifications and experience

Board of Directors

Name	Title	Qualifications
Saleh Salem Ahmed Bin Mahfouz	Chairman	Bachelor's in Civil Engineering from King Fahd University of Petroleum and Minerals
Abdullah Amer Abdullah Al-Nahdi	Vice Chairman	Bachelor's Business Administration from King Abdulaziz University
Abdelelah Salem Ahmed Bin Mahfouz	Board member	Bachelor's in Business Administration from Ohio State University
Yasser Ghulam Abdulaziz Joharji	Board member and Chief Executive Officer	Bachelor's in Industrial Engineering from King Saud University
Junaid Ezmat Bajwa	Board member	MBA from Imperial College Business School
Romain Voog	Board member	Master's in Economics and Commerce from the University of Paris
Abdulatif Ali Abdulatif Al-Seif	Board member	MBA from Boston University

Board committees

Audit Committee

Name	Title	Qualifications
Abdulatif Ali Abdulatif Al-Seif	Chairman	MBA from Boston University
Wael Kamal Eid	Member	PhD in Risk Management from Durham University
Abu Bakr Ali Ba Jaber	Member	PhD in Financial Management and Accounting from the University of Strathclyde

Nomination and Remuneration Committee

Name	Title	Qualifications
Junaid Ezmat Bajwa	Chairman	MBA from Imperial College Business School
Tariq Hussein Raqaban*	Member	Master's in Workforce Studies from the University of Westminster
Walid Ahmed Bahamdan	Member	Bachelor of Science in Electrical Engineering from Purdue University
Assaf Abdulkareem Alquraishi	Member	Bachelors in Finance and International Business from the McDonough School of Business, Georgetown University

*Mr. Tariq Hussein Raqaban resigned, and his resignation was accepted on January 8, 2023.

CORPORATE GOVERNANCE REPORT CONTINUED

1. **Members of the Board of Directors, members of committees, executive management, their positions in the company, their qualifications and experience** continued

Digital Transformation and Cyber Security Committee

Name	Title	Qualifications
Romain Voog	Chairman	Master's degree in Economics and Commerce from the University of Paris
Junaid Ezmat Bajwa	Member	MBA from Imperial College Business School
Juan Carlos Sacristan*	Member	Master's degree in Physics from the Autonomous University of Madrid

* Mr. Juan Carlos Sacristan was appointed as a member of the committee on March 19, 2023.

Executive Management

Name	Title	Qualifications
Yasser Joharji	Chief Executive Officer	Bachelor's degree in Industrial Engineering from King Saud University
Mohammed Al-Khubani	Chief Financial Officer	Bachelor's degree from King Fahd University of Petroleum and Minerals
Zuhair Aytah	Chief Network Development Officer	Bachelor of Science from King Abdulaziz University
Raed Monagel	Chief Corporate Governance and Business Support Officer	Bachelor's degree in Industrial Engineering from King Abdulaziz University
Samer Bokharee	Chief Human Resources Officer	Master's degree in Information Systems from George Mason University
Yasir Jamal	Chief Supply Chain Officer	Bachelor's degree in Chemical Engineering from King Abdulaziz University
Hossam Khattab	Chief Commercial and Marketing Officer	Master's degree in Executive Management from the Arab University of Science and Technology
Khalid Tadlaoui	Chief Information Technology Officer	PhD in Computer Science from the National Institute of Applied Sciences for Sciences
Mohamed Abdellatif	Chief Operation Officer	Bachelor's degree in Pharmaceutical Sciences from Tanta University
Mohamed Ramadan	Chief Omni-health Officer	Bachelor's degree in Pharmacy from Mansoura University

CORPORATE GOVERNANCE REPORT CONTINUED

2. Companies where a member of the Board of Directors is a member (or was previously a member) of the Board of Directors or is a member of the Executive Management

Saleh Salem Ahmed Bin Mahfouz

Company	Title
Saudi Economic and Development Company – SEDCO Holding	Chairman of the Board of Directors – Present
Nahdi Medical Company	Chairman of the Board of Directors – Present
Red Sea Markets Company Ltd.	Chairman of the Board of Directors – Present
Red Sea Markets for Real Estate Investment Company – Asir	Chairman of the Board of Directors – Present
Al Mahmal Development Company	Chairman of the Board of Directors – Present
Numu Real Estate Development Company Limited	Chairman of the Board of Directors – Present
Al Khomasiah International Real Estate Development Company	Board member – Present
Khumasia Tabah Holding Company	Board member – Present, Chairman of the Investment Committee – Present
Al Mahmal Facilities Services Company	Chairman of the Board of Directors – Former
Al-Balad Al-Ameen Company	Board member – Former
Yanbu Saudi Kuwaiti Paper Products Company	Board member – Former
Yanbu Cement Company	Board member – Former
Saudi Economic and Development Company (SEDCO Holding)	Chairman of the Executive Committee – Former

Abdullah Amer Abdullah Al-Nahdi

Company	Title
Nahdi Transportation Company	General Director – Present
Al Nahdi Humanitarian Institution	Chairman of the Board of Trustees – Present
Al Nahdi Holding Company	Chairman of the Board of Directors – Present
Nahdi Medical Company	Vice Chairman – Present
King Salman Center for Disability Research	Board member – Present
Endowments of King Abdulaziz University	Board member – Present
Dose Fitness Company	General Director – Present

CORPORATE GOVERNANCE REPORT CONTINUED

2. Companies where a member of the Board of Directors is a member (or was previously a member) of the Board of Directors or is a member of the Executive Management continued

Abdelelah Salem Ahmed Bin Mahfouz

Company	Title
Mithaq Holding Company	Chairman of the Board of Directors – Present
Saudi Economic and Development Company (SEDCO Holding)	Vice Chairman – Present
Salem Bin Mahfouz Foundation	Vice Chairman – Present
Nahdi Medical Company	Board member – Present
Saudi Economic and Development Company (SEDCO Holding)	Delegate Director – Former
SEDCO Capital	Chairman of the Board of Directors – Former
Saudi National Bank	Deputy Regional Director for the Riyadh Region – Former

Romain Voog

Company	Title
GetGo Car Sharing - Singapore	Board member and Director – Present
Nahdi Medical Company	Board member – Present
OLX	Chief Executive Officer – Former
OLX BV Group	Board member – Former
OLX Global BV Group	Board member – Former
OLX India BV Group	Board member – Former
Airbnb Inc.	Vice President of Operations, Sales, and Global Geography – Former
Global Fashion Group (Xetra, GFG.DE)	Chief Executive Officer – Former
Amazon France	President and General Manager – Former
Amazon France	Board member – Former
Carrefour	Board member – Former

Yasser Ghulam Abdulaziz Joharji

Company	Title
Nahdi Medical Company	Chief Executive Officer – Present
Saudi Unilever Company	General Director – Former
Unilever Arabia Company	Marketing General Manager – Former
The Savola Group	Brand Manager – Former

CORPORATE GOVERNANCE REPORT CONTINUED

2. **Companies where a member of the Board of Directors is a member (or was previously a member) of the Board of Directors or is a member of the Executive Management** continued

Junaid Ezmat Bajwa

Company	Title
Microsoft Corporation	Chief Medical Scientist – Present
Medicines and Healthcare products Regulatory Agency	Board member – Present
Nuffield Health	Board member – Present
University College London Hospital	Board member – Present
University College London Charity Hospital	Trustee – Present
Essential Guides UK Limited	Director – Present
Essential Guides UK Limited	Board member – Former
MSD Health Services Company	Medical Executive Director – Former

Abdulatif Ali Abdulatif Al-Seif

Company	Title
Sabeen Investment Company	Managing and Executive Director – Present
Saudi Agricultural and Livestock Investment Company	Board member – Present
Nahdi Medical Company	Board member – Present
Al Rajhi Bank	Board member – Present
Wisayah Global Investment Company	Board member – Present
Southern Province Cement Company	Board member – Present
Albilad Tourism Fund	Board member – Present
Arabian Internet & Communications Services Company	Board member – Present
National Petrochemical Company	Board member – Former
Riva Investment	Board member – Former
Abdullah Al Othaim Investment Company	Board member – Former
Arabian Cement Company	Board member – Former
HSBC Saudi Arabia	Board member – Former
Al Raidah Investment Company	Board member – Former

CORPORATE GOVERNANCE REPORT CONTINUED

2. Companies where a member of the Board of Directors is a member (or was previously a member) of the Board of Directors or is a member of the Executive Management continued

Classification of Board members

Name	Title	Position
Saleh Salem Ahmed Bin Mahfouz	Chairman	Non-Executive
Abdullah Amer Abdullah Al-Nahdi	Vice Chairman	Non-Executive
Abdelelah Salem Ahmed Bin Mahfouz	Board member	Non-Executive
Yasser Ghulam Abdulaziz Joharji	Board member and CEO	Executive
Junaid Ezmat Bajwa	Board member	Independent
Romain Voog	Board member	Independent
Abdulatif Ali Abdulatif Al-Seif	Board member	Independent

3. Board Committees and their responsibilities

Board committees

Audit Committee

Developing an effective internal control system is one of the responsibilities assigned to the Board of Directors. The main task of the Audit Committee is to verify the adequacy of this system and ensure it is being used effectively, and to make any recommendations to the Board of Directors to develop the system further.

Other committee responsibilities include approving policies and procedures, reviewing risk assessment activities and plans (to reduce the impact of those risks before they are presentation to the Board of Directors, and confirming compliance with the rules and practices of corporate governance as detailed by the Capital Market Authority and the Company's Governance Manual.

CORPORATE GOVERNANCE REPORT CONTINUED

3. Board Committees and their responsibilities continued

Audit Committee responsibilities

Financial reports

- Analyzing the Company's interim and annual financial statements before presenting them to the Board of Directors, and providing opinions and recommendations to ensure integrity, fairness, and transparency.
- At the request of the Board, providing a technical opinion on whether the Board's report and the Company's financial statements are fair, balanced, and understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.
- Analyzing any important or non-familiar issues contained in the financial reports.
- Accurately investigating any issues raised by the Company's chief financial officer (or any person assuming his duties), the Company's compliance officer or an auditor.
- Examining the accounting estimates relating to significant matters that are contained in the financial reports, and the accounting policies followed by the Company, and providing opinions and recommendations to the Board on these matters.

Auditors

- Providing recommendations to the Board on the nomination, dismissal, remuneration, and performance of auditors (including reviewing the scope of their work and the terms of their contracts).
- Verifying the independence of auditors, and the objectivity, fairness, and effectiveness of audit-related activities, while taking into account the relevant rules and standards.
- Reviewing the plans of Company auditors, and ensuring they do not undertake any technical, administrative, or consulting activities that are outside the scope of their work.
- Responding to queries from the Company's auditors, reviewing auditor reports and comments on financial statements, and providing follow-up support.

Internal audit

- Examining and reviewing the Company's internal and financial control systems, and risk management system.
- Analyzing the internal audit reports and ensuring any appropriate corrective measures are taken in response to the reports' findings.
- Monitoring and overseeing the activities of the internal auditor and Company's internal audit department and ensuring the necessary resources are available and their effectiveness in performing the assigned activities and duties.
- Providing a recommendation to the Board on the appointing of a manager for the internal audit department, or an internal auditor, and suggesting remunerations.

Ensuring compliance

- Reviewing the findings from supervisory authority reports and ensuring that the Company has taken the necessary actions to address any issues.
- Ensuring the Company's compliance with the relevant laws, regulations, policies, and instructions.
- Previewing contracts and proposed related party transactions, and providing recommendations to the Board.
- Reporting any issues related to these transactions to the Board and providing recommendations on how these should be addressed.

CORPORATE GOVERNANCE REPORT CONTINUED

3. Board Committees and their responsibilities continued

Risk management

- Defining a comprehensive strategy for risk management in proportion to the nature and size of the Company's activities, verifying its implementation, and reviewing and updating it based on internal and external variables.
- Determining an acceptable level of risk that the Company may be exposed to, and ensuring that the Company does not exceed this level.
- Analyzing the ability of the Company to continue performing its activities successfully during the next 12 months and identifying any potential risks.
- Overseeing the Company's risk management system and assessing how effectively the system identifies, measures, and monitors potential risks. This is to determine the shortcomings.
- Periodically re-evaluating the Company's ability to withstand risks by conducting endurance tests. for example.
- Preparing detailed reports for the Board on risk exposure and the proposed steps to manage these risk. submitting them to the BOD.
- Providing recommendations to the Board on issues related to risk management.
- Ensuring that adequate resources are available, and systems are in place for risk management.
- Reviewing the organizational structure of risk management roles and making recommendations before approved by the BOD.
- Checking the independence of risk management staff and their involvement in any activities that could expose the Company to risks.
- Checking that risk management staff are aware of the potential risks surrounding the Company and working to raise awareness of risk culture.
- Reviewing issues raised by audit committee members that may affect the Company's approach to risk management.

IT control system

- Considering the effectiveness and weaknesses of the Company's information and security systems.
- Exploring any important results and recommendations related to external auditors, internal audit management, and management responses, including evaluating any weaknesses observed in controls and security systems, and any risks related to the main controls.
- Monitoring the efficiency and adequacy of administrative IT systems.
- Supporting the coordination of review efforts between internal auditors and external auditors to ensure that the audit includes the main regulations and risk areas related to IT controls.

Audit Committee meetings and attendance

Meeting attendees

		Meeting dates (2023)							
Name	Title	March 7	March 9	June 6	August 1	September 4	September 5	October 31	December 5
Abdulatif Al-Seif	Chairman	✓	✓	✓	✓	✓	✓	✓	✓
Wael Kamal Eid	Member	✓	✓	✓	✓	✓	✓	✓	✓
Abu Bakr Ali Ba Jaber	Member	✓	✓	✓	✓	✓	✓	✓	✓

CORPORATE GOVERNANCE REPORT CONTINUED

3. Board Committees and their responsibilities continued

Nomination and Remuneration Committee

The main responsibility of the Nomination and Remuneration Committee is to define policies and procedures related to the nomination of members of the Board of Directors, the Board committees and the Executive Management team. The committee is also tasked with determining policies and procedures related to compensation.

Nomination and Renumeration Committee responsibilities

1. Preparing a clear remuneration policy for members of the Board, the Board committees, and the Executive Management team, and presenting this policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that are linked to performance and disclosing and ensuring the implementation of such policy.
2. Clarifying the relationship between the paid remuneration and the adopted remuneration policy, and highlighting any financial deviation from that policy.
3. Periodically reviewing the effectiveness of the remuneration policy, assessing its effectiveness in achieving its objectives, and providing recommendations to the Board in respect of the remunerations for its members, Board committee members, and senior executives (in accordance with the approved policy).
4. Proposing clear policies and criteria for membership of the Board and Executive Management team.
5. Recommending that the Board nominates and re-nominates its members in accordance with the approved policies and standards.
6. Taking into account the nomination of any person previously convicted of a breach of trust.
7. Preparing a description of the capabilities and qualifications required for Board membership and Executive Management team positions.
8. Determining the amount of time that a member should allocate for Board-related work.
9. Carrying out an annual review of the necessary requirements of the appropriate skills and experience required for Board and the functions of the Executive Management team.
10. Reviewing the structure of the Board and the Executive Management team, and recommending appropriate changes.
11. Annually verifying the independence of the independent members, and the absence of any conflict of interest if the member is also on the Board of Directors of another company.
12. Developing job descriptions for executive members, non-executive members, independent members, and senior executives.
13. Developing special procedures for when a Board member or Executive Management Team position becomes vacant.
14. Determining the strengths and weaknesses of the Board, and proposing solutions to address them in line with the Company's interest.

CORPORATE GOVERNANCE REPORT CONTINUED

3. Board Committees and their responsibilities continued

Bonus policy

Without prejudice to the provisions of the Company's law and the Capital Market Authority law and executive regulations, the remuneration policy must take into account the following:

1. Renumeration should be provided in line with the Company's strategy and objectives.
2. Bonuses should motivate Board and Executive Management team members to commit to the long-term success and development of the Company, such as by linking the variable part of the bonuses to long-term performance.
3. Remuneration should be determined based on the individual's position, their tasks and responsibilities, their scientific qualifications, and their experience.
4. Its consistency with the size, nature, and degree of risk for the Company.
5. The renumeration process should take into account the bonus practices of other companies, while avoiding the resulting unjustified rises in bonuses and compensation.
6. Remuneration should aim to attract, maintain, and motivate skilled individuals professional competencies while not exaggerating them.
7. In order to prevent individuals from exploiting the situation and obtaining undeserved bonuses, there should be a mechanism for bonuses payments to be suspended or refunded in cases where inaccurate information has been provided by a member of the Board or Executive Management team.
8. Organizing the granting of shares in the Company to members of the Board and Executive Management team, whether it is a new issue or shares purchased by the Company. .

Nomination and Remuneration Committee meetings and attendance

Meeting attendees

		Meeting dates (2023)			
Name	Title	March 13	June 4	September 10	December 3
Junaid Ezmat Bajwa	Chairman	✓	✓	✓	✓
Assaf Abdulkareem Alquraishi	Member	✓	✓	✓	✓
Walid Ahmed Bahamdan	Member	–	–	–	–

CORPORATE GOVERNANCE REPORT CONTINUED

3. Board Committees and their responsibilities continued

Digital Transformation and Cyber Security Committee

The primary responsibility of the Digital Transformation and Cyber Security Committee is to advise the Board of Directors and help the Company to adapt and grow effectively in the digital age.

The committee reports to the Board and represents it when reviewing and updating the comprehensive digital transformation strategy and recommending its update, taking into account the strategic direction of the Company. Other overarching objectives and responsibilities include the following:

- Reviewing and discussing with management the Company's overall digital and innovation strategy (including goals, strategic initiatives, investments, and research and development activities), and providing recommendations to the Board when appropriate. The review and discussion include the following topics:
  - Participating in the strategic planning process for digital transformation and innovation.
  - Recognizing the need to respond quickly to a rapidly evolving market environment, and assisting management to prioritize technical support in line with the Company's strategic initiatives.
- Periodically monitoring and evaluating the performance of the Company's initiatives to support its digital strategy and innovation, with a focus on overall capabilities and the improvement of operations (including the provision, consumer acceptance, and integration of new products and services).
- Reviewing and discussing with management (as appropriate) the Company's digital risks, and key opportunities, emerging issues and trends in the broader market.
- Submitting regular reports to the Board on its work and deliberations.

While carrying out its responsibilities, the committee's practices and policies should remain flexible so that it can respond to changing realities and circumstances.

Digital Transformation and Cyber Security Committee responsibilities

- Building intellectual leadership, and guiding, facilitating, and inspiring the digital transformation of the Company's retail and healthcare businesses.
- Aligning the Company with local and global technical trends and the data transformation map:
  - Contributing to build a dynamic innovation environment that stimulates competitiveness and new areas of growth for the Company.
  - Improving productivity by building an overall healthy environment for the Company that is automated and digital.
  - Qualifying workers in the field of comprehensive health for the future by developing relevant training programs that improve digital competences.
- Developing partnerships with relevant stakeholders to lead the digital transformation of the retail and healthcare industries.
- Raising awareness of relevant technical developments that would support the digital transformation of the Company's business through education and awareness (i.e., by inviting technology service providers and fast-growing startups to provide information on the latest technology sector developments to the committee members).
- Collaborating on the development and co-creation of technology solutions capable of positively impacting the Company's business.
- Communicating with other committees as appropriate on matters related to digital transformation (e.g., governance, people, processes, and policies).

CORPORATE GOVERNANCE REPORT CONTINUED

3. Board Committees and their responsibilities continued

Digital Transformation and Cyber Security Committee meetings and attendance

Meeting attendees

Name	Title	Meeting dates (2023)			
		March 9	June 12	September 7	December 11
Romain Voog	Chairman	✓	✓	✓	✓
Junaid Ezmat Bajwa	Member	✓	✓	✓	✓
Juan Carlos Sacristan*	Member		✓	✓	✓

*Mr. Juan Carlos Sacristan was appointed as a member of the committee on March 19, 2023.

4. Remuneration of the Board of Directors and Executive Management

Member	Title	Annual bonus (SAR)	Expense allowance per meeting (SAR)
Board of Directors			
Non-executive members			
Saleh Salem Ahmed Bin Mahfouz	Chairman	500,000	None
Abdullah Amer Abdullah Al-Nahdi	Vice Chairman	500,000	None
Abdelelah Salem Ahmed Bin Mahfouz	Board member	500,000	None
Executive members			
Yasser Ghulam Abdulaziz Joharji	Board member and CEO	500,000	None
Independent members			
Junaid Ezmat Bajwa	Board member	500,000	None
Romain Voog	Board member	500,000	None
Abdulatif Ali Abdulatif Al-Seif	Board member	500,000	None
Audit Committee			
Abdulatif Ali Abdulatif Al-Seif	Chairman	125,000	5,000
Wael Kamal Eid	Member	125,000	5,000
Abu Bakr Ali Ba Jaber	Member	125,000	5,000

CORPORATE GOVERNANCE REPORT CONTINUED

4. Remuneration of the Board of Directors and Executive Management continued

Member	Title	Annual bonus (SAR)	Expense allowance per meeting (SAR)
Nomination and Renumeration Committee			
Junaid Ezmat Bajwa	Chairman	100,000	5,000
Walid Ahmed Bahamdan	Member	100,000	5,000
Assaf Abdulkareem Alquraishi*	Member	100,000	5,000
Digital Transformation and Cyber Security Committee			
Romain Voog	Chairman	100,000	5,000
Junaid Ezmat Bajwa	Member	100,000	5,000
Juan Carlos Sacristan	Member	75,000	5,000
Executive Management team			
5 Executive Management team members		24,817,368	

5. Annual review of the effectiveness of the Company's internal controls and the Audit Committee's opinion on their efficiency

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

The objectives of the internal control system are to:
- Ensure that the account records have been properly prepared
- Increase the accuracy of, and confidence in, the accounting data
- Protect assets and property
- Maintain integrity during transactions
- Increase the efficiency of the Company and the exploitation of its available capabilities
- Comply with various laws, regulations, and contracts

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

The committee notes that it was not possible to carry out fully comprehensive examinations and evaluations of the internal control procedures, due to the audit process being based on random sampling and the diversity of Company operations. Therefore, improvement and development efforts are continuing by the committee and supervisory departments to ensure that the internal control procedures are robust and effective.

CORPORATE GOVERNANCE REPORT CONTINUED

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

The Audit Committee studied the offers submitted by companies approved for annual auditing for the fiscal year ending on 31 December 2023 and made a recommendation to the Board of Directors to change the Company's auditors (and recommend this to the General Assembly).

The committee recommended the appointment of Ernst & Young.

7. General Assemblies in 2023 and Board members' attendance

The Company held two General Assemblies, the following is a statement of the assemblies and the attendance details:

Assembly type	Date	Board member attendees
Extraordinary General Assembly	May 31, 2023	Saleh Salem Ahmed Bin Mahfouz Abdulatif Ali Abdulatif Al-Seif Yasser Ghulam Abdulaziz Joharji
Extraordinary General Assembly	October 23, 2023	Saleh Salem Ahmed Bin Mahfouz Yasser Ghulam Abdulaziz Joharji

8. Activities of the Company and its subsidiaries

Affiliate	Commercial registration number	Main activity
Nahdi Medical Company (listed company)	4030053868	Selling medical devices and equipment (wholesale); carrying out pharmacy activities; carrying out pharmaceutical warehouse activities; and selling medical devices, equipment and supplies (retail).
Nahdi Care Co. Ltd.	4030158847	Providing administrative and support service activities, human health and social work activities, public administration services, compulsory defense services, and social security services.
Sakhaa Golden for Contracting and Trading Co. Ltd	4030163145	Providing cleaning services for general buildings.
Nahdi Investment Company LLC. (UAE)	1384313	Investing in, establishing, and managing health and commercial projects.
Sakhaa Integrated Solutions (Egypt)	194304	Providing consultations, technical support, project management, and online trading.

CORPORATE GOVERNANCE REPORT CONTINUED

9. Subsidiary companies' details

The Company has full and direct ownership of four companies, inside and outside of Saudi Arabia.

Nahdi Care Co. Ltd.	
Capital	SAR 50,000
Percentage owned by the Company	100%
Main activity	Providing administrative and support service activities, human health and social work activities, public administration services, compulsory defense services, and social security services.
Main headquarters	Saudi Arabia
Place of incorporation	Saudi Arabia
Sakhaa Golden for Contracting and Trading Co. Ltd.	
Capital	SAR 1,000,000
Percentage owned by the Company	100%
Main activity	Cleaning services for general buildings
Main headquarters	Saudi Arabia
Place of incorporation	Saudi Arabia
Nahdi Investment Company LLC	
Capital	AED 100,000
Percentage owned by the Company	100%
Main activity	Investing in, establishing and managing health and commercial projects
Main headquarters	United Arab Emirates
Place of incorporation	United Arab Emirates
Sakhaa Integrated Solutions (Egypt)	
Capital	EGP 50,000
Percentage owned by the Company	99% (Sakhaa Golden for Contracting and Trading Co. Ltd.) 1% (Nahdi Investment Company LLC)
Main activity	Providing consultations, technical support, project management and online trading
Main headquarters	Egypt
Place of incorporation	Egypt

CORPORATE GOVERNANCE REPORT CONTINUED

10. Shares and debt instruments issued for each subsidiary company

Nahdi Care Co. Ltd.	
Number of shares	50
Share details	Cash
Debt instruments	None
Sakhaa Golden for Contracting and Trading Co. Ltd.	
Number of shares	1,000
Share details	Cash
Debt instruments	None
Nahdi Investment Company LLC	
Number of shares	100
Share details	Cash
Debt instruments	None
Sakhaa Integrated Solutions (Egypt)	
Number of shares	4,950 (Sakhaa Golden for Contracting and Trading Co. Ltd.) 50 (Nahdi Investment Company LLC)
Share details	Cash
Debt instruments	None

11. Dividend policy

Dividend distribution

The Company's dividends are distributed in accordance with Article 50 of the Company's by-laws, which states the following:

- The Ordinary General Assembly, when determining the share of shares in net profits, may decide to form reserves to the extent that it achieves the Company's interest or ensures the distribution of fixed profits - as far as possible - to shareholders. The said association also has the right to deduct amounts from net profits to achieve social purposes. For Company employees.
- The General Assembly shall determine the percentage of net profits to be distributed to shareholders after deducting reserves, if any.
- The Company may distribute semi or quarterly interim dividends to its shareholders, and it may authorize the Board of Directors to assume this task.

CORPORATE GOVERNANCE REPORT CONTINUED

12. Board meetings in 2023 and members' attendance

The Board of Directors held four scheduled meetings for the fiscal year 2023, and Nahdi paid SAR 3,500,000 to the Board members.

Board of Directors meetings in 2023

Board member	First meeting: March 19	Second meeting: June 26	Third meeting: September 17	Fourth meeting: December 17	No. of meetings attended
Saleh Salem Ahmed Bin Mahfouz	✓	✓	✓	✓	4 out of 4
Abdullah Amer Abdullah Al-Nahdi	✓	✓	✓	✓	4 out of 4
Abdelelah Salem Ahmed Bin Mahfouz	✓	✓	✓	✓	4 out of 4
Yasser Ghulam Abdulaziz Joharji	✓	✓	✓	✓	4 out of 4
Junaid Ezmat Bajwa	✓	✓	✓	✓	4 out of 4
Romain Voog	✓	✓	✓	✓	4 out of 4
Abdulatif Ali Abdulatif Al-Seif	✓	✓	✓	✓	4 out of 4

13. Transactions between the Company and related parties

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 they have been conducted in a regular and legal manner and on appropriate and fair commercial bases. The Company also acknowledges that it is not involved in any dealings, agreements, commercial relationships or real estate deals with any related parties.

In addition, the members of the Board of Directors agree to abide by the Company's law and the implementing regulations issued by the Capital Market Authority in accordance with any related party transaction. Therefore, the Company acknowledges that all related party transactions have been approved by the General Assembly.

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

CORPORATE GOVERNANCE REPORT CONTINUED

Agreements with related parties

The Company has concluded a number of agreements with related parties, as shown below:

- **The business and contract with the Ray Al-Alam Medical Company.** As the Chairman of the Board of Directors, Mr. Saleh Salem Ahmed Bin Mahfouz, as the Chairman of the Board has an indirect interest in the transaction. The contract is to provide medical analysis services to the Company and its sister companies, valued at SAR (1,000,000) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with the Al-Rajhi Banking and Investment Company.** As a member of the Board of Directors, Mr. Abdulatif Ali Abdulatif Al-Seif, as a member of the Board of Directors has an indirect interest in the transaction. The contract is a service of the points gained from the loyalty programs, valued at SAR (24,000,000) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with Mr. Abdulrahman Abdullah Amer Al-Nahdi.** As the Vice Chairman of the Board of Directors, Mr. Abdullah Amer Abdullah Al-Nahdi has an indirect interest in this transaction. The contract is for real estate consultation services, valued at SAR 250,000 annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with the Al-Nahdi for Transportation Company.** As the Vice Chairman of the Board of Directors, Mr. Abdullah Amer Abdullah Al-Nahdi has an indirect interest in this transaction. The contract is for goods transportation services, valued at approximately SAR 7,200,000 annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with Mr. Abdulrahman Abdullah Amer Al-Nahdi.** As the Vice Chairman of the Board of Directors, Mr. Abdullah Amer Abdullah Al-Nahdi has an indirect interest in the transaction. The contract is for real estate consultation services, valued at SAR (250,000) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with the Al-Nahdi for Transportation Company.** As the Vice Chairman of the Board of Directors, Mr. Abdullah Amer Abdullah Al-Nahdi has an indirect interest in the transaction. The contract is for goods transportation services, valued at approximately SAR (7,200,000) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with Amer Salah Abdullah Al Nahdi**. As the Vice Chairman of the Board of Directors, Mr. Abdullah Amer Abdullah Al-Nahdi has an indirect interest in the transaction. The contract is a lease agreement, valued at SAR(700,000) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with the Al Nahdi Company for Commercial Investments.** As the Vice Chairman of the Board of Directors, Mr. Abdullah Amer Abdullah Al-Nahdi has an indirect interest in the transaction. The contract is a lease agreement, valued at SAR(348,600) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with the Al Nahdi Company for Commercial Investments.** As the Vice Chairman of the Board of Directors, Mr. Abdullah Amer Abdullah Al-Nahdi has an indirect interest in the transaction. The contract is a lease agreement, valued at SAR (287,500) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.

CORPORATE GOVERNANCE REPORT CONTINUED

13. Transactions between the Company and related parties continued

- **The business and contract with the Al Mahmal Facilities Services Company.** As the Chairman of the Board of Directors and a Board member respectively, Mr. Saleh Salem Ahmed Bin Mahfouz and Mr. Abdelelah Salem Ahmed Bin Mahfouz have an indirect interest in the transaction. The contract is a maintenance services agreement, valued at SAR (530,313) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with the Red Sea Limited Company.** As the Chairman of the Board of Directors and a Board member respectively, Mr. Saleh Salem Ahmed Bin Mahfouz and Mr. Abdulelah Salem Ahmed Bin Mahfouz have an indirect interest in the transaction. The contract is a lease agreement, valued at SAR (1,207,500) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.
- **The business and contract with the Intimaa Real Estate Services Company.** As the Chairman of the Board of Directors and a Board member respectively, Mr. Saleh Salem Ahmed Bin Mahfouz and Mr. Abdulelah Salem Ahmed Bin Mahfouz have an indirect interest in the transaction. The contract is a lease agreement, valued at SAR (241,500) annually, for a one-year period. However, it has been executed under standard commercial terms without preferential benefits.

14. Acknowledgment

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

15. Auditor’s report reservations about the annual financial statements

Nahdi Medical Company acknowledges that the Auditor’s Report did not include any reservations about the annual financial statements. In addition, no information was received from the auditor indicating the necessity of taking any order or precautionary measures in accordance with the financial statements audited by them.

16. Litigation

The Company and its subsidiaries have a number of cases filed with various courts. the total of which was At the end of year 2023, there were (55) cases with a total value of SAR (23,609,528).

The Company also acknowledges that there are no legal disputes, lawsuits, actual or potential complaints, or existing investigation procedures that could have, collectively or individually, a material impact on the Company. The Company has also not been made aware of the existence of any material legal disputes currently under consideration (or potential material legal disputes) or facts that could, taken together or individually, have a material effect on the Company.

CORPORATE GOVERNANCE REPORT CONTINUED

17. Violations

Since the Company's activities are linked to a wide range of licenses and permits issued by various government agencies, the control of the Company's business is from all of those agencies. It is therefore natural for there to find minor violations that do not pose any threat, fears or risks to the Company's management which are naturally, it does not affect the validity of the licenses for the company's facilities , nor does it affect the continuity of the Company's business in any way. The total of which was at the end of 2023, there were (614) of fines and violations with a total value of SAR (3,131,019).

18. Share book requests

The Company requested 12 share books in 2023, as shown below.

Request number	Date of the request	Reasons
1	December 31	For the Company's internal reporting and procedures purposes
2	December 12	For the Company's internal reporting and procedures purposes
3	November 30	For the Company's internal reporting and procedures purposes
4	October 23	For General Meeting purposes
5	August 9	For the Company's internal reporting and procedures purposes
6	August 9	For the Company's internal reporting and procedures purposes
7	July 4	For the Company's internal reporting and procedures purposes
8	May 2	For the Company's internal reporting and procedures purposes
9	May 31	For General Meeting purposes
10	March 2	For the Company's internal reporting and procedures purposes
11	February 2	For the Company's internal reporting and procedures purposes
12	January 3	For the Company's internal reporting and procedures purposes

FINANCIAL REPORT

FINANCIAL REVIEW

As the leading company in the Consumer Staples Distribution & Retail Sector, Nahdi has once again delivered a strong set of financial results for the full year 2023. Last year, Nahdi showcased exceptional resilience and adaptability, amid a challenging macro-economic environment and rising competition from emerging channels in Saudi.

We successfully navigated the evolving business landscape, leveraging our scale to reinforce our leadership position and accelerate strategic initiatives, aligning with the guidance we have provided to our shareholders and stakeholders.

Maintaining Margins While Investing into the Future

In 2023, Nahdi delivered SAR 893 million net profit, maintaining double digit net profit margin at 10.2%. We continued to invest into our core retail business by opening 74 pharmacies and closing 39 pharmacies, bringing the total to 1,120 pharmacies by year-end and adding another 3 polyclinics to our healthcare business.

The company was able to fund all these initiatives organically while maintaining its dividend distribution at 80% with a strong cash balance and zero debt position.

Performance Review

Amid a challenging macro-economic environment and rising competition from emerging channels, our revenue generation was fueled by our leadership position, size and scale in core business alongside key strategic initiatives, healthcare division, and the UAE business.

This helped to drive a turnaround in the fourth quarter, with revenue up 3.6% versus an annual revenue increase of 1.1% in 2023 reaching to SAR 8,714 million compared to SAR 8,616 million in 2022.

Sales in the pharma segment grew by 3.5%, led by a 9.9% growth in medicine sales in the fourth quarter, and an overall increase of 7.1% in 2023. This was primarily driven by the strong partnership with private medical insurance companies, prescription flow from healthcare and expanding innovative products.

However, it was not all plain sailing within the retail business. The front shop sales experienced a 3.5% decline due to competition. In the second half of 2023, the company took the decision to invest in sales promotions, targeting the beauty segment. As a result, the beauty segment witnessed a 3.3% increase in the fourth quarter.

Growth in revenues

SAR8.7bn

Revenues increased 1.1% in 2023 to SAR 8,714 million (2022: SAR 8,616 million)

Net profit margin

10.2%

Net profit of SAR 893 million maintained Nahdi's double digit net profit margin at 10.2%

Dividend distribution

80%

Nahdi maintained its dividend distribution at 80%, with a strong cash balance and zero debt

2023 DEMONSTRATED NAHDI'S FINANCIAL ROBUSTNESS EXEMPLIFIED BY ITS DOUBLE-DIGIT NET PROFIT MARGIN AT 10.2%, A HEALTHY GROSS MARGIN OF 40.4%, AN 80% DIVIDEND PAYOUT RATIO, AND ORGANICALLY FUNDED STRATEGIC GROWTH INITIATIVES.

Mohammed Al-Khubani
Chief Financial Officer

FINANCIAL REVIEW CONTINUED

The omnichannel offering, including Nahdi Global, increased its revenue by 25.6%, to SAR 1,413 million in 2023, from SAR 1,125 million in 2022, making it one of the top e-commerce platforms in the Kingdom, and a key contributor, at 16%, of total revenue. Private Label brands and Direct Import products posted revenue of SAR 1,116 million representing 13% of total revenue, compared to SAR 1,072 million last year.

The healthcare business doubled its revenue to reach SAR 101 million and the business delivered a break-even profitability. During the year, we added three new polyclinics to the already existing three polyclinics bringing the total to six operational polyclinics. All three matured polyclinics are now profit-generating and delivered a combined net margin of more than 10%.

Moreover, the company updated its clinic business model with a lighter CAPEX and OPEX, which resulted in a faster breakeven and earlier payback period. This enabled the company to accelerate the openings of the polyclinics and expand outside Jeddah.

The UAE carried strong momentum throughout the year, posting a 236% growth and SAR 60 million in revenue. We added 8 new pharmacies reaching to 15 pharmacies in total expanding the reach to four emirates, namely Abu Dhabi, Ajman, Dubai and Sharjah.

The company maintained its double-digit bottom line in 2023, delivering SAR 893 million versus SAR 888 million in 2022, alongside a gross margin of 40.4%, slightly down from 41.1%, mainly behind investment in sales promotion. The operating expenses remained almost flat at 29.7% of revenue driven by the established efficiencies' programs.

These programs played a pivotal role in generating operational efficiencies, which were reinvested to fund the company's initiatives such as new openings, healthcare acceleration, UAE expansion and digitalization. It is worth noting that the company conducted a thorough review of its inventory provision policy which resulted in a release of SAR 33 million in 2023.

The Islamic Murabaha time deposits delivered an additional income that contributed to maintaining the double-digit bottom line at 10.2% of revenue or SAR 893 million.

It is worth mentioning that EBITDA continued to be at an elevated level of 18.1% of revenue or SAR 1,581 million compared to 18.6% of revenue or SAR 1,602 million in 2022.

Balance sheet, once again, demonstrated a solid proposition that we offer to our shareholders with strong financial foundations, thus enabling our ability to further invest in future growth.

Outstanding Financial Fundamentals

SAR	2019	2020	2021	2022	2023
Revenues (M)	7,825	8,642	8,066	8,616	**8,714**
EBITDA (M)	1,310	1,462	1,508	1,602	**1,581**
EBITDA Margin	16.7%	16.9%	18.7%	18.6%	**18.1%**
Net Profit (M)	692	849	813	888	**893**
Net Profit Margin	8.8%	9.8%	10.1%	10.3%	**10.2%**
CAPEX (M)	228	306	299	275	**384**
Cash Flow from Operations (M)	1,348	1,586	1,382	1,668	**1,369**

SAR	2019	2020	2021	2022	2023
Total Assets (million)	4,186	4,666	4,287	4,945	**5,371**
Total Equity (million)	1,784	2,079	1,604	2,243	**2,463**
Total Liabilities (million)	2,402	2,587	2,683	2,702	**2,909**
Return on Assets	16.5%	18.2%	19.0%	18.0%	**16.6%**
Return on Equity	38.8%	40.8%	50.7%	39.6%	**36.2%**

Medicine revenues

↗7.1%

Overall pharma segment growth of 3.5% was led by higher medicine sales, which rose by 7.1% over the year

E-commerce revenues

↗25.6%

Omnichannel revenue increased by 25.6%, making Nahdi one of the Kingdom's top e-commerce platforms

Polyclinics net margin

10%

All three matured polyclinics are delivering a net margin of more than 10%

FINANCIAL REVIEW CONTINUED

During 2023, the company continued enjoying a zero-debt position and maintained its strong cash flow generation, with cash and cash equivalents sitting at over SAR 900 million as of year-end. Total assets increased to reach SAR 5,371 million, a rise of 8.6 % from SAR 4,945 million at the end of 2022, driven by the increase in both current assets and non-current assets.

The increase in current assets was mainly due the increase in the inventory level to support, fourth quarter revenue growth, the new “Global” business initiative, the seasonality of the first quarter of 2024, and to avoid any business disturbance due to Red Sea issues in maritime routes. Moreover, the trade receivable increased in line with the insurance business growth.

On the equity side, it increased from SAR 2,243 million in 2022 to SAR 2,463 million as of year-end 2023, while total liabilities rose slightly to SAR 2,909 million, which is in line with the business growth.

Demonstrating the sustainable profitability of the business, Return on Assets (ROA) stood at 16.6% for 2023, and Return on Equity (ROE) at 36.2%. Both indicators remain higher than the retailers’ industry average.

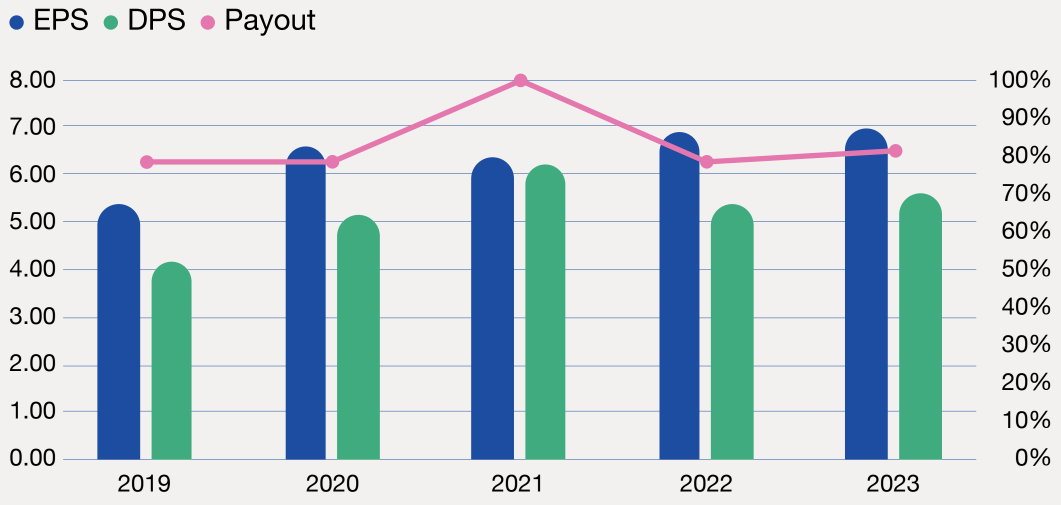
As a result of the strong financial performance, our Board of Directors recommended a cash dividend distribution for the first half of 2023, SAR 2.5 per share. Moreover, the Board has approved an additional cash dividend distribution of SAR 390 million (SAR 3.00 per share) for the second half of 2023, which will be distributed in the second quarter of 2024, bringing the total up to SAR 715 million, representing 80% of 2023’s net profit. This is in line with the company’s dividend distribution policy to reward our valued shareholders.

Thus, the company delivered on most of its published medium-term guidance. Retail business, on the other hand, remained flat despite the decline in the Front Shop segment.

In closing, despite the headwinds experienced in 2023, Nahdi emerges more resilient and agile, poised for sustained growth and committed to delivering long-term value to our shareholders.

	2019	2020	2021	2022	2023
Net Profit of the Year	692	849	813	888	**893**
Dividends					
Interim dividends distribution	200	200	800	300	**325**
Final dividends distribution	335	460	0	390	**390**
Total dividends distribution	535	660	800	690	**715**
Dividend per share (interim)	1.54	1.54	6.15	2.31	**2.50**
Dividend per share (final)	2.58	3.54	0.00	3.00	**3.00**
Dividend per share (total)	4.12	5.08	6.15	5.31	**5.50**
Earnings per share (EPS)	5.32	6.53	6.25	6.83	**6.87**
Dividend per share (DPS)	4.12	5.08	6.15	5.31	**5.50**
Payout %	77%	78%	98%	78%	**80%**

Dividends Payout %



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nahdi Medical Company (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nahdi Medical Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Nahdi Medical Company (A Saudi Joint Stock Company) continued

Key Audit Matters continued

Key audit matter	How our audit addressed the key audit matter
Existence and valuation of inventories	
As at 31 December 2023, the gross value of Inventories amounted to SR 1,507 million. (2022: SR 1,325 million) and the provision for slow moving and obsolete inventories amounted SR 97.7 million (2022: SR 142 million). The Group has a perpetual inventory count system in place to conduct the stock count in stores throughout the year. The carrying value of inventory is reduced by provisions including those relating to estimated losses due to slow moving items (note 10) We considered it to be a key audit matter given that: • The Group deals with significant values of inventory items at numbers of locations with high volume of daily transactions which increases the risks associated with inventory; and • Significant judgement and assumptions applied by the management in assessing the level of provisions required as of year end which includes assessment of inventory levels in relation to revenue for the period under consideration. Refer to note 3.9 to the consolidated financial statements for the material accounting policy, note 2.5 for the significant accounting estimates and note 10 which discloses the inventories and associated provision.	We performed the following procedures, amongst others: • Throughout the year, we have attended a sample of inventory cycle counts in stores and in the distribution centres, to validate counts performed by the Group. • Evaluated the stock taking process and the provisioning processes and performed test of controls. When reviewing management's inventory count processes and controls, we also obtained the understanding of the process for controlling or managing stock movements during the count and evaluated its reasonableness. • • Evaluated the assumptions made by management, and particularly the key assumption that current system provision levels are consistent with historical pattern, in assessing stock obsolescence provisions through an analysis of inventory items by category and age as well as the level of inventory write downs in these categories during the year. • Assessed reasonableness of the assumptions used in estimating the obsolete provision including reviewing of accuracy and completeness of the key inputs with the underlying supporting documents. We reviewed recent count results, for a sample of Group's stores, to ensure that the year-end obsolete provision adequately reflected the levels of stock loss experienced during the year. • Assessed the adequacy and reasonableness of related disclosure included in the consolidated financial statements of the Group.

Other information included in The Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Nahdi Medical Company (A Saudi Joint Stock Company) continued

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the Shareholders of Nahdi Medical Company (A Saudi Joint Stock Company) continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements continued

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. (476)

Jeddah: 07 Ramadan 1445H
17 March 2024G

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	31 December 2023 SAR	31 December2022 SAR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	**1,040,465,089**	913,633,033
Investment properties	7	**254,304,184**	253,806,184
Intangible assets	8	**51,170,546**	47,061,133
Right-of-use assets	9	**1,266,643,835**	1,166,761,794
Total non-current assets		**2,612,583,654**	2,381,262,144
CURRENT ASSETS			
Inventories	10	**1,409,409,250**	1,182,834,577
Trade receivables	11	**172,847,737**	130,201,679
Prepayments and other current assets	12	**266,824,402**	174,292,731
Cash and cash equivalents	13	**909,662,249**	1,076,311,959
Total current assets		**2,758,743,638**	2,563,640,946
TOTAL ASSETS		**5,371,327,292**	4,944,903,090
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	14(a)	**1,300,000,000**	1,300,000,000
Statutory reserve	14(b)	**369,207,440**	279,945,626
Retained earnings		**794,391,230**	663,833,421
Foreign currency translation reserve		**(842,691)**	(394,870)
Total Shareholders' Equity		**2,462,755,979**	2,243,384,177
NON-CURRENT LIABILITIES			
Lease liabilities	9	**870,566,386**	792,230,416
Accruals and other non-current liabilities	17	**14,793,148**	20,044,876
Employee benefit liabilities	15	**392,117,269**	380,861,250
Total Non-Current Liabilities		**1,277,476,803**	1,193,136,542
CURRENT LIABILITIES			
Trade payables	16	**894,307,578**	637,165,960
Lease liabilities – current portion	9	**304,189,343**	375,874,436
Accruals and other current liabilities	17	**320,065,623**	388,794,074
Zakat provision	18	**112,531,966**	106,547,901
Total Current Liabilities		**1,631,094,510**	1,508,382,371
Total Liabilities		**2,908,571,313**	2,701,518,913
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,371,327,292**	4,944,903,090

Approved by:
Abdullah Al Nahdi
Deputy Chairman

Approved By:
Yasser Joharji
Chief Executive Officer

Approved By:
Mohammed Al-Khubani
Chief Financial Officer

The attached notes from 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	31 December 2023 SAR	31 December2022 SAR
Revenue	30	**8,713,675,990**	8,616,187,816
Cost of revenue	19	**(5,191,432,333)**	(5,070,796,608)
GROSS PROFIT		**3,522,243,657**	3,545,391,208
Other operating income, net	20	**23,921,030**	27,057,543
Selling and distribution expenses	21	**(2,248,580,681)**	(2,238,937,977)
General and administrative expenses	22	**(336,628,965)**	(330,933,373)
OPERATING PROFIT FOR THE YEAR		**960,955,041**	1,002,577,401
Finance costs	23	**(83,022,004)**	(81,173,620)
Finance income	24	**64,727,602**	13,927,481
Other income, net		**1,087,516**	2,080,514
Reversal of impairment on investment properties	7	**498,000**	14,526,595
Loss against write off for old distribution centre		**–**	(6,950,568)
Loss on derecognition of investment properties	7	**–**	(7,062,411)
PROFIT BEFORE ZAKAT		**944,246,155**	937,925,392
Zakat charge	18	**(51,628,015)**	(50,113,578)
PROFIT FOR THE YEAR		**892,618,140**	887,811,814
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain on defined benefits obligations	15	**42,201,483**	52,487,032
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**(447,821)**	(210,168)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**934,371,802**	940,088,678
EARNINGS PER SHARE			
Basic and diluted, earnings per share attributable to ordinary equity holders of the Parent Company	25	**6.87**	**6.83**

Approved by:
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Chief Financial Officer

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

	Share Capital SAR	Statutory reserve SAR	Retained earnings SAR	Foreign currency translation reserve SAR	Total SAR
Balance as at 1 January 2022	1,300,000,000	191,164,445	112,615,756	(184,702)	1,603,595,499
Profit for the year	–	–	887,811,814	–	887,811,814
Other comprehensive gain/(loss) for the year	–	–	52,487,032	(210,168)	52,276,864
Total comprehensive income for the year	–	–	940,298,846	(210,168)	940,088,678
Dividends (note 14c)	–	–	(300,300,000)	–	(300,300,000)
Transfer to statutory reserve	–	88,781,181	(88,781,181)	–	–
Balance as at 31 December 2022	1,300,000,000	279,945,626	663,833,421	(394,870)	2,243,384,177
Profit for the year	**–**	**–**	**892,618,140**	**–**	**892,618,140**
Other comprehensive gain/(loss) for the year	**–**	**–**	**42,201,483**	**(447,821)**	**41,753,662**
Total comprehensive income for the year	**–**	**–**	**934,819,623**	**(447,821)**	**934,371,802**
Dividends (note 14c)	**–**	**–**	**(715,000,000)**	**–**	**(715,000,000)**
Transfer to statutory reserve (note 14a)	**–**	**89,261,814**	**(89,261,814)**	**–**	**–**
Balance as at 31 December 2023	**1,300,000,000**	**369,207,440**	**794,391,230**	**(842,691)**	**2,462,755,979**

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	31 December 2023 SAR	31 December2022 SAR
OPERATING ACTIVITIES			
Profit before zakat		**944,246,155**	937,925,392
Adjustment to reconcile profit before zakat to net cash flows from operating activities:			
Depreciation of property and equipment	6	**219,855,774**	191,194,944
Depreciation of right-of-use assets	9	**375,092,619**	383,385,159
Amortisation of intangible assets	8	**23,132,125**	22,062,867
(Gain)/loss on disposal of property and equipment		**(216,523)**	17,368,076
Loss on disposal of intangible assets		**–**	48,505
Gain on termination of right-of-use assets		**(29,242,978)**	3,482,510
Reversal of Impairment loss of property and equipment	6	**–**	(2,649,935)
Reversal of Impairment on Investment properties	7	**(498,000)**	(14,526,595)
Loss on derecognition of investment properties	7	**–**	7,062,411
Provision for employee benefits	15	**71,360,326**	68,430,249
(Reversal)/provision for slow moving and obsolete inventories	10	**(11,953,496)**	60,660,550
(Reversal)/Impairment loss on trade receivables, net	11	**(4,490,454)**	3,189,779
Finance costs	23	**83,022,004**	79,375,137
		1,670,307,552	1,757,009,049
Working capital changes:			
Inventories		**(214,621,177)**	(127,013,225)
Trade receivables		**(38,155,604)**	6,891,660
Prepayments and other current assets		**(92,531,671)**	(32,726,449)
Trade and other payables		**257,141,618**	153,170,903
Accruals and other current liabilities		**(66,863,694)**	52,167,915
		1,515,277,024	1,809,499,853
Finance costs paid		**(83,022,004)**	(79,375,137)
Zakat paid	18	**(45,643,950)**	(40,439,425)
Employee benefits paid	15	**(17,882,852)**	(21,814,010)
Net cash flows from operating activities		**1,368,728,218**	1,667,871,281

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CONSOLIDATED STATEMENT OF CASH FLOWS CONTINUED

For the year ended 31 December 2023

	Note	31 December 2023 SAR	31 December2022 SAR
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(353,861,780)**	(250,266,759)
Proceeds from sale of property and equipment		**254,015**	103,286
Purchase of intangible assets	8	**(30,648,761)**	(24,966,349)
Net cash flows used in investing activities		**(384,256,526)**	(275,129,822)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	9	**(435,673,581)**	(416,963,779)
Dividends paid	14(c)	**(715,000,000)**	(300,300,000)
Net cash flows used in financing activities		**(1,150,673,581)**	(717,263,779)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(166,201,889)**	675,477,680
Net foreign exchange difference		**(447,821)**	(210,168)
Cash and cash equivalents at 1 January		**1,076,311,959**	401,044,447
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**909,662,249**	1,076,311,959
SUPPLEMENTARY NON-CASH INFORMATION			
Addition to right-of-use assets and lease liabilities	9	**611,068,520**	409,653,545

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Chief Financial Officer

The attached notes from 1 to 35 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

1. Corporate information

Nahdi Medical Company (the "Parent Company" or the "Company") is a Saudi Joint Stock Company formed under Companies Law in the Kingdom of Saudi Arabia under Commercial Registration No. 4030053868 dated 1 October 2003 (corresponding to 5 Sha'ban 1424H). The Group is operating in accordance with the Ministry of Health License No. 26-101-31-67-3 dated 28 December 2003 (corresponding to 22 Dhul-Hijjah 1424H).

The principal activity of the Group is the wholesale and retail trading of cosmetics, pharmaceutical products, special and healthy foods, and medical equipment.

The Group operates mainly in the Kingdom of Saudi Arabia ("KSA") and the United Arab Emirates ("UAE"), and its Head Office is located at the following address:

Nahdi Medical Company,
PO. Box 17129,
King Abdulaziz Road, Murjan District, Jeddah 23715
Kingdom of Saudi Arabia.

2. Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRSs as endorsed in KSA").

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis.

The group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals ("SR") which is also the functional and presentation currency of the Group.

2.4 Basis of consolidation

These consolidated financial statements comprise the financial position and performance of the Parent Company and the following direct and indirect subsidiaries (collectively referred to "the Group") in which the Company exercises control as at 31 December 2023:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

2. Basis of preparation continued

2.4 Basis of consolidation continued

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest 31 December 2023	Effective ownership interest 31 December 2022
Nahdi Care Limited Company	KSA	Clinics	**100%**	100%
Al Sakhaa Golden Trading and Contracting Company*	KSA	Labor Services	**100%**	100%
Nahdi Investment CO. L.L.C**	UAE	Holding Company	**100%**	100%

* As at 31 December 2023, Al Sakhaa Golden Trading and Contracting Company has an investment in the following subsidiary:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest 31 December 2023	Effective ownership interest 31 December 2022
Al Sakhaa integrated solutions	Egypt	IT consulting	**99%**	99%

The remaining 1% is held by Nahdi Investment CO. L.L.C, who holds the share for the beneficial interest of the company.

** As at 31 December 2023, Nahdi Investment CO. L.L.C also has investments in the following subsidiaries:

Subsidiary name	Country of incorporation	Principal business activity	Effective ownership interest 31 December 2023	Effective ownership interest 31 December 2022
Nahdi Drug Store L.L.C	UAE	Drug store	**99%**	99%
Nahdi Pharmacy L.L.C	UAE	Pharmacy	**99%**	99%

The remaining 1% is held by Mr. Saleh Mohamed Amer Salmeen Al Hajeri of Nahdi Investment Co. who holds the share for the beneficial interest of the company.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Group, using consistent accounting policies of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

2. Basis of preparation continued

2.4 Basis of consolidation continued

Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its transactions with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to carrying amount of assets or liabilities affected future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Sensitivity analysis disclosures (note 7 & note 15)
- Financial instruments risk management and policies (note 26)
- Capital management (note 27)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

2. Basis of preparation continued

2.5 Significant accounting judgments, estimates and assumptions continued

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset). The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

The Group has several lease contracts that include extension and terminations options. The options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercise significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining method to estimate variable consideration

Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the sale of goods with volume rebate as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlement based on volume thresholds and purchase made by them during the period. Since the Group sell products based on customer demands with right to return within a specific period if the goods do not meet the quality criteria, the defective products are exchanged for a functioning product and are evaluated in accordance with IAS 37 Provision, Contingent Liabilities and Contingent Assets.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty, if any, on the variable consideration will be resolved within a short time frame.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

2. Basis of preparation continued

2.5 Significant accounting judgments, estimates and assumptions continued

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material difference in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives of property and equipment / intangible assets/ investment properties

The management determines the estimated useful lives of property and equipment & intangible assets for calculating depreciation/amortization. These estimates is determined after considering expected usage of the assets or physical wear and tear. The management reviews the residual value and useful lives annually and future depreciation/amortization charges are adjusted where management believes the useful lives differ from previous estimates.

Determination of inventory net realizable value

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, physical damage, expiry etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new products or technology, past trends and both existing and emerging market conditions.

Provision for expected credit losses (ECLs) of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. The Company uses 365 days overdue as default past due (DPD) based on historical assumption. For instance, if forecasted economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in relevant sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group trade receivables is disclosed in note 11 & 26.

Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on Government bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

2. Basis of preparation continued

2.5 Significant accounting judgments, estimates and assumptions continued

Estimates and assumptions continued

Defined benefit plan *continued*

The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

Further details about employee benefits obligations are provided in note 15.

Revenue recognition - Estimating stand-alone selling price – Customer loyalty programme

The Group estimates the stand-alone selling price of the loyalty points awarded under the customer loyalty programme. The stand-alone selling price of the loyalty points issued is calculated by multiplying the estimated redemption rate and the monetary value assigned to the loyalty points. In estimating the redemption rate, the Group considers breakage which represents the portion of the points issued that will never be redeemed. The Group applies statistical projection methods in its estimation using customers' historical redemption patterns as the main input. The redemption rate is updated quarterly and the liability for the unredeemed points is adjusted accordingly. In estimating the value of the points issued, the Group considers the mix of products that will be available in the future in exchange for loyalty points and customers' preferences. The Group ensures that the value assigned to the loyalty points is commensurate to the stand-alone selling price of the products eligible for redemption (i.e., the value of each point is equivalent to the stand-alone selling price of any products eligible for redemption divided by number of points required). The points issued have an expiry date of one year from the date of issuance.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Group's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies

The following are the material accounting policies applied by the Group consistently in preparing its consolidated financial statements except for the new and amended standards and interpretations as disclosed in note 4.

3.1 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/ non-current classification.

Assets

An asset is classified as current when:

- It is expected to be realized or intended to sell or consumed in normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is expected to be realized within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when:

- It is expected to be settled in normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3.3 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals ("SR"), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.3 Foreign currencies continued

Transactions and balances continued

Non-monetary items that are measured in terms of historical cost in a foreign currency, if any, are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item.

Group Companies - foreign operations

The assets and liabilities of foreign operations are translated to Saudi Riyals at rate of exchange prevailing at the reporting date and their statement of profit or loss and comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. Dividends received from foreign subsidiaries (if any), are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

3.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets under development consists of costs incurred in relation to development of software which will be eventually transferred to intangible assets. Intangible assets with indefinite useful lives (goodwill) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use of disposal. Any gain or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognized.

Intangible assets represent computer software and acquisition of pharmacies which have finite useful lives. The estimated rates of amortization of intangible assets are as follows:

Software	4 years
Acquisitions of pharmacies licenses	4 years
Others	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.5 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as items (major components) of property and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in the consolidated statement of profit or loss.

Capital work in progress

Capital work-in-progress (“CWIP”) represents all costs relating directly to the ongoing projects in progress and is capitalized as property and equipment when the project is completed. CWIP is carried at cost, less any recognized impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of these assets, on the same basis as other same class of assets, commences when the assets are available for their intended use.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of profit or loss as incurred.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each item of property and equipment. Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.5 Property and equipment continued

Depreciation continued

For impairment assessment of property and equipment, please refer note 6. Estimated useful lives of property and equipment are as follows:

	Years
Buildings	The shorter of useful life or related lease term (10 – 25)
Leasehold improvement	The shorter of useful life or related lease term (4 – 8)
Furniture, fixture, office equipment & tools	4
Machinery and equipment	4
Vehicles	4
Computers	4

Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of profit or loss and other comprehensive income.

3.6 Investment properties

Investment properties is property held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future use but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and impairment loss, if any. Investment properties are depreciated on a straight-line basis over the estimated useful life of the respective assets.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss in the period of derecognition.

Transfers are made from investment properties to property and equipment only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the property at the date of transfer.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Lands 10 to 25 years
Pharmacy stores 5 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.7 Leases continued

Lease liabilities continued

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the consolidated statement of profit or loss.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value and in the case of a financial asset not carried at fair value through profit or loss, fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price and for other trade receivables, that contain a significant financing component, the Group adjusts the transaction price in respect to the significant financing component.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.8 Financial instruments continued

(i) Financial assets continued

Initial recognition and measurement *continued*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified, or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables, employee loans and margin on letter of credit.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to consolidated statement of profit or loss.

Currently, the Group does not have any debt instruments designated at fair value through OCI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.8 Financial instruments continued

(i) Financial assets continued

Subsequent measurement *continued*

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.8 Financial instruments continued

(i) Financial assets continued

***Derecognition** continued*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, due to related parties and lease liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.8 Financial instruments continued

(ii) Financial liabilities continued

Subsequent measurement *continued*

Financial liabilities at amortized cost (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due depending upon the contracted credit period. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment of non-financial assets
The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax and income tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.8 Financial instruments continued

Impairment of non-financial assets continued

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.9 Inventories

- Inventories are stated at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.
- Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale. Any impairment loss arising as a result of bringing the inventories at their net realizable value is recognized in the consolidated statement of profit or loss.

3.10 Cash and cash equivalents

Cash and cash equivalents balances comprise of cash at banks, cash on hand and short-term highly liquid deposits with original maturities of three months or less that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

3.11 Pension and other post-employment benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the consolidated statement of profit or loss (refer to note 15).

Obligation in respect of Nahdi Investment CO. L.L.C, where applicable are calculated in accordance with the U.A.E Labor Law and are based on current remuneration and cumulative years of service at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.12 Zakat

The Group (entities registered in Kingdom of Saudi Arabia only) is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided for in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The zakat charge is computed on the zakat base of the individual companies in the Group and is charged to consolidated statement of profit or loss and other comprehensive income. Any shortfall / excess on finalization of an assessment is accounted for in the year in which assessment is finalized.

- Withholding tax
- The Group withholds taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.13 Value Added Tax ("VAT")

Revenues, expenses, and assets are recognized net of the amount of Value Added Tax ("VAT") except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.
- The net amount of VAT recoverable from, or payable to the ZATCA is included as part of receivables or payables in the consolidated statement of financial position.

3.14 Revenue from contracts with customers

The Group is engaged in the business of retail trading of cosmetics, pharmaceutical products, special and healthy foods, and medical equipment. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 2.5.

The Group's recognition of revenue from each source of revenue is as follows:

Sale of goods (retail)

The Group operates a chain of retail stores (pharmacies and healthcare stores) selling medicines, perfumes, cosmetics and beauty tools and products. Revenue is recognised at the point in time when control of the asset is transferred to the customer (i.e., at the point the customer purchases the goods at the retail outlet). Payment of the transaction price is due immediately at the point in time when control of the asset is transferred to the customer. However, certain sales are through insurance and other companies. A receivable is recognised by the Group upon transfer of control as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. It is the Group's policy to sell its products to its customers with a right of return within 14 days. However, the management concluded that the expected returns based on pattern of historical returns is deemed immaterial, accordingly the management has not accounted for it.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.14 Revenue from contracts with customers continued

Loyalty points program

The Group has a loyalty points programme, customer loyalty points, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the customer loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

The disclosures of significant estimates and assumptions relating to the estimation of the stand-alone selling price of the loyalty points are provided in note 2.5.

Revenue from loyalty points for registered customers in the loyalty program included separate performance obligation.

Revenue is allocated between the loyalty program and the other components of the sale using independent selling price. It is recognized as revenue when the Group has fulfilled its obligations to supply the discounted products or free goods under the terms of the program or when it is no longer probable that the points under the program will be redeemed.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with volume rebates giving rise to variable consideration.

Volume rebates

The Group provides volume rebates to certain customers (insurance companies) once their purchase during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method as the selected method better predicts the amount of variable consideration driven by customers’ rebate entitlement based on volume thresholds and purchase made by them during the period. The Group then applies the requirements on constraining estimates of variable consideration and recognized a refund liability for the expected rebates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

3. Summary of material accounting policies continued

3.14 Revenue from contracts with customers continued

Other Income

Other income that are incidental to the Group's business model are recognized as income as they are earned or accrued. This represents profit from sale of scrapped inventory and other miscellaneous income.

Rental Income

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred or incentive in negotiating and arranging an operating lease is considered an integral part of the carrying amount of the leased contract and recognized on a straight-line basis over the lease term.

3.15 Expenses

Cost of revenue

Cost of revenue represents all expenses directly attributable or incidental to the core operating activities of the Group.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, marketing, distribution, and logistics expenses.

General and administrative expenses

These are operational expenses which are not directly related to the sale of goods. These also include allocations of general overheads which are not specifically attributed to cost of revenue.

Allocation of overheads between cost of revenue, selling and distribution and general and administrative expenses, where required, is made on a consistent basis.

3.16 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.17 Cash dividend to shareholders of the Group

The Group recognized a liability to pay a dividend when the distribution is recognized and no longer at the discretion of the Group. As per the By-laws of the Company, a distribution is recognized when it is approved by the shareholders. A corresponding amount is recognized directly in shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

4. New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1 IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts.

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects.

IFRS 17 is based on a general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

4.2 Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group.

4.3 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Group's financial statements.

4.4 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendment had no impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

5. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, and that fact must be disclosed.

The amendments are not expected to have an impact on the Group's financial statements as the Group doesn't have sale and leaseback transactions.

5.2 Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are not expected to have a material impact on the Group's financial statements.

5.3 Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

6. Property and equipment

	Lands SAR	Buildings SAR	Leasehold improvement SAR	Furniture, fixture, office equipment and tools SAR	Machinery and equipment SAR	Vehicles SAR	Computers SAR	Capital work in progress SAR	Total SAR
Cost:									
At beginning of the year	58,172,935	246,594,691	1,134,852,767	59,464,333	164,529,251	1,303,681	146,728,411	51,590,685	1,863,236,754
Additions	–	5,643,439	235,787,786	8,842,899	44,933,331	–	19,680,439	38,973,886	353,861,780
Disposals	–	–	(6,162,065)	(100,361)	(2,708,201)	–	(20,000)	–	(8,990,627)
Transfer from capital work in progress	–		31,089,948	–	–	–	–	(31,089,948)	–
Write-offs	–		(32,292,011)	(606,318)	(1,565,538)	–	(243,220)	–	(34,707,087)
At end of the year	**58,172,935**	**252,238,130**	**1,363,276,425**	**67,600,553**	**205,188,843**	**1,303,681**	**166,145,630**	**59,474,623**	**2,173,400,820**
Accumulated depreciation and impairment:									
At beginning of the year	–	19,670,155	663,734,537	42,562,921	108,974,720	1,215,796	113,445,592	–	949,603,721
Depreciation charge for the year	–	13,110,939	157,761,073	8,592,895	26,280,348	54,149	14,056,370	–	219,855,774
Disposals	–	–	(6,129,980)	(97,968)	(2,705,187)	–	(20,000)	–	(8,953,135)
Write-offs	–		(25,423,628)	(514,905)	(1,436,551)	–	(195,545)	–	(27,570,629)
At end of the year	**–**	**32,781,094**	**789,942,002**	**50,542,943**	**131,113,330**	**1,269,945**	**127,286,417**	**–**	**1,132,935,731**
Net book value:									
At 31 December 2023	**58,172,935**	**219,457,036**	**573,334,423**	**17,057,610**	**74,075,513**	**33,736**	**38,859,213**	**59,474,623**	**1,040,465,089**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

6. Property and equipment continued

	Lands SAR	Buildings SAR	Leasehold improvement SAR	Furniture, fixture, office equipment and tools SAR	Machinery and equipment SAR	Vehicles SAR	Computers SAR	Capital work in progress SAR	Total SAR
Cost:									
At beginning of the year	74,429,935	44,420,692	974,084,044	56,415,541	176,987,858	1,303,681	133,141,028	285,131,408	1,745,914,187
Reclassification	–	–	6,064,947	4,330	(4,148,605)	–	3,045,377	(4,966,049)	–
Additions	–	3,251,298	159,658,871	8,020,270	22,471,879	–	22,084,298	34,780,143	250,266,759
Disposals	–	–	(919,836)	(1,051,531)	(2,315,809)	–	(17,699)	–	(4,304,875)
Transfer from capital work in progress	–	214,633,381	48,721,436	–	–	–	–	(263,354,817)	–
Transfer to Investment properties (note 7)	(16,257,000)	–	–	–	–	–	–	–	(16,257,000)
Write-offs	–	(15,710,680)	(52,756,695)	(3,924,277)	(28,466,072)	–	(11,524,593)	–	(112,382,317)
At end of the year	**58,172,935**	**246,594,691**	**1,134,852,767**	**59,464,333**	**164,529,251**	**1,303,681**	**146,728,411**	**51,590,685**	**1,863,236,754**
Accumulated depreciation and impairment:									
At beginning of the year	2,649,935	17,099,871	569,532,284	38,770,372	121,760,367	1,144,296	109,317,417	–	860,274,542
Reclassification	–	–	–	–	(3,644,813)	–	3,644,813	–	–
Depreciation charge for the year	–	13,228,892	136,536,880	8,374,405	20,992,058	71,500	11,991,209	–	191,194,944
Impairment reversal for the year	(2,649,935)	–	–	–	–	–	–	–	(2,649,935)
Disposals	–	–	(920,190)	(1,047,233)	(2,292,276)	–	(17,049)	–	(4,276,748)
Write-offs	–	(10,658,608)	(41,414,437)	(3,534,623)	(27,840,616)	–	(11,490,798)	–	(94,939,082)
At end of the year	**–**	**19,670,155**	**663,734,537**	**42,562,921**	**108,974,720**	**1,215,796**	**113,445,592**	**–**	**949,603,721**
Net book value:									
At 31 December 2022	**58,172,935**	**226,924,536**	**471,118,230**	**16,901,412**	**55,554,531**	**87,885**	**33,282,819**	**51,590,685**	**913,633,033**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

6. Property and equipment continued

(c) The depreciation charge for the year has been allocated as follows:

	31 December 2023 SAR	31 December2022 SAR
Selling and distribution expenses (note 21)	**194,692,925**	172,490,336
General and administrative expenses (note 22)	**15,134,920**	12,103,028
Cost of revenue (note19)	**10,027,929**	6,601,580
	219,855,774	191,194,944

(d) The title deeds for the parcel of land are in the name of the Company.

(e) Capital work in progress relates to the expenditure incurred on leasehold improvements amounting to SR 19.5 million and for the construction of the clinics amounting to SR 39.9 million which are expected to be capitalized in the following year upon completion and when it is ready for the intended use.

7. Investment properties

	31 December 2023 SAR	31 December2022 SAR
Cost:		
At beginning of the year	**262,963,234**	246,706,234
Transfer from property and equipment (note 6)	**–**	16,257,000
Total	**262,963,234**	262,963,234
Accumulated impairment loss:		
At beginning of the year	**9,157,050**	16,621,234
Loss on derecognition of investment property	**–**	7,062,411
Reversal of impairment loss for the year	**(498,000)**	(14,526,595)
At end of the year	**8,659,050**	9,157,050
Net book value	**254,304,184**	253,806,184

The Group's investment properties mainly represent the parcels of land in KSA which are currently held for undetermined future use. During the year 2022, the Group transferred one parcel of land from property and equipment to investment properties at cost.

The fair value of the Group's investment properties as at 31 December 2023 was valued at SR 312.7 million (31 December 2022: SR 310 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

7. Investment properties continued

The fair value of the Group's investment properties, as at 31 December 2023 was determined on the basis of the valuation exercise carried out by an independent external real estate evaluator Abdullah Al Kathiri Real Estate Evaluation Office (2022: Abdullah Al Kathiri Real Estate Evaluation Office) accredited by the Saudi Authority for Accredited Valuers ("TAQEEM") and they have appropriate qualifications and relevant experience in the fair value measurement of properties in the relevant locations.

The fair value of the lands has been determined based on income method, a valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied.

Based on the difference between the carrying value and the fair value of the parcels of land as at 31 December 2023, a reversal of impairment loss amounting to SR 498,000 was recorded in the Group's consolidated financial statements for the year ended 31 December 2023 (31 December 2022: SR 14.53 million).

During the year ended 31 December 2022, the management of the Group realized that a portion of one of the lands owned by the Group was partially used in the infrastructure by a Government Body which is under assessment at the reporting date.

Based on the carrying value of the revised area of land, an impairment loss amounting to SR 7.06 million was recorded in the Group's consolidated financial statements for the year ended 31 December 2022.

This valuation model is in accordance with those recommended by the International Valuation Standards Committee and is consistent with the principles in IFRS 13.

Such values are based on significant unobservable inputs and the fair value measurement was classified as level 3. These significant unobservable inputs for properties with undetermined use include:

Significant inputs and assumptions	Basis of determination	Range (weight average)	Sensitivity of the input of fair value
Discount rate	Reflecting the inherent risk associated with the development of a real estate asset. Given the uncertainty of future (revenue and cost) projections, a discount rate is adopted to reflect the risk in achieving assumed projections.	**2023: 7% - 9.5%** 2022: 8.7%-12.5%	1% increase (decrease) would result and increase (decrease) in fair value by SR 2.3 million.
Land sales rate (undeveloped) (SR per square meter)	Reflecting the price of comparable industrial land plots	**2023: 1,000 – 1,031** 2022: 758 - 809	5% increase (decrease) would result and increase (decrease) in fair value by SR 15 million.
Developer profit	Reflecting the expected developer profit of similar developments for industrial and residential plots.	**2023: 10% – 25%** 2022: 10% - 20%	5% increase (decrease) would result and increase (decrease) in fair value by SR 3 million.
Rental rate (SR per square meter)	Reflecting the market rent assumed for retail and offices rental	**2023: 1,250 – 700** 2022: 1000 - 800	5% increase (decrease) would result and increase (decrease) in fair value by SR 7 million.
Capitalization rate	Reflecting the assumed return metric that is used to determine the potential return on the property.	**2023: 8%** 2022: 8%	0.5% increase (decrease) would result and increase (decrease) in fair value by SR 10 million.

There have been no major changes to the valuation technique during the year.

All investment properties of the Group are currently held for undetermined future use.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repair, maintenance, and enhancement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

8. Intangible assets

	Software SAR	Acquisition of pharmacies licenses SAR	Others SAR	Total SAR
Cost:				
At beginning of the year	182,360,334	107,596,757	8,682,680	298,639,771
Additions	22,216,349	–	2,750,000	24,966,349
Write offs	(581,191)	(3,805,321)	(1,238,361)	(5,624,873)
At 31 December 2022	203,995,492	103,791,436	10,194,319	317,981,247
Additions	**30,648,761**	**–**	**–**	**30,648,761**
Transfer to right of use assets (note 9)	**–**	**–**	**(10,194,319)**	**(10,194,319)**
Write offs	**–**	**(865,075)**	**–**	**(865,075)**
At 31 December 2023	**234,644,253**	**102,926,361**	**–**	**337,570,614**
Accumulated amortization:				
At beginning of the year	140,025,504	107,596,757	6,811,354	254,433,615
Amortization	20,893,142	–	1,169,725	22,062,867
Write offs	(577,064)	(3,805,321)	(1,193,983)	(5,576,368)
At 31 December 2022	160,341,582	103,791,436	6,787,096	270,920,114
Amortization charge for the year	**23,132,125**	**–**	**–**	**23,132,125**
Transfer to right of use assets (note 9)	**–**	**–**	**(6,787,096)**	**(6,787,096)**
Write offs	**–**	**(865,075)**	**–**	**(865,075)**
At 31 December 2023	**183,473,707**	**102,926,361**	**–**	**286,400,068**
Net book value:				
At 31 December 2023	**51,170,546**	**–**	**–**	**51,170,546**
At 31 December 2022	43,653,910	–	3,407,223	47,061,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

8. Intangible assets continued

(a) The amortization charge for the year has been allocated as follows:

	31 December 2023 SAR	31 December2022 SAR
General and administrative expenses (note 22)	**15,090,097**	14,992,465
Selling and distribution expenses (note 21)	**8,042,028**	7,070,402
	23,132,125	22,062,867

9. Right-of-use assets and lease liabilities

The Group has lease contracts for various items of lands and pharmacy stores used in its operations. Lease of lands generally have lease term of 5 to 20 years while lease of pharmacy stores has lease term of 5 to 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contacts that include extension and termination options. The Group applies the 'short-term lease' recognition exemptions for the leases which have lease term lower than or equal to one-year.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

(a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Lands SAR	Pharmacy stores SAR	Total SAR
As at 1 January 2023	**102,435,094**	**1,064,326,700**	**1,166,761,794**
Additions during the year	**78,334,917**	**532,733,603**	**611,068,520**
Transfer from intangible asset	**2,082,171**	**1,325,052**	**3,407,223**
Modifications during the year	**(2,497,312)**	**(85,755,627)**	**(88,252,939)**
Termination during the year	**–**	**(51,248,144)**	**(51,248,144)**
Depreciation expense	**(18,336,078)**	**(356,756,541)**	**(375,092,619)**
As at 31 December 2023	**162,018,792**	**1,104,625,043**	**1,266,643,835**
As at 1 January 2022	84,401,716	1,243,216,306	1,327,618,022
Additions during the year	46,806,536	362,847,009	409,653,545
Modifications during the year	(16,882,617)	(69,538,692)	(86,421,309)
Termination during the year		(100,703,305)	(100,703,305)
Depreciation expense	(11,890,541)	(371,494,618)	(383,385,159)
As at 31 December 2022	102,435,094	1,064,326,700	1,166,761,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

9. Right-of-use assets and lease liabilities continued

(b) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	31 December 2023 SAR	31 December2022 SAR
As at 1 January	**1,168,104,851**	1,359,057,190
Additions during the year	**611,068,520**	409,653,545
Impact of lease termination	**(80,491,122)**	(97,220,795)
Modifications during the year	**(88,252,939)**	(86,421,309)
Accretion of interest during the year	**50,463,395**	50,471,426
Payments during the year	**(486,136,976)**	(467,435,205)
As at 31 December	**1,174,755,729**	1,168,104,852
Current	**304,189,343**	375,874,436
Non-current	**870,566,386**	792,230,416

The additions, terminations and modifications during the year happened in normal course of business, except for termination of lease contracts related to stores that were subject to expropriation by the Government.

The maturity analysis of lease liabilities is disclosed in note 26.

(c) The following are the amounts recognised in the consolidated statement of profit or loss:

	31 December 2023 SAR	31 December2022 SAR
Depreciation expense of right-of-use assets (note 19, 21 & 22)	**375,092,619**	383,385,159
Interest expense on lease liabilities (note 23)	**50,463,395**	50,471,426
Expense relating to short-term leases	**36,614,294**	7,451,617
Total amount recognised in consolidated statement of profit or loss	**462,170,308**	441,308,202

The Group had total cash outflows for leases of SR 486 million in 2023 (SR 474.9 million in 2022). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 611 million in 2023 (SR 410 million in 2022).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

9. Right-of-use assets and lease liabilities continued

The depreciation charge for the year has been allocated as follows:

	31 December 2023 SAR	31 December2022 SAR
Selling and distribution expenses (note 21)	**365,107,713**	376,824,711
General and administrative expenses (note 22)	**8,284,997**	6,560,448
Cost of Sales	**1,699,909**	–
	375,092,619	383,385,159

10. Inventories

	31 December 2023 SAR	31 December2022 SAR
Inventories	**1,507,140,759**	1,325,055,667
Less: Provision for slow moving and obsolete inventories	**(97,731,509)**	(142,221,090)
	1,409,409,250	1,182,834,577

During 2023, SR 5,127 million (2022; SR 4,939 million) was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of revenue.

Movement in the provision for slow moving and obsolete inventories is as follows:

	31 December 2023 SAR	31 December2022 SAR
At the beginning of the year	**142,221,090**	124,769,595
(Reversal)/charge for the year (a)	**(11,953,496)**	60,660,550
Written off during the year	**(32,536,085)**	(43,209,055)
At the end of the year	**97,731,509**	142,221,090

(a) During the year, management has undertaken a reassessment of inventory provision estimation process which resulted into change of estimates based on development in the terms of suppliers' agreements as well as other factors. The change of estimate of SR 11.9 million. This reversal was recognised in the statement of profit and loss within cost of revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

11. Trade receivables

	31 December 2023 SAR	31 December2022 SAR
Trade receivables	**176,772,076**	138,616,472
Less: Allowance for expected credit losses (see note below)	**(3,924,339)**	(8,414,793)
	172,847,737	130,201,679

Movement in the allowance for expected credit losses of receivables is as follows:

	31 December 2023 SAR	31 December2022 SAR
At the beginning of the year	**8,414,793**	6,714,875
(Reversal)/charge for the year	**(4,490,454)**	3,189,779
Written off during the year	**–**	(1,489,861)
At the end of the year	**3,924,339**	8,414,793

Trade receivables are non-interest bearing and are generally settled on terms of 60 days.

Before accepting any customer, the Group evaluates the credit quality of the potential customers individually and defines the maximum credit period and credit limits. The credit period for the Group's operations normally ranges between 30 to 60 days which is either contractually agreed or internally defined.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

12. Prepayments And Other Current Assets

	31 December 2023 SAR	31 December2022 SAR
Prepayments	**50,636,084**	47,465,475
Employees' loans	**57,129,483**	48,405,056
Advance payments to suppliers	**95,307,189**	27,767,484
Value added tax (VAT)	**44,650,178**	26,371,543
Margin on letter of credits	**2,373,322**	2,527,705
Rent deposits	**10,558,437**	9,455,130
Other current assets	**6,169,709**	12,300,338
	266,824,402	174,292,731

13. Cash And Cash Equivalents

	31 December 2023 SAR	31 December2022 SAR
Cash at banks	**70,735,306**	1,005,470,436
Cash on hand	**77,969,943**	70,841,523
Term deposits	**760,957,000**	–
	909,662,249	1,076,311,959

At 31 December 2023, the Group had short-term bank deposits with original maturities of less than three months. During 2023, The Group earned SR 57 million (2022; SR 12 million) on the murabaha and term-deposits at rate of return ranging between 5.32% to 6.30%.

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the Group bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are negligible.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

14. Shareholders' equity

(a) Share capital

The Company's capital is divided into 130,000,000 shares (31 December 2022: 130,000,000 shares) with a nominal value of SR 10 each (31 December 2022: SR 10 each).

(b) Statutory reserve

In accordance with Parent Companies' By-laws, the Parent Company must set aside 10% of its annual net income as the statutory reserve until it reaches 30% of the share capital. The reserve is not available for distribution.

(c) Dividends

- On 19 March 2023G (corresponding to 27 Sha'ban 1444H), the Board of Directors announced the distribution of SR 390,000,000 as cash dividends (SR 3 per share) for the second half of the fiscal year 2022, which represents 30% of the nominal value of the shares which was settled in full during the period.
- On 01 August 2023G (corresponding to 14 Muharram 1445H), the Board of Directors announced the distribution of SR 325,000,0000 as cash dividends (SR 2.50 per share) for the first half of the fiscal year 2023, which represents 25% of the nominal value of the shares which was settled in full during the period.

	31 December 2023 SAR	31 December2022 SAR
Interim cash dividends for the second half of the year 2022: SR 3.00 per share	**390,000,000**	–
Interim cash dividends for the first half of the year 2023: SR 2.50 per share (2022: SR 2.31 per share)	**325,000,000**	300,300,000
	715,000,000	300,300,000

15. Employee Benefit Liabilities

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The following table represents the movement of the defined benefits obligation:

	31 December 2023 SAR	31 December2022 SAR
Defined benefits obligation at beginning of the year	**380,861,250**	386,732,043
Current service cost	**55,423,817**	57,718,499
Interest cost on defined benefits obligation	**15,936,509**	10,711,750
Actuarial gain on the obligation	**(42,201,483)**	(52,487,032)
Transferred out	**(19,972)**	–
Payments made during the year	**(17,882,852)**	(21,814,010)
Defined benefit obligations at the end of the year	**392,117,269**	380,861,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

15. Employee Benefit Liabilities continued

15.1 Actuarial assumptions

	31 December 2023 SAR	31 December2022 SAR
Discount rate	**4.70%**	4.30%
Future salary growth/expected rate of salary increase	**4.30%**	4.80%
Mortality rate	**0.25%**	0.25%
Retirement age	**60 years**	60 years

The quantitative sensitivity analysis for principal assumptions is as follows:

	31 December 2023 SAR	31 December2022 SAR
Discount rate:		
+1.00% increase	**(27,098,622)**	(28,228,741)
-1.00% decrease	**27,902,710**	32,530,367
Salary increase rate:		
+1.00% increase	**28,853,717**	33,082,811
-1.00% decrease	**(28,406,214)**	(29,251,104)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit obligation is 7.17 years (31 December 2022: 7.98 years)

The following is the breakup of the actuarial (gain)/loss:

	31 December 2023 SAR	31 December2022 SAR
Financial assumptions	**(26,644,224)**	(33,779,276)
Experience adjustment	**(17,819,043)**	(15,168,085)
Demographic adjustment	**2,261,784**	(3,539,671)
	(42,201,483)	(52,487,032)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

15. Employee benefit liabilities continued

The following payments are expected to the defined benefit plan in future years:

	31 December 2023 SAR	31 December2022 SAR
Within the next 12 months (next annual reporting period)	**43,001,741**	68,622,736
Between 2 and 5 years	**150,040,222**	231,534,324
Between 6 and 10 years	**150,203,158**	242,287,238
Year 11 & above	**226,368,665**	463,483,885
Total expected payments	**569,613,786**	1,005,928,183

16. Trade payables

	31 December 2023 SAR	31 December2022 SAR
Trade payables (note a)	**894,307,578**	637,165,960

(a) Trade payables are non-interest bearing and are normally settled on 30-150 days term.

17. Accruals and other liabilities

	31 December 2023 SAR	31 December2022 SAR
Non- current		
Staff accruals (note a)	**14,793,148**	20,044,876
Current		
Staff accruals (note a)	**161,835,906**	191,499,655
Accrued expenses	**127,139,802**	156,952,147
Contract liabilities	**4,332,867**	12,996,252
Other liabilities	**26,757,048**	27,346,020
	320,065,623	388,794,074

(a) This includes incentives for the executive employees as part of long-term retention plan with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

18. Zakat

The movement in the zakat provision during the year is as follows:

	31 December 2023 SAR	31 December2022 SAR
At the beginning of the year	**106,547,901**	96,873,748
Provision charge for year	**51,628,015**	50,113,578
Payment during the year	**(45,643,950)**	(40,439,425)
At the end of the year	**112,531,966**	106,547,901

During the year, the Group companies that are operated in KSA, (the Parent Company, Nahdi Care Company, and Al Sakhaa Golden Trading and Contracting Company) have been requested and obtained an approval from ZATCA to submit their Zakat based on a unified return. Starting from the year ended 31 December 2023 and onward Zakat submission will be based on the unified return which will prepared based on a Special Purpose Financial Statements.

Status of assessments

Nahdi Medical Company

Zakat assessments have been agreed with the Zakat, Tax and Customs Authority (“ZATCA”) up to 2014. The zakat returns for the years from 2015 to 2021 are currently under review by the ZATCA.

For the year ended 31 December 2015

Zakat assessment was received for the year above amounting to SR 6,017,417 and the Group has submitted an objection to ZATCA during the statutory period. The Company paid partial amount of SR 1,017,416 then ZATCA has requested the committee to waive the co remaining assessment amount of SR 5,000,000. The waiver has been accepted by the committee and the management is waiting for the revised assessment reflecting this waive and a provision still provided for the remaining amount.

For the years ended 31 December 2016 to 2019

The Group received zakat assessments for these years amounting to SR 7,617,444 and the Group is in the process of submitting an objection to ZATCA within the statutory period. Management has provided for a provision in this regard.

For the year ended 31 December 2020 to 2022

The Group submitted zakat return for the year and no zakat assessment was received. The Group received a valid zakat certificate until 30 April 2024.

For the year ended 31 December 2023

The zakat status remains as mentioned above and has not changed in the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

18. Zakat continued

Subsidiaries

Al Sakhaa Golden Trading and Contracting Company

Zakat assessments have been agreed with the Zakat, Tax and Customs Authority ("ZATCA") up to 2019.

For the year ended 31 December 2020 to 2022

The Company submitted zakat return for the year and no zakat assessment was received. The Company received a valid zakat certificate until 30 April 2024.

For the year ended 31 December 2023

The zakat status remains as mentioned above and has not changed in the year ended 31 December 2023.

Nahdi Care Limited Company

For the years ended 31 December 2019 to 2022

The Company submitted zakat return for the years and no zakat assessment was received. The Company received a valid zakat certificate until 30 April 2024.

For the year ended 31 December 2023

The zakat status remains as mentioned above and has not changed in the year ended 31 December 2023.

19. Cost of revenue

	31 December 2023 SAR	31 December2022 SAR
Cost of goods sold (note 10)	**5,126,753,312**	4,939,256,071
(Reversal)/Provision for slow moving inventory, net (note 10)	**(11,953,496)**	60,660,550
Employee costs	**41,409,537**	44,579,363
Inventory write off	**–**	16,843,657
Depreciation of property and equipment (note 6)	**10,027,929**	6,601,580
Other expenses	**25,195,051**	2,855,387
	5,191,432,333	5,070,796,608

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

20. Other operating income, net

	31 December 2023 SAR	31 December2022 SAR
Reversal of accrued expenses/ recovery of operating pharmacy costs	**17,856,147**	11,504,083
Impairment reversal of property and equipment (note 6)	**–**	2,649,935
Rental income	**2,914,384**	2,377,762
Gain from disposal of property and equipment	**216,523**	106,982
Scrap sale of inventory	**1,751,875**	–
Other	**1,182,101**	10,418,781
	23,921,030	27,057,543

21. Selling and distribution expenses

	31 December 2023 SAR	31 December2022 SAR
Employee costs	**1,234,125,415**	1,289,766,616
Depreciation of right-of-use assets (note 9)	**365,107,713**	376,824,711
Depreciation (note 6)	**194,692,925**	172,490,336
Utilities	**68,800,873**	71,284,659
Advertising and promotion	**66,364,362**	67,810,301
Repair and maintenance	**45,438,559**	32,036,774
Attestation of governmental expenses	**32,002,000**	22,139,474
Loading and packing expenses	**27,707,721**	19,030,597
Business events	**8,328,118**	8,707,801
Communications	**6,544,282**	8,147,742
Amortization (note 8)	**8,042,028**	7,070,402
Others	**191,426,685**	163,628,564
	2,248,580,681	2,238,937,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

22. General and administrative expenses

	31 December 2023 SAR	31 December2022 SAR
Employee costs	**187,948,466**	190,666,181
Repair and maintenance	**41,081,837**	38,144,533
Legal and professional	**18,319,933**	15,779,711
Amortization (note 8)	**15,090,097**	14,992,465
Depreciation (note 6)	**15,134,920**	12,103,028
Depreciation of right-of-use assets (note 9)	**8,284,997**	6,560,448
Communications	**7,256,784**	5,724,971
Attestation and government expenses	**2,669,430**	5,346,214
Board of directors’ remunerations	**4,475,000**	4,600,004
Expected credit losses of trade receivables	**3,561,091**	3,189,779
Others	**32,806,410**	33,826,039
	336,628,965	330,933,373

23. Finance cost

	31 December 2023 SAR	31 December2022 SAR
Interest expense on lease liability	**50,463,395**	50,471,426
Bank charges	**32,558,609**	30,702,194
	83,022,004	81,173,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

24. Finance income

	31 December 2023 SAR	31 December2022 SAR
Income from term deposits	**56,818,524**	12,128,998
Foreign exchange gain	**7,909,078**	1,798,483
	64,727,602	13,927,481

25. Earnings per share

The earnings per share calculation is given below:

	31 December 2023 SAR	31 December2022 SAR
Profit for the year	**892,618,140**	887,811,814
Weighted average number of ordinary shares	**130,000,000**	130,000,000
Earnings per share – basic and diluted	**6.87**	6.83

There has been no item of dilution affecting the weighted average number of ordinary shares.

26. Financial instruments risk management

The Group's principal financial liabilities include trade payables, due to related parties and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, employee loans, cash and cash equivalents and margin on letter of credit.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

26. Financial instruments risk management continued

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest-bearing assets. The management manages the Group's interest rate risks by monitoring changes in interest rates in the currencies in which its interest-bearing assets are denominated (if any).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). The Group's transactions are principally in Saudi Riyals. However, the group also transacts in AED. AED to Saudi Riyals is pegged whereas exposure related to other currencies is not material to the group. Moreover, the Group's management monitors such fluctuations and manages its effect on the group's financial statements accordingly.

Credit risk

Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any sales to major customers are generally covered by letters of promissory notes. At 31 December 2023, the Group had three customers (31 December 2022: two customers) which accounted for approximately 73% (31 December 2022: 72%) of all trade receivable balances. The Group evaluates the concentration of risk with respect to trade receivables as low.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions. Additionally, minor receivables are grouped into homogenous Group and analysed for impairment collectively. The maximum amount of exposure is the carrying amount of the receivable disclosed in note 11. Promissory notes and other forms of security, if any, are considered integral part of trade receivables and considered in the calculation of impairment.

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's executive management on a regular basis and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

26. Financial instruments risk management continued

Credit risk continued

On that basis, the expected credit loss as at 31 December was determined as follows:

Receivable from customers

	2023			2022		
Ageing	Gross carrying amount SAR	Expected credit loss range %	Loss allowance SAR	*Gross carrying amount SAR*	Expected credit loss range %	*Loss allowance SAR*
Current (Not due)	**36,668,037**	**–**	**–**	38,242,069	–	–
0-90 Days Overdue	**108,751,698**	**0.2%**	**144,325**	50,930,255	0.4%	181,812
91-180 Days Overdue	**19,159,490**	**2.5%**	**468,970**	36,522,524	6.3%	2,305,262
181-360 Days Overdue	**10,217,811**	**14.6%**	**1,496,527**	12,903,527	45.8%	5,909,622
Over 360 Days Overdue	**1,975,040**	**91.8%**	**1,814,517**	18,097	100%	18,097
	176,772,076		**3,924,339**	138,616,472		8,414,793

Liquidity risk

Liquidity risk is the risk that an exposure will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by the treasury department by monitoring the maturity profile of the Group's financial instruments to ensure that adequate liquidity is maintained or made available, as necessary to the Group. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual undiscounted maturity analysis of the financial liabilities of the Group. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

The following is the contractual undiscounted maturity analysis of the financial liabilities of the Group. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2023	Within 1 year SAR	1 to 5 years SAR	After 5 years SAR	Total SAR
Trade payables	**894,307,578**	**–**	**–**	**894,307,578**
Accruals and other liabilities, (except for non-financial liabilities)	**315,732,756**	**14,793,148**	**–**	**330,525,904**
Lease liabilities	**337,638,690**	**664,370,651**	**296,256,229**	**1,298,265,570**
	1,547,679,024	**679,163,799**	**296,256,229**	**2,523,099,052**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

26. Financial instruments risk management continued

Liquidity risk continued

31 December 2022	Within 1 year SAR	1 to 5 years SAR	After 5 years SAR	Total SAR
Trade payables	640,035,617	–	–	640,035,617
Accruals and other liabilities, (except for non-financial liabilities)	375,797,822	20,044,876	–	395,842,698
Lease liabilities	521,890,949	1,044,627,191	191,835,721	1,758,353,861
	1,537,724,388	1,064,672,067	191,835,721	2,794,232,176

27. Capital management

For the purpose of the Group's capital management, capital includes issued share capital, statutory reserve and retained earnings attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maximize the Shareholders' value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is currently not exposed to any gearing risk as it has not obtained any borrowings.

28. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

28. Fair value measurement continued

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All financial instruments for which fair value is recognised or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the period.

The management assessed that the fair value of cash and cash equivalents, trade and other receivables, trade payables and lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

29. Related party transactions and balances

Related parties represent the partners, directors and key management personnel of the Group, affiliates (the Company and the entities are members of the same group), and entities controlled, jointly controlled, or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group:

			Transactions	
			For the Year ended	
Related party	Relationship	Nature of transaction	31 December 2023 SAR	31 December 2022 SAR
Khotta Al Khair for Commercial Services Group Limited	Affiliate	Expenses paid on behalf of the affiliate	–	51,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

29. Related party transactions and balances continued

Key management compensation

Compensation for key management is as follows:

	31 December 2023 SAR	31 December2022 SAR
Salaries and other benefits*	**3,500,000**	3,500,000
Post-employment benefits	**7,676,660**	18,071,305
	11,176,660	21,571,305

The amounts disclosed in the above table are the amounts recognised as an expense during the year related to key management personnel.

In addition to above, the Group also recognized the incentives for the executive employees as part of long-term retention plan with the Group as disclosed in note 17(a).

Related party balances are generally unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2023, the Group has recorded impairment of receivables relating to amounts owed by related parties by SR 2.5 million (31 December 2022: Nil). This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related party operates.

30. Segment information

The Group operates mainly in the KSA and the UAE and is engaged in the sale of cosmetics, medical materials, as well as medical equipment through pharmacies. It also operates specialized medical clinics through one of its subsidiaries. The Group's operations in the UAE are considered relatively insignificant, and accordingly, the Group does not present business sector information at the geographical level. Also, the Group's business of operating specialized medical clinics is considered relatively insignificant.

The Group has two operating segments, Front Shop and Pharma. The Group's segments maintain separate financial information, and the Group's chief operating decision maker (the "CODM") evaluates the segments' revenue on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Group's segments based on revenue. The Group uses revenue as its principal measure of segment performance as it enhances the Group's ability to compare past financial performance with current performance and analyze underlying business performance and trends. The operating costs could not be separated by the reported segments and hence presented in total. The following table presents information for the Group's operating segments for the year ended 31 December 2023 and 31 December 2022, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

30. Segment information continued

Year ended 31 December 2023	Front Shop SAR	Pharma SAR	Others SAR	Total SAR
Revenue	4,129,870,375	4,411,731,880	172,073,735	8,713,675,990
Unallocated income (expenses)				
Cost of revenue				(5,191,432,333)
Other operating income, net				23,921,030
Selling and distribution expenses				(2,248,580,681)
General and administrative expenses				(336,628,965)
Finance costs				(83,022,004)
Finance income				64,727,602
Other income, net				1,087,516
Reversal of impairment on investment properties				498,000
Profit for the year before zakat				944,246,155
Zakat				(51,628,015)
Net profit for the year				892,618,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

30. Segment information continued

Year ended 31 December 2022	Front Shop SAR	Pharma SAR	Others SAR	Total SAR
Revenue	4,278,503,386	4,263,058,013	74,626,417	8,616,187,816
Unallocated income (expenses)				
Cost of revenue				(5,070,796,608)
Other operating income, net				27,057,543
Selling and distribution expenses				(2,238,937,977)
General and administrative expenses				(330,933,373)
Finance costs				(81,173,620)
Finance income				13,927,481
Loss against write off for old distribution centre				(6,950,568)
Other income, net				2,080,514
Reversal of impairment on investment properties				14,526,595
Loss on derecognition of investment properties				(7,062,411)
Profit for the year before zakat				937,925,392
Zakat				(50,113,578)
Net profit for the year				887,811,814

There is no individual customer contributed more than 10% of the Group's total sales.

31. Commitments and contingencies

As at 31 December 2023, the Group has commitments of SR 95 million (31 December 2022: SR 65.1 million) relating to capital expenditures, which also includes an agreement with a consulting Group to implement the decorations of pharmacies, implement the new stores, construction of distribution centre. It also includes commitments pertains to letter of credit and letter of guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

32. Comparative figures

Certain prior year information has been reclassified/represented to conform with the presentation in the current year.

As a result of such reclassification, there is no impact on the consolidated statement of profit or loss and Comprehensive Income, consolidated statement of changes in shareholders' equity and consolidated statement of cashflows.

33. Branches

The Parent Company has the following branches at the reporting date:

Sr. No.	Location of Branch	Commercial Registration Number
1	Jeddah	4030124053
2	Jeddah	4030158333
3	Jeddah	4030150171
4	Jeddah	4030158630
5	Jeddah	4030111904
6	Jeddah	4030118789
7	Jeddah	4030298132
8	Jeddah	4030143265
9	Jeddah	4030121733
10	Jeddah	4030477660
11	Riyadh	1010187031
12	Riyadh	1010440211
13	Riyadh	1010444001
14	Riyadh	1010461685
15	Abha	5850031875
16	Al Ahsaa	2031102806
17	Al Baha	5800104904
18	Al Madina	4650035174
19	Al Madina	4650286705
20	Al Madina	4650032936
21	Al Madina	4650032911
22	Al Mubarraz	2252032301
23	Al Qunfotha	4603150305
24	Arar	3450174719
25	Besha	5851874572
26	Buraida	1131304702
27	Dammam	2050179259
28	Dammam	2050050664
29	Dammam	2050046442
30	Dammam	2050045579
31	Dhahran	2052002695
32	Hafr Albaten	2511007816
33	Hail	3350147306
34	Jazan	5900120635
35	Khamis Mushayt	5855023957
36	Khamis Mushayt	5855071782
37	Khobar	2051052304
38	Makkah	4031044920
39	Makkah	4031093616
40	Makkah	4031044923
41	Makkah	4031263468
42	Najran	5950117233
43	Qura Al Ahsaa	2250062550
44	Skaka	3400119081
45	Tabuk	3550131585
46	Taif	4032023921
47	Taif	4032048995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

At 31 December 2023

34. Events after the reporting period

On 17 March 2024G (corresponding 07 Ramadan 1445H), the Board of Directors announced the distribution of SR 390 million as cash dividends (SR 3 per share) for the second half of the year 2023.

Except for that, there have been no significant subsequent events since the year ended 31 December 2023, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

35. Approval of consolidated financial statements

These consolidated financial statements were approved and authorized to issue by the Board of Directors on 17 March 2024G (corresponding to 07 Ramadan 1445H).

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nahdi

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