



Shareholders' Circular

Related to Reduction of the Company's Capital

From SAR 351,000,000, representing 35,100,000 ordinary shares

To SAR 280,800,000, representing 28,080,000 ordinary shares

Extraordinary General Assembly **-**-1444G (Corresponding to **-**-2023G)

Financial Advisor



Details of the Company, Financial Advisor, and Chartered Accountant

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1 Expressions and Definitions

Expression	Definition
The Company or Issuer	United Wire Factories Company
Extraordinary General Assembly	Extraordinary General Assembly of the Company's Shareholders
Capital Market Authority or CMA	Capital Market Authority in the Kingdom of Saudi Arabia
Saudi Exchange (Tadawul)	Saudi Tadawul Company (formerly the Saudi Stock Exchange Company) is one of the Saudi Tadawul Group companies, established in accordance with the Council of Ministers Resolution on 29/02/1428H (corresponding to 19/03/2007G) in implementation of the Capital Market Law. It is a Saudi closed joint stock company, and the only entity authorized to operate as a stock exchange in the Kingdom of Saudi Arabia, where it lists and trades securities.
Ministry of Commerce	Ministry of Commerce in the Kingdom of Saudi Arabia
Companies Law	The Companies Law of the Kingdom of Saudi Arabia, promulgated by the Royal Decree No. (M/3) dated 28/01/1437H (corresponding to (10112015G)), as amended on 01/12/1443H (corresponding to 30/06/2022G),
Saudi Exchange, Exchange, or Tadawul	The Saudi Exchange (for trading of shares in Kingdom of Saudi Arabia)
Capital Reduction	Reduction of the Company Capital from SAR (351,000,000) to SAR (280,800,000) and hence reduction of number of shares from (35,100,000) to (28,080,000) shares at a reduction percentage at (20%) and reduction rate of 1 share per 5 shares.
The Rules on the Offer of Securities and Continuing Obligations	Rules on the Offer of Securities and Continuing Obligations issued by CMA's Board pursuant to the Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), based on the CMA Law, promulgated by the Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended by CMA BOD Resolution No. (8-5-2023) dated 25/06/1444H (corresponding to 18/01/2023G), and any amendments thereof.
Circular/ Shareholders' Circular	This Document is prepared by the Company in relation to capital reduction.
Chartered Accountant's report in relation to capital reduction.	Limited confirmation letter on capital reduction, which shows reasons behind capital reduction and relevant impact on the Company.
Shareholders	Holders of the Company's Shares
Eligible Shareholders	All shareholders of the Company, registered in the Company's records with the Saudi Stock Exchange (Saudi Exchange) at the end of trading on the second day following the day of the Extraordinary General Assembly, including shareholders who have not attended the Extraordinary General Assembly Meeting, as well as the shareholders who attended the meeting and have not voted or have voted against the capital reduction resolution.
E-voting	A free e-service for companies listed on the Saudi Stock Exchange, which allows shareholders to exercise their rights to vote on the agenda items of the General Assemblies without their presence, in person, through the Tadawulaty platform of the Securities Depository Centre (Edaa).

2 Purpose of this Circular

This Circular has been prepared by the Company to include the necessary information to enable the Company's shareholders to vote on the capital reduction process at the Extraordinary General Assembly Meeting based on awareness and knowledge.

3 Company Overview

United Wire Factories Company (hereinafter referred to as the "**Company**" or "**Aslak**") is a Saudi joint stock company under the Ministerial Resolution No. (45/Q) dated 12/02/1429H (corresponding to 19/02/2008G) and the Commercial Register issued by Riyadh No. (1010079195) dated 20/03/1411H (corresponding to 09/10/1990G).

The Company's head office is located at Riyadh - Industrial City - Al Kharj RD
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The Company practices the activities of production and marketing of rebars, rebar mesh, rebar reshuffling and cutting, fence nets, wooden nails, carpentry, metal clothes hangers, fastening wires (tying), metal fastening wires for concrete, coated, drawn, and galvanized steel wires, metal fastening tapes, plastic fastening wires and tapes, oxygen welding wires, industrial pins, paper clips, electric welding rods, barbed wire, rivet, screws, steel, iron hinges, corners, simplifiers, iron smelting and rolling, import and export of similar products and others complementary to the working nature.

3.1 History and Most Important Developments of its Capital

- On 20/03/1411H (corresponding to 10/10/1990G), Gulf Wire Tying Company Ltd. LLC was established with a capital of SAR 3,000,000 where it started producing fastening wires (tying) as a main product.
- In 1996, the Company started the production of galvanizing line in addition to the product of fastening wires (tying) in Gulf Wire Tying Company Ltd.
- In 2006, (Riyadh Tying Wire Factory Co. Ltd., Saudi Factory for Galvanized and Barbed Wire, Fence Netting and Nails and its branches) merged with Gulf Wire Tying Company Ltd. to then change the name of the Company to (United Wire Factories Company) and the capital resulting from the merger was determined to become SAR 150,000,000. The number of the Company's factories becomes 8 factories.

- In 2007, the two factories (Al-Sagheer for Clothes Hangers and Al-Sagheer for Wire Retraction) owned by Al-Sagheer Trading and Contracting Company were acquired by way of granting in-kind shares.
- On 27/03/1428H (corresponding to 15/04/2007G), the Company increased its capital from SAR 150,000,000 to SAR 206,500,000.
- On 12/02/1429H (corresponding to 19/02/2008G), United Wire Factories Company was transformed into a closed joint stock company under the Ministerial Resolution No. (45/Q).
- On 28/04/1432H (02/04/2011G), the Extraordinary General Assembly approved increasing the Company's capital from SAR 206,500,000 to SAR 325,500,000.
- On 21/09/1432H (corresponding to 21/08/2011G), the Company was listed on the Saudi Stock Exchange (Saudi Exchange) under the Construction Sector with the symbol 1301.
- On 29/05/1434H (corresponding to 10/04/2013G), the Extraordinary General Assembly approved increasing the Company's capital from SAR (325,000,000) to SAR (390,000,000) by granting 1 share for every (5) shares and paying them through retained profits and statutory reserve. This approval was announced on the Saudi Stock Exchange (Saudi Exchange).
- On 06/06/1435H (corresponding to 06/04/2014G), the Extraordinary General Assembly approved increasing the Company's capital from SAR (390,000,000) to SAR (438,750,000) by granting 1 share for every (8) shares through capitalizing SAR (48,750,000) from retained profits account. This approval was announced on the Saudi Stock Exchange (Saudi Exchange).
- On 24/11/1441H (corresponding to 15/07/2020G), the Extraordinary General Assembly of the Company, during its meeting held on 15/07/2020G, approved reducing the Company's capital from SAR (438,750,000) to SAR (351,000,000) by writing off (8,775,000) of the Company's issued shares, at a reduction rate of one share for every five shares, with a decrease of 20%, and compensating shareholders since the capital exceeded the Company's needs. This approval was announced on the Saudi Stock Exchange (Saudi Exchange).
- On 26/01/1442H (corresponding to 14/09/2020G), the Company announced through the Saudi Exchange website the end of the creditors' objection period at the end of 25/01/1442H (corresponding to 13/09/2020G) and that United Wire Factories Company (ASLAK) has not received any objections from the Company's creditors during that period. The decision to reduce the Company's capital was announced on the website of the Saudi Stock Exchange (Saudi Exchange).
- On 09/04/1444H (corresponding to 03/11/2022G), the Company announced through the Saudi Exchange website the recommendation of its Board of Directors, issued in its meeting held on 08/04/1444H (corresponding to 02/11/2022G), to reduce the Company's capital from SAR (351,000,000) to SAR (280,800,000) by writing off (7,020,000) issued shares of the Company at

a decrease of 20%, compared to the number of shares and compensating shareholders since the capital exceeded the Company's needs.

- On 19/10/1444H (corresponding to 09/05/2023G), the Capital Market Authority approved the request to reduce the Company's capital from SAR (351,000,000) to SAR (280,800,000) by writing off (7,020,000) issued shares of the Company at a decrease of 20%, compared to the number of shares and compensating shareholders since the capital exceeded the Company's needs. This approval was announced on websites of the Capital Market Authority and the Saudi Stock Exchange (Saudi Exchange).
- On ***/1444H (corresponding to ***/2023G), the Extraordinary General Assembly approved the reduction of the Company's capital from SAR (351,000,000) to SAR (280,800,000) by writing off (7,020,000) issued shares of the Company at a decrease of 20%, compared to the number of shares and compensating shareholders since the capital exceeded the Company's needs. This approval was announced on the Saudi Stock Exchange (Saudi Exchange).

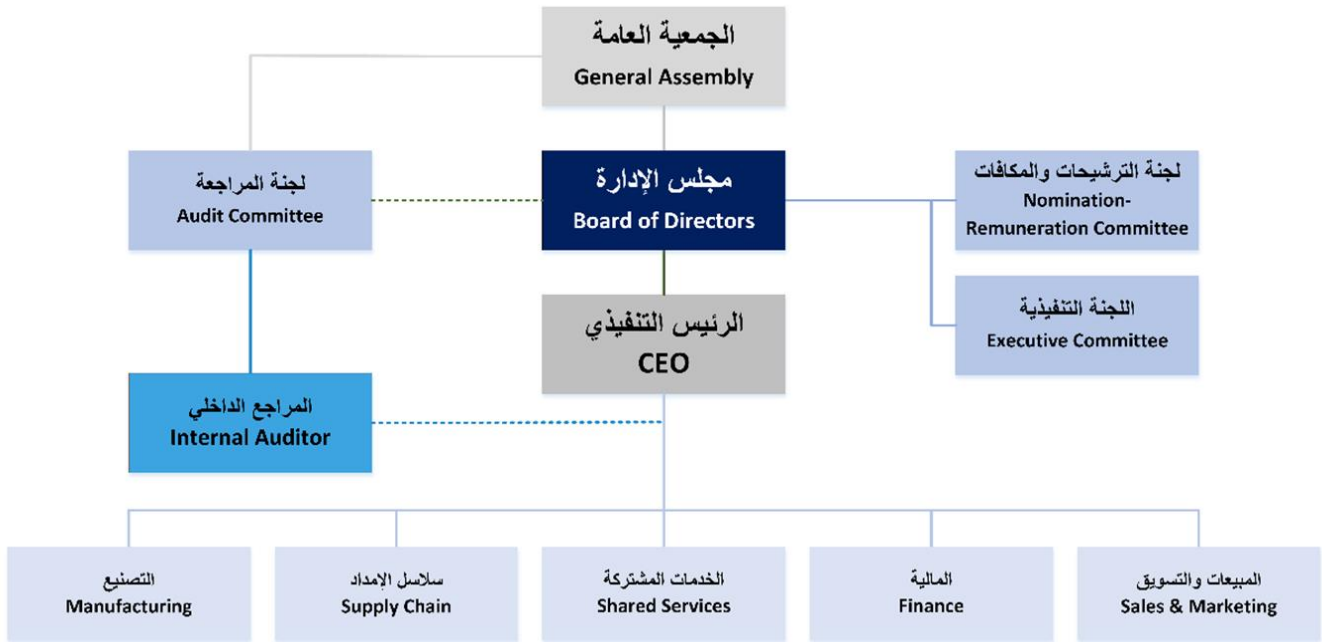
3.2 Ownership of Shareholders in the Company

Name	Before Capital Reduction		After Capital Reduction		Shareholding %	
	No. of Shares	Amount SAR	No. of Shares	Amount SAR	Direct	indirect
Khalid Saad Abdurrahman Al-Kanhal	2,457,000	24,570,000	1,965,600	19,656,000	7.000%	-
Mohamad Rasheed Mohamad Al-Rasheed	4,297,968	42,979,680	3,438,374	34,383,740	12.245%	-
Ahmad Rasheed Mohamad Al-Rasheed	1,834,976	18,349,760	1,467,980	14,679,800	5.228%	-
Board Members *	415,902	4,159,020	332,721	3,327,210	1.185%	-
The Public	26,094,154	260,941,540	20,875,325	208,753,250	74.342%	-
Total	35,100,000	351,000,000	28,080,000	280,800,000	100%	-

Source: Company

* Board Members except for the Chairman of the Board of Directors, Mr. Khalid Saad Abdurrahman Al-Kanhal, being a key owner in the company.

3.3 Organizational Chart



Source: Company

3.4 Directors

Name	Position	Membershi p capacity	Nationalit y	Direct shareholding percentage		Membershi p date
				No. of Shares	Shareholdin g percentage as of 30/03/2023G	
Khalid Saad Abdurrahma n Al-Kanhal	Chairma n	Non- executive	Saudi	2,457,00 0	7.00%	10-04-2022
Rasheed Rashid bin Uwain	Vice Chairma n	Non- executive	Saudi	160,000	0.4558405%	10-04-2022
Abdullah Saad Abdullah Al- Dosari	Director	Executive	Saudi	178,541	0.5086638%	10-04-2022
Khalid Mohamad Abdullah Al- Khowaiter	Director	Independent	Saudi	76,714	0.2185584%	10-04-2022
Faisal Musaed Abdulmohse n Al-Hukair	Director	Independent	Saudi	647	0.0018433%	10-04-2022
Yusuf Abdullah Ibrahim Al- Motliq	Director	Independent	Saudi	-	-	10-04-2022
Turki Mohamad Faheed Al- Quraini	Director	Independent	Saudi	-	-	10-04-2022

Source: The Company & Saudi Tadawul.

* Directors don't have indirect shareholding percentage in the Company

* The Extraordinary General Assembly approved in its meeting held on 28-7-1443H (corresponding to 01-03-2022G) to elect the above Directors to assume office in the current round which started as of 09-09-1443H (corresponding to 10-04-2022G) for three years ending 11-10-1446H (corresponding to 09-04-2025G).

** The Company Board of Director decided in its meeting held on 10-09/1443H (corresponding to 11-04-2022G) to appoint Mr. Khalid Saad Abdurrahman Al-Kanhal as the Chairman and appoint Mr. Rasheed Rashid bin Uwain as the Vice Chairman.

*** Directors shall not have indirect shareholding percentage in the Company as of the date of this Circular.

Note:

The Directors, whose names were mentioned in the Board of Directors Meeting date 08/04/1444H (corresponding to 02/11/2022G), recommended to reduce the Company's capital from SAR (351,000,000) to SAR (280,800,000) by writing off (7,020,000) issued shares of the Company at a decrease of 20%, compared to the number of shares and compensating shareholders since the capital exceeded the Company's needs.

3.5 Members of the Executive Management

Name	Position	Nationality	Direct shareholding percentage		Date of Appointment
			No. of Shares	Shareholding percentage as of 30/03/2023G	
Nabil Hasan Mohamad Al-Amir	CEO	Saudi	-	-	16-10-2018
Abdullah Saad Abdullah Al-Dosari	General Manager of Sales & Marketing	Saudi	178,541	0.5086638%	01-01-2006
Abdelhamid Hosni Abdelhamid Ibrahim	Financial Manager	Egypt	-	-	01-02-2019
Ibrahim Abdelal Al-sayed Salam	Technical Services Manager	Egypt	-	-	19-10-2021
** Vacant	Director of Common Services Department	-	-	-	-
** Vacant	Supply Chain Department Manager	-	-	-	-

Source: The Company & Saudi Tadawul.

* On 10-09-1443H (corresponding to 11-04-2022G), the Board of Directors decided to appoint Mr. Nabil Hasan Mohamad Al-Amir as the Chief Executive Officer of the Company as of 09-09-1443H (corresponding to 10-04-2022G).

** The positions referred to in the table above are vacant as at the date of this Circular.

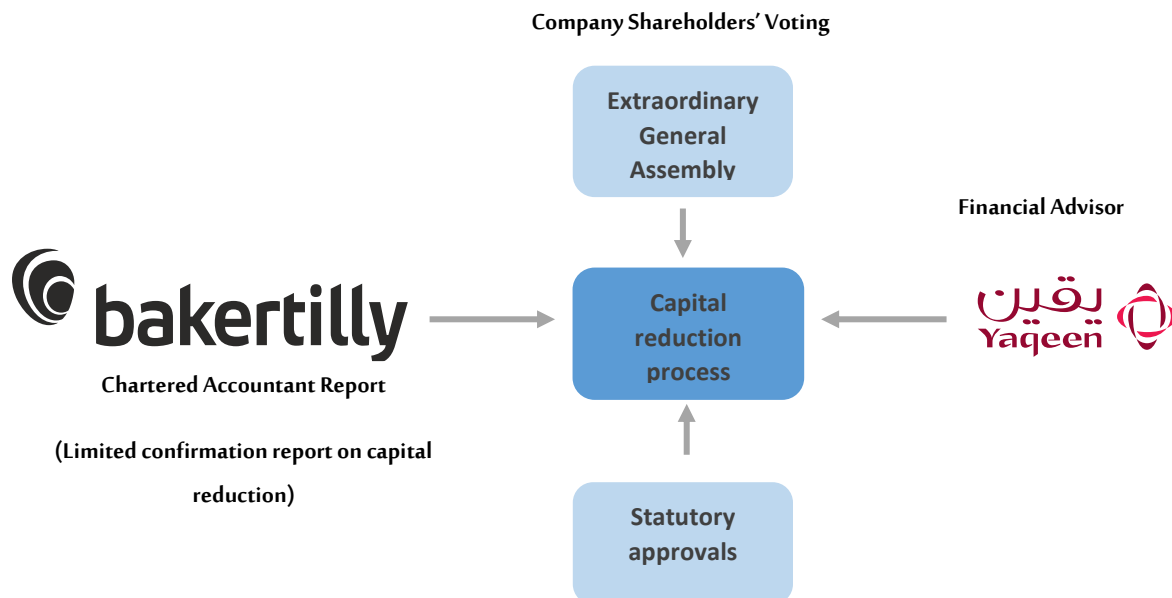
4 Capital Reduction

4.1 Procedures of Capital Reduction

Capital reduction process is subject to the following procedures:

- The Board of Directors' recommendation related to capital reduction.
- Appointing a financial advisor for the capital reduction process.
- Appointing a chartered accountant to develop the accounting report for the capital reduction process.
- Develop and submit a capital reduction application to the Capital Market Authority in accordance with the provisions of Article Seventy-Six of the Rules on the Offer of Securities and Continuing Obligations, related to the conditions of capital reduction.
- Capital Market Authority approval of the Company's capital reduction request.
- Serve a notice to the Saudi Exchange (Saudi Exchange) in the form set out in Appendix (5) of the Listing Rules.
- Creditors Objection Period; the Company will announce on the Saudi Stock Exchange (Saudi Exchange) website the commencement of the creditors' objection period ("at least 45 days" before the date set for the Extraordinary General Assembly Meeting to take the reduction decision).
- Approval of the Extraordinary General Assembly to reduce the Company's capital.
- The Saudi Stock Exchange (Saudi Exchange) suspends the trading of the Company's shares for two consecutive trading sessions.
- The Company's capital reduction comes into force and effect so as to adjust the number of shares of shareholders (owners of shares) on the meeting day of the Extraordinary General Assembly, whose names appear in the Company's records at the Saudi Stock Exchange (Saudi Exchange) at the end of trading on the second day following the Extraordinary General Assembly.

4.2 Structure of parties involved in capital reduction



4.3 General Structure of Proposed Capital Reduction

- The Company's current capital is three hundred and fifty-one million (SAR 351,000,000), divided into thirty-five million and one hundred thousand (35,100,000) ordinary shares at a nominal value of ten (SAR 10) per share paid in full.
- Seven million twenty thousand (7,020,000) shares will be written off at a rate of 20% of the capital and the eligible shareholders will be compensated at the nominal value of (SAR 10) for each written-off share, i.e. at a rate of cancellation of 1 share for every (5) shares, since the capital exceeded the Company's needs.
- The writing off of 20% of the Company's shares will result in a decrease in the capital to become two hundred eighty million eight hundred thousand (SAR 280,800,000) divided into twenty-eight million eighty thousand (28,080,000) shares with a nominal value of (SAR 10) per share.
- After the capital reduction is approved by CMA, the Company will announce the commencement of the creditors' objection period ("at least 45 days" before the date set for the Extraordinary General Assembly Meeting to take the reduction decision).
- After the approval of the Extraordinary General Assembly to reduce the capital, the reduction decision will be considered effective and the trading of the shares on the Saudi Exchange website will be suspended for two trading days, starting from the day following the approval of the Extraordinary General Assembly to reduce the capital, and then trading will return at the adjusted price.

- The Company will pay the total value of the reduction at seventy million two hundred thousand (SAR 70,200,000) from the Company's cash balances in the amount of the nominal value of (SAR 10) for each written off share to the eligible shareholders within 3 working days of the return of trading on the shares. This amount will be deposited in the portfolios of the eligible shareholders as a result of their compensation for the written off shares.
- The fractional shares (if any) that will result from the reduction of the Company's capital will be collected in one portfolio to be sold in the capital market at the prevailing market price. Proceeds of this sale will be distributed to the eligible shareholders within (30) days from the date of the shareholders' approval in the Extraordinary General Assembly to reduce the Company's capital.
- Date of the financial statements relied upon for capital reduction purposes: The audited financial statements for the period ending 31 December 2022G.

4.4 Reasons behind capital reduction and discussion and analysis of management in this regard:

On 09/04/1444H (corresponding to 03/11/2022G), the Company announced through the Saudi Exchange website the recommendation of the Board of Directors in its meeting held on 08/04/1444H (corresponding to 02/11/2022G) to reduce the Company's capital from three hundred and fifty-one million (SAR 351,000,000) to two hundred million eight hundred thousand (SAR 280,800,000), by writing (7,020,000) issued shares of the Company off with a decrease of 20% of the number of shares and compensating shareholders since the capital exceeded the Company's needs, noting that the capital after the reduction will be sufficient for its basic needs.

The Board of Directors of the Company is of the opinion that the capital reduction process will have a positive impact on the Company as the amount paid for the capital exceeds the immediate requirements of the Company. If this happens, reducing capital and cash will lead to a more efficient capital structure for the Company, thus improving performance indicators, as it will enhance earnings per share, dividends per share and return on equity as shown in the following table:

Clause	Before capital reduction	After capital reduction
Profitability	1.61	2.02
Dividends per share	1.45	1.81
Return on assets	10.55%	%11.29
Return on equities	%12.70	13.79%

4.5 Impact of Capital Reduction on the Company's Obligations

The Company has appointed Baker Tilly MKM & Co. Chartered Accountants as their Chartered Accountant to prepare the Capital Reduction Accounting Report (Limited Confirmation Report on Capital Reduction), which shows the reasons behind the capital reduction and relevant impact on the Company's liabilities and shareholders' equity and solvency to clarify the adequacy of working capital for a period of 12 months immediately following the date of completion of the capital reduction process.

- Chartered Accountant shows the following:
 - The Company has sufficient working capital for a period of twelve months after the date of completion of the capital reduction process.
 - The capital reduction will have an impact on the Company's cash accounts, as well as on net shareholders' equity.
 - There will be no material impact of the capital reduction on the Company's financial obligations, as the Company has sufficient working capital to meet its obligations within twelve months immediately following the reduction. The reduction will not affect the Company's operations, financial, operational and organizational performance.

4.6 Effect of Capital Reduction on the Equity of the Company's Shareholders

The table below shows the impact on the Company's statement of financial position as at 31-12-2022:

Statement of Financial Position (SAR)	Before Capital Reduction	After Capital Reduction	Impact
Net properties, machinery and equipment	98,824,566	98,824,566	
Use right assets	4,234,297	4,234,297	
Total non-current assets	103,058,863	103,058,863	
Inventory	192,127,759	192,127,759	
Commercial debtors	103,137,529	103,137,529	
Prepaid expenses and other debit balances	26,031,170	26,031,170	
Cash and cash equivalents	150,285,352	80,085,352	(70,200,000)
Total current assets	471,581,810	401,381,810	(70,200,000)

Total assets	574,640,673	504,440,673	(70,200,000)
Capital	351,000,000	280,800,000	(70,200,000)
Legal reserve	79,951,194	79,951,194	
Retained earnings	16,047,534	16,047,534	
Actuary profits	2,543,065	2,543,065	
Total shareholders equities	449,541,793	379,341,793	(70,200,000)
Employee Benefits Liabilities	7,665,799	7,665,799	
Rental agreement liabilities - non-current part	3,407,156	3,407,156	
Total non-current liabilities	11,072,955	11,072,955	
Zakat provision	10,505,940	10,505,940	
Trade and other payables	88,207,272	88,207,272	
Due expenses and other credit balances	14,543,006	14,543,006	
Leases Liabilities	769,707	769,707	
Total-current liabilities	114,025,925	114,025,925	
Total liabilities	125,098,880	125,098,880	
Total equities and liabilities	574,640,673	504,440,673	(70,200,000)

. Source: Attached Chartered Auditor's Report and Financial Statements as at 31 December 2022G

- The Company intends to reduce its capital from three hundred and fifty-one million (SAR 351,000,000) to two hundred eighty million eight hundred thousand (SAR 280,800,000) by writing off seven million twenty thousand (7,020,000) shares of the Company's issued shares and compensating the eligible shareholders at the nominal value of (SAR 10) for each canceled share, at a cancellation rate of (1) share for every (5) shares.
- The fractional shares (if any) that will result from the reduction of the Company's capital will be collected in one portfolio to be sold in the capital market at the prevailing market price. Proceeds of this sale will be distributed to the eligible shareholders within (30) days from the date of the shareholders' approval in the Extraordinary General Assembly to reduce the Company's capital.
- The reduction of the Company's capital will affect the market value of the Company shareholders' portfolios, as shown below for a shareholder holding 1,000 shares of the Company in his portfolio:

Clause (Estimated)	With proceeding with capital reduction process	Without proceeding with capital reduction process
Shares owned before the reduction	1000	1000
Share price before reduction (estimated) - SAR	25.15	25.15
Written off shares	200	N/A
Shares owned after the reduction	800	N/A
Share price after reduction (estimated) - SAR	28.94	N/A
Market Value of shares before reduction (estimated) - SAR 25,150 25,150	25,150	25,150
Market Value of shares after reduction (estimated) - SAR 25,150 25,150	23,150	N/A
Amount of compensation resulting from the writing off of shares that will be deposited in cash in the portfolio - (SAR)	2000	N/A
Total market value of shares after reduction (estimated) and compensation resulting from the writing off of shares - (SAR)	25,150	N/A

* The adjusted price after the return of trading (i.e. after the approval of the Extraordinary General Assembly and the entry into force of the reduction decision).

It should be noted that a shareholder who owns one share of the Company in his portfolio, such share will be written off and such shareholder will be compensated, the table below shows the impact on the shareholder who owns up to 7 shares:

Clause (Estimated)							
Shares owned before reduction (Share(s))	1	2	3	4	5	6	7
Share price before reduction (estimated) - SAR	25.15	25.15	25.15	25.15	25.15	25.15	25.15
Written off shares of shares owned before reduction (Share(s))	0.20	0.40	0.60	0.80	1	1.20	1.40
Remaining shares of shares owned before reduction (Share(s))	0.80	1.60	2.40	3.20	4	4.80	5.60
Shares owned after reduction (Share(s))	0	1	2	3	4	4	5
Share price after reduction (estimated) - SAR	28.94	28.94	28.94	28.94	28.94	28.94	28.94
Market Value of shares before reduction (estimated) - SAR 25,150 25,150	25.15	50.30	75.45	100.60	125.75	150.90	176.05
Market Value of shares after reduction (estimated) - SAR 25,150 25,150	0.00	28.94	57.88	86.81	115.75	115.75	144.69
Paid amount in full ** - SAR	25.15	21.36	17.58	13.79	10.00	35.15	31.36
Compensation value resulting from the writing off of shares*** - in nominal value (SAR)	2.00	4.00	6.00	8.00	10.00	12.00	14.00
Compensation value resulting from fractional shares (estimated)**** - in (SAR)	23.15	17.36	11.58	5.79	0.00	23.15	17.36

* The adjusted price after the return of trading (i.e. after the approval of the Extraordinary General Assembly and the entry into force of the reduction decision).

** Full value paid = market value of shares before reduction (estimated) - market value of shares after reduction (estimated).

*** Compensation value resulting from the writing off shares = (shares owned before the reduction * 20% as reduction percentage) * nominal value.

**** Compensation value resulting from fractional shares (estimated) = full value paid - the amount of compensation resulting from the writing off shares.

4.7 Calculation method of share price out after reduction capital

The table below shows how to calculate the share price after a capital reduction.

Clause	
(A) Share price before reduction (estimated) - SAR	25.15
(B) No. of shares before reduction	35,100,000
(C) Market value of the Company's shares before reduction = (A) * (B) - (SAR)	882,765,000
(D) Payment to shareholder - (SAR)	(70,200,000)
(E) Market value of the Company's shares after reduction = (C) * (D) - (SAR)	812,565,000
(F) No. of shares after reduction	28,080,000
(G) Market value of the Company's share after reduction* = (E) / (F) - (SAR)	28.94

* The adjusted price after the return of trading (i.e. after the approval of the Extraordinary General Assembly and the entry into force of the reduction decision).

5 Acknowledgement of Directors

The Directors confirm, according to their knowledge and belief, that the reduction of the Company's capital inure to the benefit of the Company and the shareholders.

6 Effective date of capital reduction process

- Capital reduction process is subject to:
 - Capital Market Authority Approval.
 - Non-objection of creditors.
 - Approval of the Extraordinary General Assembly.
- After the capital reduction is approved by CMA, the Company should commence the creditors' objection period (at least 45 days) before the date set for the Extraordinary General Assembly Meeting to take the reduction decision. During this period, creditors are allowed to express their objection to the capital reduction decision. In case the creditors showed no objection(s), the Company will continue the procedures of capital reduction.
- However, if a creditor objects and submits his documents to the Company within the said date, the process of capital reduction will continue when the Company pays the objector his debt if such debt is due or provides him with sufficient security to pay it if it is deferred.
- The Company will update regarding the capital reduction process. The table below shows the timeframe of each phase of entry into force for capital reduction process.

Event	Term
Objection term of creditors	Commencing at least (45) days before the date set for the Extraordinary General Assembly Meeting
Approval of the Extraordinary General Assembly	Day 0
Trading suspension	Day 1 - 2
Sale of fractional shares *	Day 1 - 30
Resumed trading with the amended price	Day 3
Payment for written off shares	Day 4 - 6

* Fractional shares will be sold within 30 days from the date of approval of the Extraordinary General Assembly.

7 Time Frame of capital reduction process

Date:	Event
1. The procedure related to obtaining the Capital Market Authority Approval.	
09/04/1444H Corresponding to (03/11/2022G)	Board of Directors' recommendation to reduce the capital from SAR (351,000,000) to SAR (280,800,000)
13/05/1444H Corresponding to (07/12/2022G)	Appointing a financial advisor for the capital reduction process.
14/09/1444H Corresponding to (05/04/2023G)	Submit a capital reduction request to the Capital Market Authority
19/10/1444H (corresponding to 09/05/2023G)	Capital Market Authority approval of the Company's capital reduction request. This approval was announced on the websites of the Capital Market Authority and the Saudi Stock Exchange (Saudi Exchange).
2. Procedures relating to the creditor objection period	
//1444H (Corresponding to **/**/2023G)	Announcement of the commencement of the creditors' objection period ("at least 45 days" before the date set for the Extraordinary General Assembly Meeting to take the reduction decision).
//1444H (Corresponding to **/**/2023G)	A reminder of the imminent end of the creditors' objection period
//1444H (Corresponding to **/**/2023G)	Expiry of creditors' objection period
//1444H (Corresponding to **/**/2023G)	Announcement by the Company of the existence or absence of creditors' objections
3. Procedures of the Extraordinary General Assembly	
//1444H (Corresponding to **/**/2023G)	Providing the documents available for inspection related to the capital reduction process, including this Circular (within a period not less than (14) days before the date of the Extraordinary General Assembly for the reduction of the Company's capital (during the official working hours from Sunday to Thursday, eight o'clock to five o'clock in the evening)
//1444H (Corresponding to **/**/2023G)	Announcement on the Saudi Exchange website of the invitation to the Extraordinary General Assembly (with reference to the possibility of holding a second meeting one hour after the end of the period specified for the first meeting,

	in the event that the quorum necessary to hold the first meeting is not reached).
//1444H (Corresponding to **/**/2023G)	Announcement of the beginning of electronic voting on the items of the Extraordinary General Assembly including the capital reduction (First Meeting)
//1444H (Corresponding to **/**/2023G)	Convention of the Extraordinary General Assembly to reduce the Company's capital (First Meeting). The quorum for the first meeting shall be completed in the presence of a number of shareholders representing at least half of the Company's capital
//1444H (Corresponding to **/**/2023G)	The Extraordinary General Assembly (Second Meeting) shall be convened one hour after the expiry of the period specified for the first meeting of the Extraordinary General Assembly in the event that the quorum necessary for its convening is not reached. The quorum for the Second meeting shall be completed in the presence of a number of shareholders representing at least quarterly of the Company's capital
//1444H (Corresponding to **/**/2023G)	Publish the reduction resolution and other decisions taken at the first or second Extraordinary General Assembly meeting of the Company on the Saudi Exchange website (or announce that the Extraordinary General Assembly will not be held in case the quorum is not achieved)
4. Procedures in case of no quorum was reached for the first and second meetings of the Extraordinary General Assembly	
//1444H (Corresponding to **/**/2023G)	Announcing through Saudi Exchange website the invitation for the Extraordinary General Assembly Third Meeting
//1444H (Corresponding to **/**/2023G)	Start of the electronic voting period for shareholders at the Extraordinary General Assembly Third Meeting
//1444H (Corresponding to **/**/2023G)	Holding the Extraordinary General Assembly Third Meeting The quorum for the Extraordinary General Assembly Third Meeting shall be achieved, regardless of the number of shares represented therein
//1444H (Corresponding to **/**/2023G)	Publishing the reduction and other resolutions taken at the Extraordinary General Assembly Third Meeting on the Saudi Exchange website
5. Procedures related to the completion of the capital reduction process	
//1444H (Corresponding to **/**/2023G)	Entry into force of the capital reduction resolution and announcement thereof within the Extraordinary General Assembly Resolutions
//1444H (Corresponding to **/**/2023G)	Suspended trading of shares on the Saudi Exchange website for two trading days, starting from the day following the approval of the Extraordinary General Assembly to reduce the capital

//1444H (Corresponding to **/**/2023G)	Adjustment of the share price after the capital reduction, which shall be on the day following suspended trading of shares
//1444H (Corresponding to **/**/2023G)	Announcing the deposit of compensation amounts to eligible shareholders resulting from writing shares off, within (3) working days from the date of resumed trading of shares
//1444H (Corresponding to **/**/2023G)	Announcing the deposit of the amounts proceeding from the sale of fractional shares (if any) resulting from the reduction of the Company's capital in the accounts of the eligible shareholders. Within (30) days from the date of approval of the shareholders in the Extraordinary General Assembly to reduce the Company's capital.

8 Potential risks of the Company's capital reduction

The Company's management believes that the resolution to reduce the Company's capital has a great significance in light of the circumstances which the Company is going through since the capital has gone beyond the Company's needs. The reduction of seventy million and two hundred thousand (SAR 70,200,000), i.e. equivalent to 20% of the capital before the reduction, will have a positive impact through improving performance indicators (for more information, please see Section No. 5 "Reasons behind Capital Reduction" of this Circular).

In addition, this resolution (including relevant impact from the accounting aspects) were studied. It was confirmed through the limited accounting examination report that there are no risks with respect to financial obligations as a result of this resolution. As for the potential risks mentioned below, this does not mean that they will occur, and their ranking does not mean that they are important.

8.1 Risks related to Future Expectations

Working capital adequacy for the 12 months following the capital reduction is prepared and calculated based on the Management's assumptions of the Company's operational performance during this period. The volume of production of the steel industry, like other sectors, is affected by fluctuations in supply and demand of the local markets. Therefore, the decrease in demand will affect the productivity of the sector manufacturers in general and thus will affect the Company's performance, results of operations, financial position, future expectations, and consequently the working capital of the Company.

8.2 Risks related to liquidity

Liquidity risk is reflected in the Company's inability to meet its obligations related to financial liabilities as they fall due. This is despite the fact that the Company maintains a high liquidity level (4.1) times as of 31 December 2022G and is expected to reach (3.5) times after the capital reduction. However, there is no guarantee that the Company will be able to meet its obligations on their due dates in the future. Liquidity risk may also result from the inability to sell financial assets quickly and close to their fair value. The Company does not guarantee the non-occurrence of any emergent or sudden events which may require immediate liquidity, which will adversely affect the Company's business and consequently results of the operating and financial processes.

8.3 Risks related to the Company's growth

This capital reduction process relies on cash balances to compensate eligible shareholders for written off shares. Consequently, decrease in cash balances as a result of this process will reduce investment opportunities in the Company's growth as cash will be available less than before the reduction process for any future investments or acquisitions.

8.4 Risks related to the Creditors' objection

Conditions of the capital reduction process include giving creditors the opportunity to express their objection to the capital reduction decision "at least 45 days" before the date set for the Extraordinary General Assembly meeting to take the reduction decision. If a creditor objects and submits his documents to the Company within the said timeframe, the Company shall pay him his debt if it is due or provide him with sufficient security to pay such debt if it is of a forward nature. If the Company is unable to do so, the process of capital reduction will stop completely.

8.5 Risks related to contracts with third parties

The capital reduction process will not have an impact on the contracts that the Company has entered into with third parties. However, there may be an impact on the contracts that the Company will enter into in the future due to low cash balances, such as contracts that may require high liquidity or high down payments.

8.6 Risks related to unforeseen accidents

The Company's business and outcomes depend entirely on the work of relevant factories and their continuity. Therefore, if anything happens that would have adverse effect on its business and exposure to any accident or emergency that affects the Company's business continuity temporarily or permanently, this will have material and negative effect on the Company's operational and financial outcomes and thus working capital.

9 Chartered Accountant Report

- The Company has appointed M/s Baker Tilly MKM & Co. Chartered Accountants to develop Limited Confirmation Report on Capital Reduction, which shows the reasons behind the capital reduction and relevant impact on the Company's liabilities, shareholders' equity, and solvency with a view to clarifying the adequacy of working capital for a period of 12 months immediately following the date of completion of the capital reduction process and obtaining CMA approval on capital reduction.
- Reading the Chartered Accountant report, based on Article One Hundred Thirty-Four of the Companies Law, promulgated by the Royal Decree No. (M/132) dated 01/12/1443AH, the reduction decision shall not be issued until a statement is recited before the General Assembly, to be prepared by the Board of Directors on the reasons giving rise to reduction, the Company's obligations, and the reduction impact on their fulfillment. This statement shall be attached to the Company's auditor's report.
- Prepared by the Chartered Accountant, a copy of the Limited Confirmation Report on the Capital Reduction, was included in the announcement of the invitation for this Extraordinary General Assembly on the Saudi Stock Exchange (Saudi Exchange) website on ****/**/1444H(corresponding to **/**/2023G)**.

10 Required regulatory approvals to complete the Company's capital reduction process

- The Company obtained the approval of the Capital Market Authority on 19/10/1444H (corresponding to 09/05/2023G) on the request to reduce the Company's capital from three hundred and fifty-one million (SAR 351,000,000) to two hundred million eight hundred thousand (SAR 280,800,000), with a decrease of 20%, thus reducing the number of the Company's shares from thirty-five million and one hundred thousand (35,100,000 shares to twenty-eight million eighty thousand (28,080,000) shares. This approval was announced on the websites of the Capital Market Authority and the Saudi Stock Exchange (Saudi Exchange) on 19/10/1444H (corresponding to 09/05/2023G).
- The capital reduction process requires the approval of the shareholders, noting that if the shareholders' approval of the capital reduction is not obtained, the capital reduction process will stop completely.
- The process of reducing the capital requires that creditors bring no object within a period of at least 45 days before the date of the Extraordinary General Assembly to take the reduction decision, which allows creditors to express their objection to the decision to reduce the capital. If a creditor objects and submits his documents to the Company within the said timeframe, the Company must pay him his debt if it is due or provide him with sufficient security to pay it if such debt is of forward nature.
- In the event that the creditors brought no object to the capital reduction process, settled their debts, or provided sufficient security if it is of a forward nature, the Company will continue capital reduction procedures, by convening the Extraordinary General Assembly to obtain the approval of the shareholders to reduce the Company's capital.
- In the event that the approval of the shareholders is obtained through the Extraordinary General Assembly on the capital reduction process, the Company will correspond with the Ministry of Commerce to obtain its approval to amend the Company's Articles of Association and Commercial Register.
- Other than as stated above, there are no other regulatory approvals that the Company should obtain to complete the capital reduction process.

11 Related Rules, Regulations, and Instructions

- The Companies Law, promulgated by the Royal Order No. (M/132) dated 01/12/1443H (corresponding to 30/06/2022G).
- The Capital Market Law, promulgated by the Royal Decree No. M/30 Dated 02/06/1424H (corresponding to 31/07/2003G) and amended by CMA Board Resolution No. 1-94-2022 dated 24/01/1444H (corresponding to 22/08/2022G).
- The Rules on the Offer of Securities and Continuing Obligations, issued by Resolution No. 3-123-2017 dated 09/04/1439H corresponding to (27/12/2017G), and amended by the CMA Board Resolution No. (8-5-2023) dated 25/06/1444H (corresponding to 18/01/2023G).

- Listing Rules, approved by CMA Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) and amended by CMA Board Resolution No. (8-5-2023) dated 25/06/1444H (corresponding to 3/01/18/202G).
- Implementing Regulation of the Companies Law for Listed Joint Stock Companies, Issued by the Board of the Capital Market Authority Pursuant to Resolution Number 8-127-2016 Dated 16/1/1438H Corresponding to 17/10/2016G Based on the Companies Law Issued by Royal Decree No. M/3 dated 28/1/1437H Amended by Resolution of the Board of the Capital Market Authority Number 2-26-2023 Dated 5/9/1444H corresponding to 27/3/2023G Based on the Companies Law Issued by Royal Decree No. M/132 dated 1/12/1443H
- The Company's Articles of Association

12 Relevant Information

- Based on the Companies Law, issued by the Ministry of Commerce in 1443H corresponding to 2022G, in particular:
 - Article (133) of the Companies Law stipulates that the capital shall be reduced in one of the following ways:
 - A. Writing off certain shares equal to the amount required to be reduced.
 - B. Reducing the nominal value of the share by writing off a part of it equivalent to the loss suffered by the Company.
 - C. Reducing the nominal value of the share by returning part of it to the shareholder or discharging him from any or all of the unpaid amount of the share value.
 - D. The Company purchases a number of its shares equivalent to the amount required to be reduced and then write the same off.
 - Article (134) of the Companies Law stipulated that the Extraordinary General Assembly may decide to reduce the capital if it exceeds the Company's needs or if the Company suffers losses. Only in the latter case may the capital be reduced below the limit provided for in Article (fifty-ninth) of the Law. The decision of reduction shall only be issued after reading a special report prepared by the auditor on the reasons giving rise to reduction, the obligations incurred by the Company, and the impact of the reduction on these obligations.
 - Article (135) of the Companies Law stipulates that if the reduction of the capital arisen from capital excess beyond the Company's needs, the creditors must be invited to express their objections thereto within at least forty-five days from the date specified for holding the Extraordinary General Assembly meeting to take the reduction decision, provided that a statement indicating the amount of capital before and after the reduction (including the meeting date and the effective date of the reduction) shall be attached to the invitation. If any of the creditors brought an objection and submitted to the Company his documents

in the aforementioned timeframe, the Company shall pay him his debt if it is due or provide him with sufficient security to pay it if such debt is of forward nature.

- The Extraordinary General Assembly shall only be valid if attended by shareholders representing at least half of the Company's capital. If this quorum is not available at the first meeting, a second meeting shall be invited. The second meeting shall be valid if attended by certain shareholders representing at least one-quarter of the capital. If the necessary quorum is not available at the second meeting, an invitation shall be issued to a third meeting. The third meeting shall be valid regardless of the number of shares represented therein.
- The resolutions of the Extraordinary General Assembly shall be issued by a two-thirds majority of the shares represented at the meeting unless such resolution relates to an increase, a decrease in the capital, an extension of the Company's term, the dissolution of the Company before the expiry of the period specified in its Articles of Association, or its merger into another Company or institution, the resolution shall only be valid if it is issued by a three-fourths majority of the shares represented at the meeting.
- In the event that the Company's shareholders approve the capital reduction, reduction decision shall apply to all shareholders of the Company, registered in the Company's records with the Saudi Stock Exchange (Saudi Exchange) at the end of trading on the second day following the day of the Extraordinary General Assembly, including shareholders who have not attended the Extraordinary General Assembly Meeting, as well as the shareholders who attended the meeting and have not voted or have voted against the capital reduction resolution.

13 Examinable documents

The Shareholders' Circular will be published and made available to the public within a period not less than (14) days prior to the date of the Extraordinary General Assembly for the reduction of the Company's capital. The Company will make the following documents available to the Company's shareholders for review at the Company's headquarters in Riyadh - Industrial City - Al-Kharj Road P.O. Box 355208 Riyadh 11383 Kingdom of Saudi Arabia. From the date of the Capital Market Authority's approval issued on 19/10/1444H (corresponding to 09/05/2023G) until the date of the Extraordinary General Assembly on ****/**/1444H(corresponding to ****/**/2023G**)** during official working hours from 8 am to 5 pm:

- The Board of Directors' recommendation related to capital reduction.
- Copy of the Financial Advisor's appointment letter
- A copy of the Limited Accounting Examination of the Company's capital reduction, which also shows the adequacy of working capital for a period of 12 months immediately following the date of completion of the capital reduction
- A copy of the CMA's announcement of its approval of the Company's request to reduce its capital, published on the CMA website and the Saudi Stock Exchange (Saudi Exchange)
- A copy of Shareholders' Circular

14 Attachments:

- A copy of the chartered accountant's report (limited confirmation report on the capital reduction)
- Form of the Power of Attorney for attending Non-General Assembly Meeting