



# Fostering Sustainable Growth

Annual Report 2022



**Al Hammadi  
Holding**

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Al Hammadi is an integrated healthcare company and premier hospital operator providing world-class healthcare services to hundreds of thousands of local and foreign residents.

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# Introduction

# Al Hammadi at a Glance

Al Hammadi Holding is an integrated healthcare group and a premier hospital operator in Riyadh, Saudi Arabia (KSA), providing world-class healthcare services to hundreds of thousands of local and foreign residents each year. The Group currently operates two hospitals in the Saudi Arabian capital, housing 600 inpatient rooms and 180 outpatient clinics. In line with the Group's ambitious growth plans and the Saudi Vision 2030 strategy, Al Hammadi is aiming to inaugurate two more facilities in Riyadh over the coming six years, more than doubling its inpatient and outpatient capacity. Al Hammadi also plans to build on its recent achievements by expanding its pharmaceutical offering through its subsidiary, Pharma Serve. Moreover, through its associate, Sudair Pharma, Al Hammadi is engaged in specialized pharmaceutical manufacturing.

Across its Al Nuzha and Al Suwaidi facilities, Al Hammadi offers a broad range of specialties and adheres to the highest international service quality standards, guaranteeing superior treatment outcomes and patient experiences. Both of the Group's facilities are located in strategic neighborhoods of KSA's largest city, enabling Al Hammadi to tap into a wide range of patient segments across both the local Saudi and expat populations. Today, Al Hammadi ranks as one of the largest private operators in the city catering to medium and medium-upper class patients, with an implied market share of 20%. In parallel, leveraging the recently completed premiumization of its Al Nuzha facility and the spare capacity available at its Al Suwaidi facility, the Group is also able to capture a share of the city's Class A/VIP patient pools. Finally, the Group boasts a long history of collaboration with local authorities, consistently offering its high-quality services to patients associated with KSA's Ministry of Health (MoH).

Al Hammadi boasts several international accreditations and certificates, including the Joint Commission International (JCI) accreditation, the Saudi Central Board for Accreditation of Healthcare Institutions (CBAHI), the ISO 9001:2008 certification, and the Saudi Heart Association Certificate.



## Investment Highlights



One of the largest private operators in Riyadh, catering primarily to medium and upper-medium class patients



Operator of two world-class hospitals in Riyadh



Strong collection framework



Integrated, geographically focused business model with exposure to adjacent segments of the health-care market



Efficient procurement system and long-lasting relationships with medical equipment providers



Access to top-tier medical professionals and in-house training and development capabilities



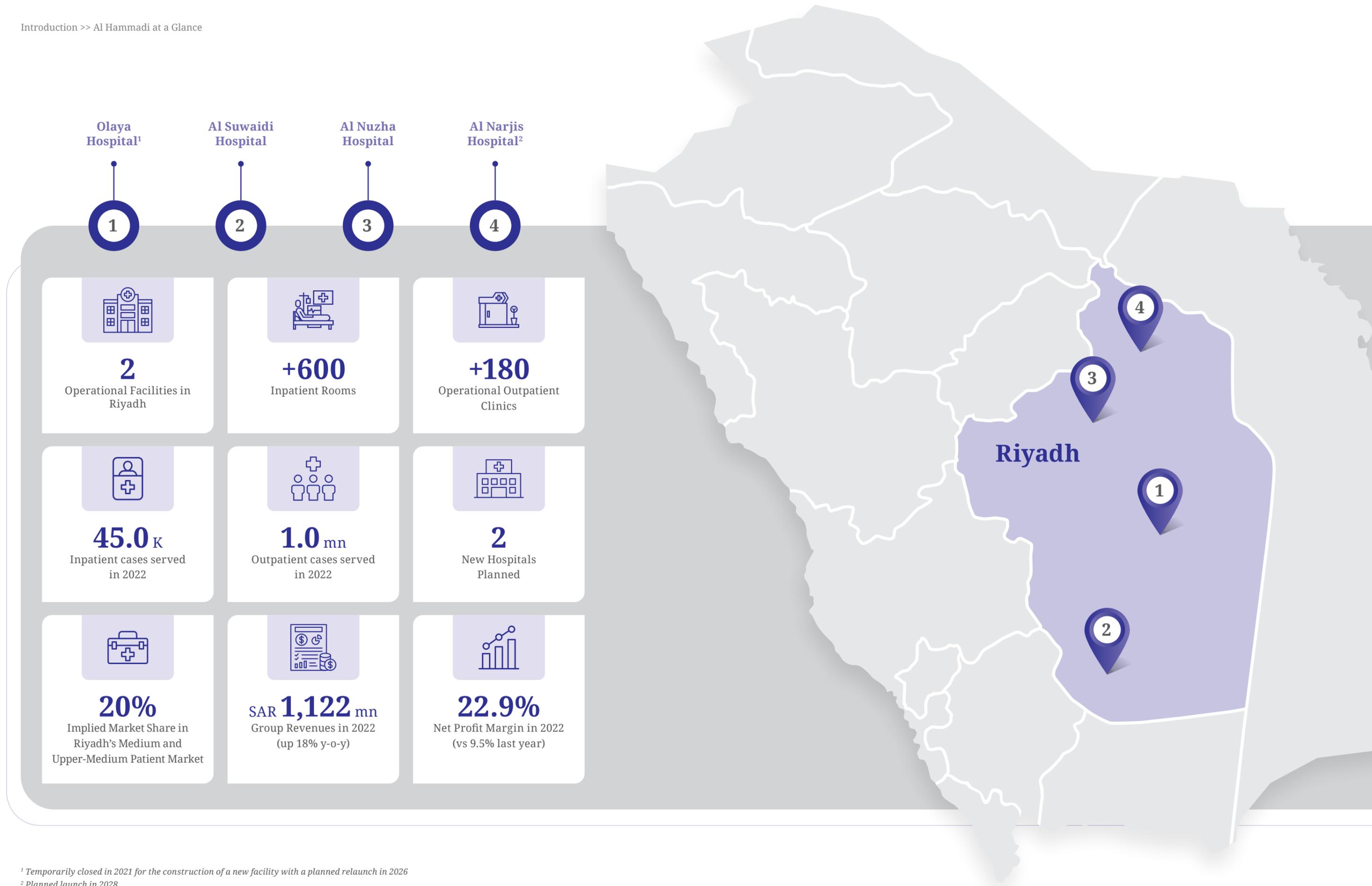
Attractive margins profile on the back of appealing pricing dynamics, large operating leverage, supportive patient-mix, and efficiency resource management



Founder-led business with an experienced management team encompassing a broad range of medical and non-medical expertise



Proven track record of operational excellence and sustained growth



<sup>1</sup> Temporarily closed in 2021 for the construction of a new facility with a planned relaunch in 2026

<sup>2</sup> Planned launch in 2028

# Our Accreditations



American College of Cardiology (ACC) – Cath Lab Accreditation



Association for the Advancement of Blood & Biotherapies



Saudi Heart Association



American Heart Association



Joint Commission on Accreditation of Healthcare Organizations (JCI)



Healthcare Information and Management Systems Society (HIMSS)



College of American Pathologists (CAP)



Pediatric Advanced Life Support



Saudi Central Board for Accreditation of Healthcare Institutions

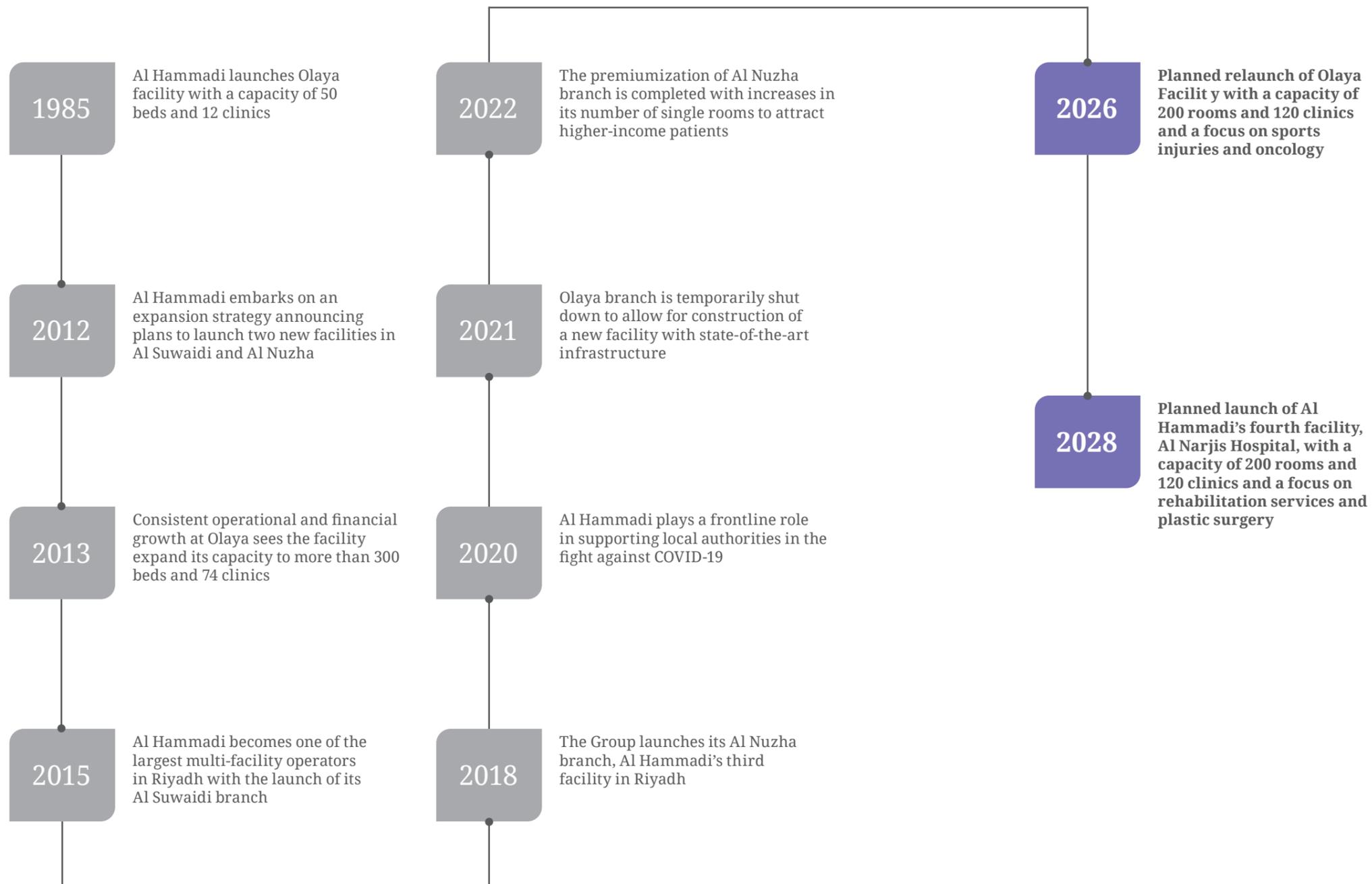


Neonatal Resuscitation Program



# Our Story

Al Hammadi boasts a 35-year-long track record of operational and medical excellence, which has seen the Group steadily climb the ranks to become the go-to healthcare provider for thousands of national and expat patients in Riyadh.



# A Message from Our Chairman



recording solid improvements when controlling for one-off expenses. In particular, we recorded net profit year-on-year (y-o-y) growth of 186% in 2022, with a net profit margin of 23%, well above last year's 10% figure.

As a Saudi company, we are firm believers in the government's Saudi Vision 2030 strategy and, in particular, in its plans for Riyadh, and we are proud to be taking on a frontline role in its realization. As Riyadh's population continues to expand in line with the government's targets, ensuring access to high-quality medical services is a key priority of local authorities and for us at Al Hammadi. Over the coming seven years, we have an exciting pipeline of new hospitals we expect to bring online, more than doubling our existing capacity and increasing our geographical coverage of the Kingdom's largest city. Ultimately, we are aiming to build a unique platform from which to establish the Company as the healthcare provider of choice in Riyadh.

Heading into 2023, I am confident that we are in a strong position to pursue our long-term strategic objectives of deepening and expanding our reach, as well as of further differentiating our value offering through the introduction of new targeted specialties currently undersupplied in our catchment areas. I am excited for this next chapter in Al Hammadi's story and look forward to faithfully serving the hundreds of thousands of patients who continue to entrust us with their health.

As always, the biggest thank you goes out to our valued staff who, throughout 2022, continued to demonstrate exceptional work ethics and dedication, playing an essential role in making this past year a success. I am grateful to have the opportunity to work with each and every one of you, and I look forward to many more successful years ahead.

**Saleh Mohammed Hamad Al Hammadi**  
Chairman of the Board

When we launched our first hospital back in 1985, we had ambitious targets and a solid determination to improve the wellbeing of our community by providing wide-ranging access to high-quality medical services to as many patients as possible. Four decades later, I am proud of what we have been able to achieve, weathering various challenges, including a global pandemic, to cement ourselves as one of Riyadh's leading private providers. Today, we provide thousands of patients with superior medical care, helping local Saudis and expats of all ages and backgrounds live healthier and longer lives.

In 2022, we continued to build on our previous successes, making important progress on our longer-term growth and value creation strategy while delivering impressive operational and financial results in line with our targets for the year. More specifically, supported by a sustained recovery in patient volumes and our multi-pillar strategy aimed at attracting premium and non-premium patients to our facilities, we recorded revenues of SAR 1,122 million in 2022, a growth of 18% versus last year. Meanwhile, further down the income statement, our cost optimization efforts continued to pay off, with margins at all levels of profitability





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# Strategic Report

# CEO Review



As I reflect back on the year that just ended, I am delighted with the Group's performance that saw us continue to deliver short-term growth and profitability while pushing our longer-term value creation strategy forward. Our efforts over the last 12 months saw us end the year ideally placed to continue delivering world-class care to our patients and more growth and value for our shareholders in 2023.

## A Year of Growth and Profitability

During 2022, we recorded solid top- and bottom-line growth supported by rising inpatient and outpatient volumes across both facilities. The steady rise in our case volumes directly reflects the success of our multi-pillar strategy, which aims to attract a growing number of patients from a wide range of segments to our facilities. This has involved the launch of new, highly demanded specialties, as well as the premiumization of Al Nuzha Hospital. Patient volumes were further boosted by targeted marketing and advertisement campaigns rolled out over the course of the year across our various channels, as well as by a further normalization of patient traffic as the lingering impacts and restrictions related to COVID-19 subsided. Together, this resulted in a robust y-o-y increase in both inpatient and outpatient volumes, which rose 11% and 6%, respectively. Combined with an improving pricing profile as we continue to increasingly diversify our patient base, this saw the Group record

revenues of SAR 1,122 million for the year, up 18% from the previous 12 months. Revenues for the year were further boosted by the SAR 252 million in pharmaceutical sales recorded in 2022. More specifically, our in-hospital pharmacy sales recorded SAR 189 million, up 20% versus last year, while our subsidiary, Pharma Serve, recorded SAR 62 million in sales. We are very happy with the steady growth of our pharmaceutical business, which is allowing us to diversify our revenue base and further develop our one-stop shop model. Ramping up our pharmaceutical operations is also enabling us to play a frontline role in building the country's self-capacities and manufacturing platforms in the vaccines and vital medicines spaces, a key priority of the government's Vision 2030 strategy.

Further down the income statement, we recorded gross profits of SAR 416 million, up 14% y-o-y and with an associated margin of 37%, decreasing only 1.1 percentage points from 2021. This is a particularly noteworthy result in light of the additional salary expenses incurred during 2022, as a result of the transfer of salary costs from Olaya Hospital to Al Nuzha and Al Suwaidi hospitals, in addition to new staff hires at Al Nuzha, further highlighting the success of our cost control and optimization efforts. Strong top-line growth coupled with an efficient management of our SG&A expenses for the year translated into a 122% y-o-y expansion in our operating profit, which recorded SAR 292 million in 2022. Finally, we booked a net profit of SAR 257 million in 2022, representing a 186% increase versus last year and a net profit margin of 23%, well above the 10% recorded in 2021.

## Growing and Optimizing Our Capacities

While delivering on our shorter-term targets, we also continued to make solid progress on our long-term capacity expansion project. The strategy revolves around two main priorities of increasing the capacity of existing facilities while also developing new hospitals to capture the rise in demand for high-quality healthcare we expect to see in Riyadh over the coming decade. On the current facility's expansion front, the highlight of the year is undoubtedly the launch of Al Nuzha Hospital's new outpatient extension, which was launched throughout 2022. The extension added 40 new clinics to the facility's



existing 80, which will allow the hospital to serve an additional 56 thousand outpatients in 2023. In parallel, we continued to leverage the newly launched premium rooms at the hospital to attract more class A/VIP patients to the facility, in line with our longer-term growth strategy. On the new facilities front, work to renovate our flagship Olaya facility is progressing on schedule, with the hospital set to reopen in 2026. The new facility will house 200 inpatient rooms and 120 outpatient clinics and will offer a wide range of services, including two centers of excellence in sports medicine and oncology. In addition to the new Olaya facility, we also have one new hospital scheduled for roll-out in 2028. The facility, Al Narjis Hospital, will be located in Northern Riyadh, will add a further 200 inpatient rooms and 120 outpatient clinics, and will house two new centers of excellence focused on fast-growing, high-margin specialties, including plastic surgery and rehabilitation services. In the coming years, Al Hammadi and other healthcare providers in the capital will be presented with significant growth opportunities as the government delivers on its growth plans in Riyadh. In particular, we expect the medium and upper-medium class patient pool, comprised of highly skilled white collars, to be the fastest growing in the coming period as more Saudi nationals join the private sector workforce and insurance schemes and an increasing number of expats relocate to Riyadh. We are confident that our current and planned capacity expansions, coupled with our leading market share in the segment, perfectly position us to capitalize on this opportunity and cement Al Hammadi as the go-to healthcare provider in the city.

## A Responsible Business

As a leading healthcare provider in the Kingdom's largest city, we understand the important role that the Company plays within our community. In line with this, we are committed to not only delivering world-class care to hundreds of thousands of patients each year but to also invest time and resources in the development of our communities through targeted CSR initiatives covering a wide spectrum of strategic priorities. Our CSR efforts focus on three macro goals: raising healthcare awareness, training the future generation of healthcare workers and volunteers, and improving care quality and outcomes through comprehensive training programs. While we are proud of the progress and achievements we were able to deliver over the course of 2022, we are also cognizant that more can be done to deliver long-term value to our communities. As such, we remain

committed to building on our results for the year to expand our CSR program's reach and effectiveness and continue to positively impact our community inside and outside our hospitals.

## Looking Ahead

We entered 2023 accompanied by similar challenges as those faced in the previous year. While these macroeconomic challenges faced at home and around the world are likely to remain with us throughout the coming period, we are confident that the solid fundamentals underpinning the attractive growth profile of the Saudi healthcare market remain unchanged. As such, our strategic targets for the coming year remain the same as we aim to drive further operational and financial growth and deliver on our long-term growth strategy. On this latter front, and over the coming 12 months, we are looking to progress on our planned capacity expansions, add new specialties and services to our roster, and continue to ramp up our pharmaceuticals business to capture the significant growth potential offered by this underpenetrated subsegment of the market. All in all, 2023 is shaping up to be another exciting year for Al Hammadi, and I look forward to updating you as the year progresses.

## Dividend Policy

At Al Hammadi, we aim to return to shareholders the maximum amount of excess cash after taking careful account of the cash needed to support operations and expansions. As such, in light of the strong results consistently delivered and the business's positive outlook, we successfully distributed SAR 200 million in cash dividends on a quarterly basis over the course of 2022.

## A Big Thank You

I would like to conclude by thanking all my colleagues for their exceptional work over the course of the last year. Your relentless efforts to deliver on our vision and goals continue to be the engine behind our successes, and I am honored to have the opportunity to work with you day in and day out to deliver exceptional value to our patients and community. I would also like to extend my sincere gratitude to the thousands of patients who continue to choose us as their trusted healthcare provider, and I look forward to serving each and every one of you to the best of our abilities in 2023 and beyond.

**Mohammad S. Al Hammadi**  
Chief Executive Officer

# Our Market

## Saudi Arabia: The Macro Picture<sup>1</sup>

Following the COVID-19 induced economic slowdown in 2020, the Saudi Arabian economy has bounced back strongly. In 2021, KSA's real GDP grew at a rate of 3.2%, and it is currently on track to record a 7.6% expansion in 2022, making the Kingdom one of the world's fastest-growing economies for the year. The Kingdom's impressive recovery comes on the back of sweeping pro-business reforms coupled with elevated oil prices. Furthermore, KSA's continued implementation of its Vision 2030 policies will help diversify and liberalize the economy, paving the way for more stable and sustainable growth.

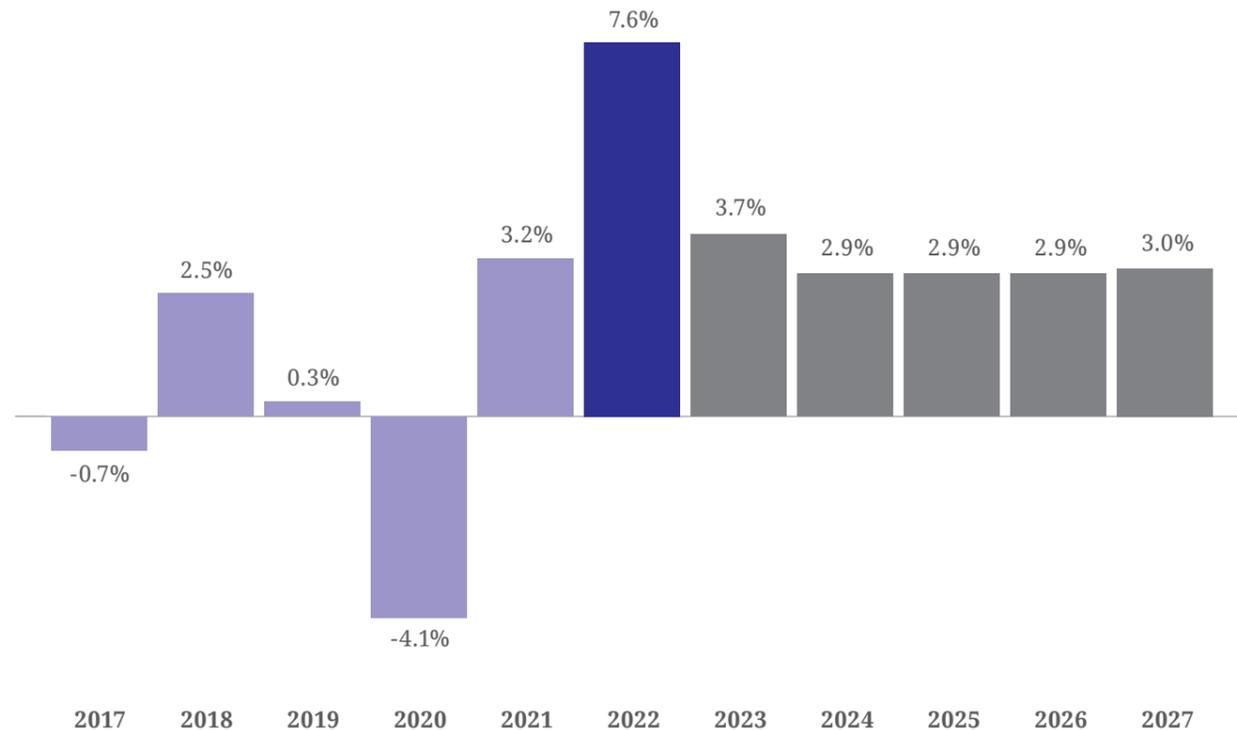
As part of its Vision 2030 strategy, KSA has taken significant steps toward improving its business environment, attracting foreign investment, and creating

private sector employment. The Kingdom has removed several restrictions and legislations, created a more diverse and inclusive labor force, and further strengthened its domestic economy. Additionally, the Kingdom's increasing drive to digitalize has the potential to boost productivity and spur further economic growth.

Looking ahead, KSA's economic outlook is positive. As the Kingdom's economy completes its post-COVID-19 normalization, GDP is expected to grow at a rate of 3.7% in 2023 before stabilizing at around 3.0% from 2024 onwards. The Kingdom's structural reforms will reduce its overreliance on oil prices, creating a more diverse and stable economy that is less vulnerable to oil price fluctuations.

## KSA GDP Growth

% Growth



<sup>1</sup> International Monetary Fund

## Saudi Arabia Healthcare, Health Insurance, and Pharma Industry<sup>2,3,4,5,6</sup>

An aging population, rising income levels, and sedentary lifestyles are leading to a rise in lifestyle-related noncommunicable diseases (NCDs) in KSA. Accordingly, demand for high-quality healthcare has been constantly rising within the Kingdom. In parallel, the Saudi government has been taking active steps in developing the Kingdom's healthcare sector. The Saudi Cabinet recently approved the establishment of a Health Holding Company and National Health Insurance Center (NHIC), marking the first stage of the government's plan to transform the healthcare sector. The government's plan involves multiple phases with an end target of improving the sector's quality and infrastructure, while shifting the role of the MoH from being a provider of healthcare services to being just a regulator.

On that front, and as part of Saudi's Vision 2030 strategy, the Saudi government is transitioning the entire population to private healthcare insurance. This would render the whole Saudi population as a target audience for private healthcare operators, adding around 20 million insured citizens to the potential patient pool. The government's plans have already started bearing fruit, with the total number of insured Saudi citizens rising by more than 18% since 2019. This figure is set to continue rising throughout the coming years.

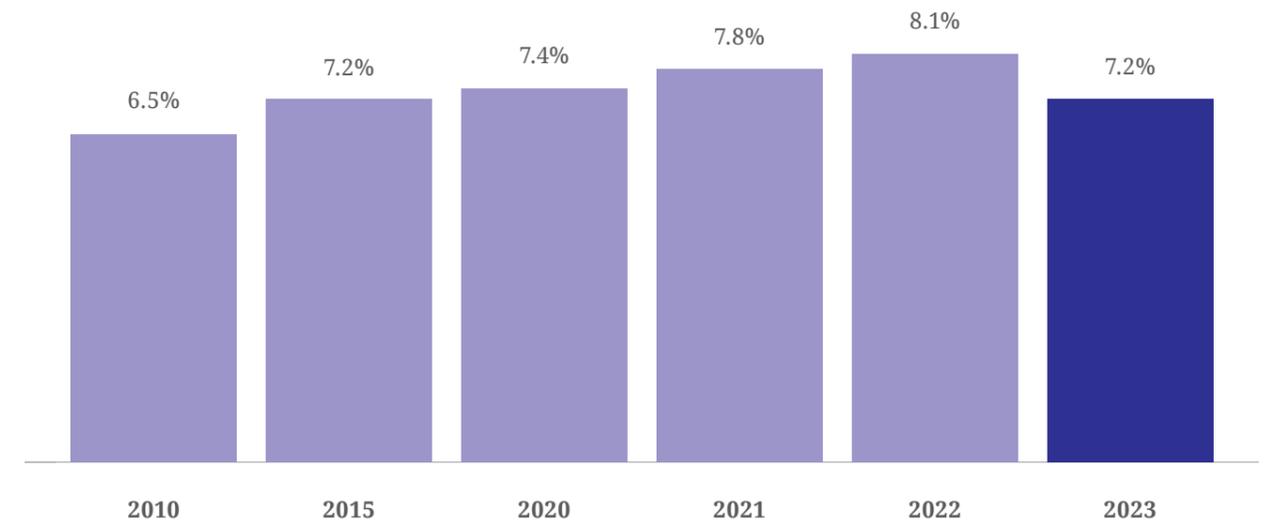
The Saudi private health insurance market is dominated by a small number of companies. As of 2021, the top ten providers made up 93% of the total market

share, with the two largest providers, namely Bupa Arabia and Tawuniya, holding 45% and 31% of the total market share, respectively. Insurance providers in the Saudi market provide different packages and coverages based on income level. These insurance classes also determine the facilities that insured individuals can access and the type of medical support they can receive. Typically, private hospitals in the Kingdom target one or two specific insurance classes.

The Saudi pharma market is currently one of the country's fastest-growing markets. The sector is estimated to grow at a yearly rate of 5% up until 2025, and it currently records exports worth over SAR 1.5 billion each year. Following the outbreak of COVID-19 and the subsequent rise in demand for pharmaceutical drugs, localizing the manufacturing of drugs has become a priority for the Kingdom. Today, the state imports 100% of vaccines and vital pharmaceutical products, exposing the country to risks related to supply chains and fluctuating prices. As part of the Saudi Vision 2030 strategy, the Kingdom is looking to domestically produce 40% of total drugs, up from the current 30%, with a specific focus placed on localizing children's basic vaccines and building the necessary self-capacities and manufacturing platforms to combat future pandemics. In line with these targets, new investments and opportunities in the sector continue to arise. In 2022 alone, the government announced the launch of several investment opportunities in the vaccines and vital medicines industry, valued at USD 3.4 billion.

## Saudi MoH Budget<sup>7</sup>

% of Total State Budget



<sup>2</sup>Data in this section is extracted from internal company data and analyst notes provided to the Company

<sup>4</sup>Arab News

<sup>5</sup>Saudi Pharmaceutical Journal

<sup>6</sup>SHMA Consulting

<sup>7</sup>Ministry of Health

<sup>3</sup>Saudi Arabia Industry Center



### High Demand for Quality Healthcare<sup>8</sup>

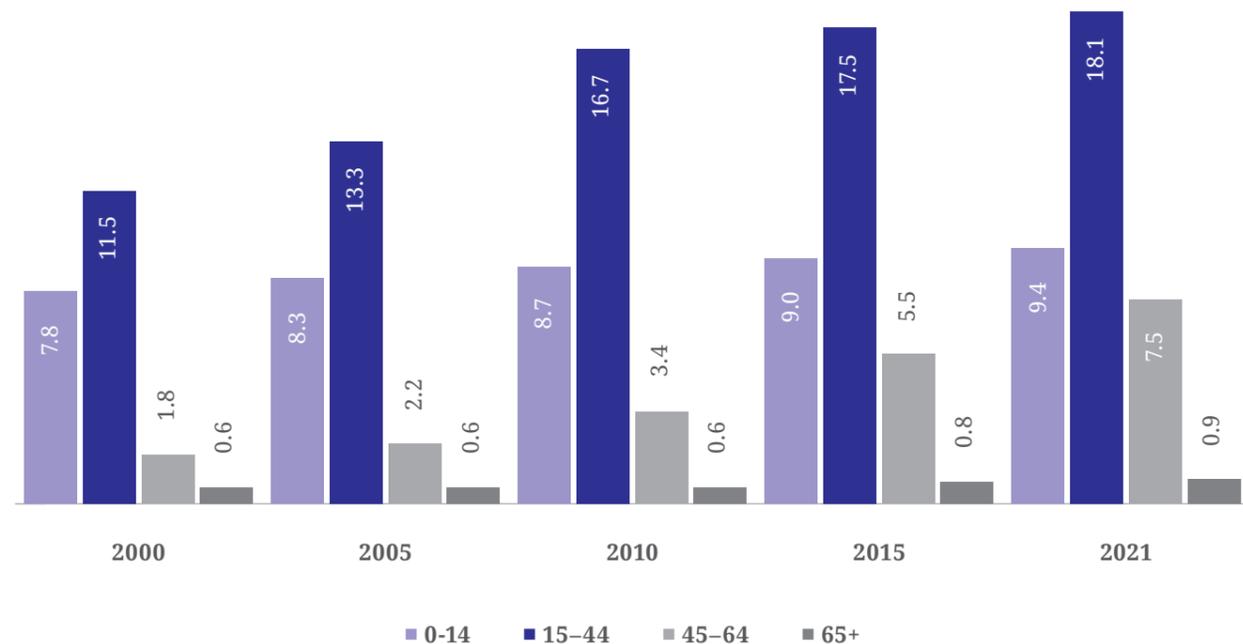
Similar to other markets in the region, a fast-growing and aging population, rising income levels, and sedentary lifestyles are giving rise to lifestyle-related NCDs in KSA. As of 2021, around 19% of the Saudi population aged 20 to 79 had diabetes<sup>9</sup>, a figure well above the regional and global average. According to the International Diabetes Federation (IDF), this figure is expected to grow further to more than seven million Saudis suffering from diabetes by 2045. Other lifestyle-related diseases are also highly prevalent across the population, with around 20% of Saudi adults aged above 18 currently classified as obese.

Similar trends are also witnessed when it comes to diseases like high blood pressure and high cholesterol levels. Overall, 73% of deaths in KSA were attributable to NCDs in 2020.

With all of these diseases requiring long-term medical care, such trends are expected to put an increasing burden on the Saudi healthcare system. As such, the government has turned increasingly to private sector providers to help fill the supply gap, opening significant opportunities for private sector players to step up and capture the growing demand.

### A Growing and Aging Population<sup>10</sup>

KSA Population Demographics, mn



<sup>8</sup> Ministry of Health <sup>9</sup> World Health Organization <sup>10</sup> World Bank

### A Growing Need for Private Healthcare Providers<sup>11,12</sup>

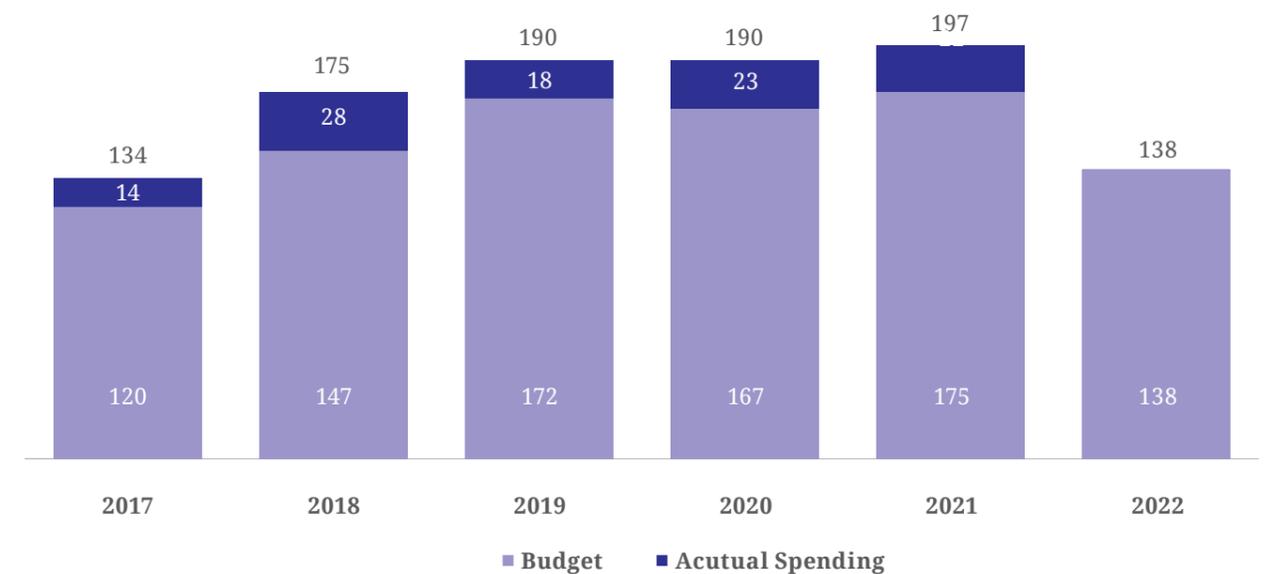
Access to healthcare is considered a fundamental right in KSA, and the Kingdom has been providing its citizens with free universal access to healthcare for decades. In recent years, the government has been facing challenges in sustaining the provision of free health services due to rising costs, diminished revenues from oil, changes in demographics, improved life expectancies, a larger shift to sedentary lifestyles in the country, and changing disease patterns. On top of this, additional pressure has come from patients' rising expectations, inadequate management practices in the delivery of health services, and the difficulties in providing free services to

the country's large and growing expatriate population. Combined, these factors have seen the cost of medical care rise at a faster rate than the Kingdom's economy.

In this context, the government has been keen to reform the health sector to provide the best possible services while keeping the pressure on public finances under control. As such, private healthcare providers and insurers are becoming increasingly important for the Kingdom, and demand for private healthcare services, especially class B providers, is expected to continue growing over the coming years.

### KSA Health and Social Development Budget and Expenditure<sup>13</sup>

KSA Health & Social Development Spending, SAR bn



### Riyadh – A Fast-Growing Market

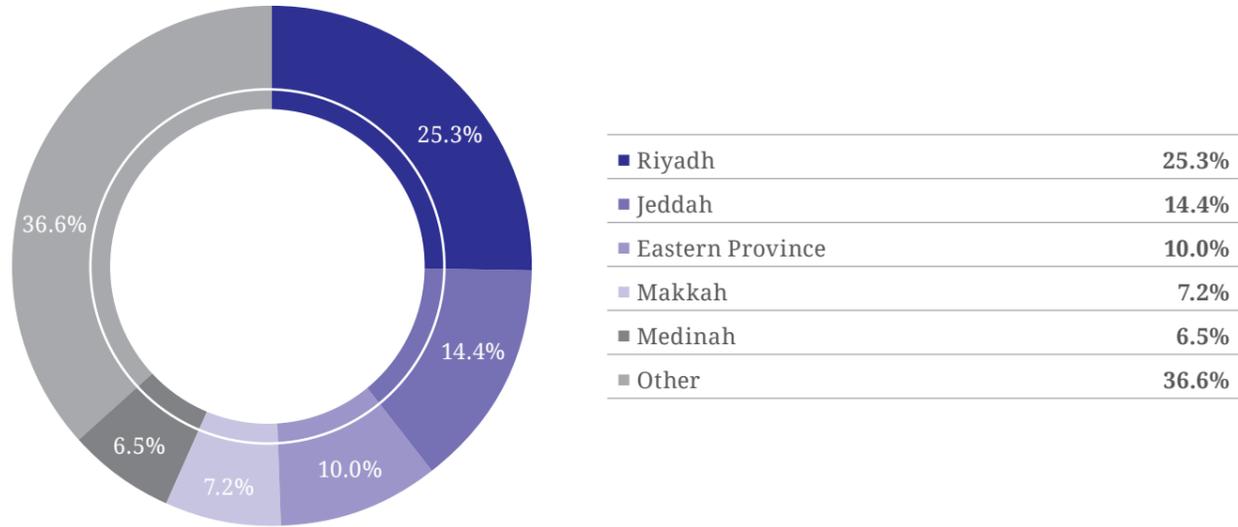
As the centerpiece of the Saudi Vision 2030 strategy, Riyadh presents an ideal market with unparalleled growth prospects for private healthcare providers operating in the country. With 8.9 million residents, Riyadh is home to a quarter of the Kingdom's population. Expatriates form around 45% of Riyadh's population, and with 80% of the city's expatriates covered by a private health insurance plan, this provides a large customer base for private healthcare providers to tap into.

remote areas of the country and transforming the city into a business and commercial hub, thus attracting additional expatriates to Riyadh. This increase in population is expected to drive a greater amount of traffic toward premium healthcare providers operating within the city. Private healthcare providers, particularly those focused on medium and medium-upper class insurance patients, also stand to benefit from the increasing private insurance coverage in the city. Today, only 16% of Saudis in Riyadh are covered by private health insurance plans. However, the government's push toward privatization, coupled with the high- and rising-income levels of Saudis in Riyadh, are expected to rapidly drive this figure up over the coming years.

As part of the Kingdom's 2030 strategy, the Saudi government is looking to double Riyadh's population by 2030. Achieving this will entail attracting Saudis from

<sup>11</sup> The Privatization of Healthcare System in KSA <sup>12</sup> Saudi Pharmaceutical Journal <sup>13</sup> Saudi Ministry of Finance

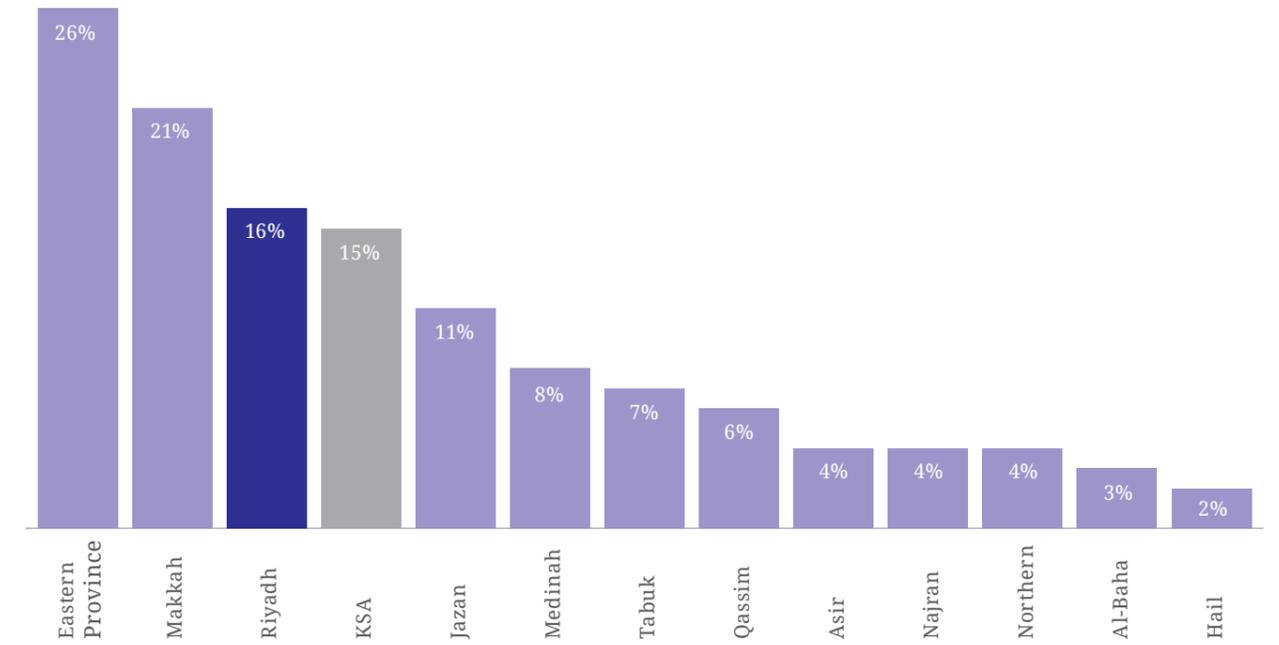
### KSA Population Distribution, 2019



### KSA Average Household Monthly Income per City, 2018, SAR



### Insurance Coverage Among Saudis, 2018



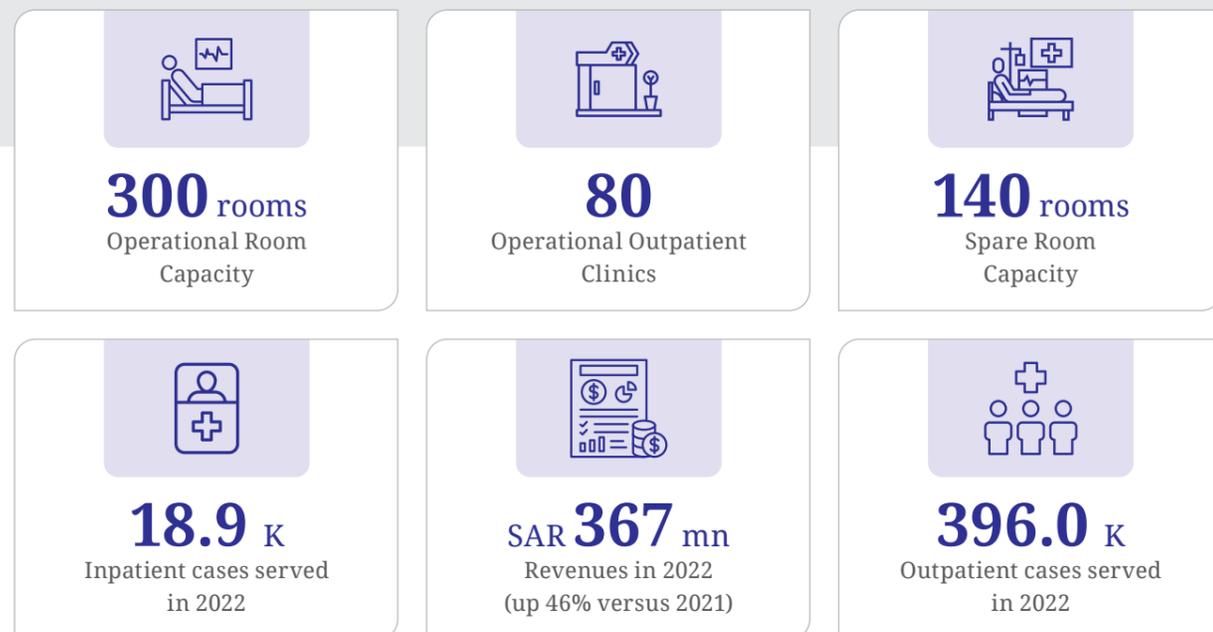
# Our Facilities

## Al Suwaidi Hospital



Launched in 2015, Al Suwaidi Hospital is located in a strategic southwest neighborhood of KSA's capital. Today, the facility houses 300 inpatient rooms, 80 outpatient clinics, and 13 operating rooms. The facility also has a cardiac catheterization room, two upper and lower endoscopy rooms, a kidney stone treatment room, and a lithotripsy room. The facility is equipped with the highest quality machinery and medical technology in the market, and services are

provided by highly trained and experienced medical professionals. As of year-end 2022, 160 rooms were operational at the facility, with the remaining unutilized rooms offering easy-to-ramp-up capacity to match growing demand. The facility caters to both a significant pool of patients associated with the MoH and private insurance patients primarily from the medium and medium-upper class segment.



### Strategically Located

The Al Suwaidi area of Riyadh offers multiple strategic advantages for Al Hammadi. These stem from the neighborhood's relatively high population density, the high share of MoH patients in the area, and the significant share of cash payers in the hospital's catchment area. While other private players hold significant presence in the area, Al Suwaidi's ability to effectively cater to its targeted patient group ideally positions the facility to remain competitive in the coming years.



### 2022 Performance

In 2022, Al Suwaidi Hospital delivered revenues of SAR 367 million supported by growing inpatient and outpatient volumes. This represented a 46% y-o-y expansion versus the 2021.

### Outlook

Looking ahead, Al Suwaidi Hospital is looking to continue attracting high-margin MoH patients to the facility while also remaining the go-to provider of medical services for medium and medium-upper class and cash patients in the area. This will predominantly involve offering competitive pricing to penetrate this currently untapped segment, which traditionally opts for cheaper operators. The facility's unutilized capacity offers ample opportunities for future growth across both existing and new patient segments.



# Our Facilities

## Al Nuzha Hospital



Located in a northeast neighborhood of Riyadh and officially inaugurated in 2018, Al Nuzha Hospital was originally launched to cater predominately to medium and upper-medium class patients, leveraging its 300-room capacity, 100 outpatient clinics, and 13 operating rooms. In 2022, the facility continued its premiumization, converting double rooms into

single rooms to cater to increasing demand from higher-income class A/VIP patients and enabling the Group to capitalize on the important growth opportunities offered by this expanding segment. Today, Al Nuzha Hospital offers a comprehensive range of medical services, all provided by the facility's highly experienced medical staff.



**300** beds  
Inpatient Room  
Capacity



**100**  
Operational Outpatient  
Clinics



**26.0** K  
Inpatient Cases Served  
in 2022



SAR **503** mn  
Revenues in 2022  
(up 24% versus 2021)



**642.6** K  
Outpatient Cases Served  
in 2022



### Strategically Located

Al Nuzha Hospital enjoys relatively low competition in its targeted segment compared to other private players in its catchment area. While several other private and independent players are active in its vicinity, Al Nuzha is able to attract premium, medium, and medium-upper class patients thanks to its strong reputation and its wide specialty and service offering. The facility is also able to effectively absorb the patients coming from the Group's Olaya Hospital, which was shut down in late 2021.

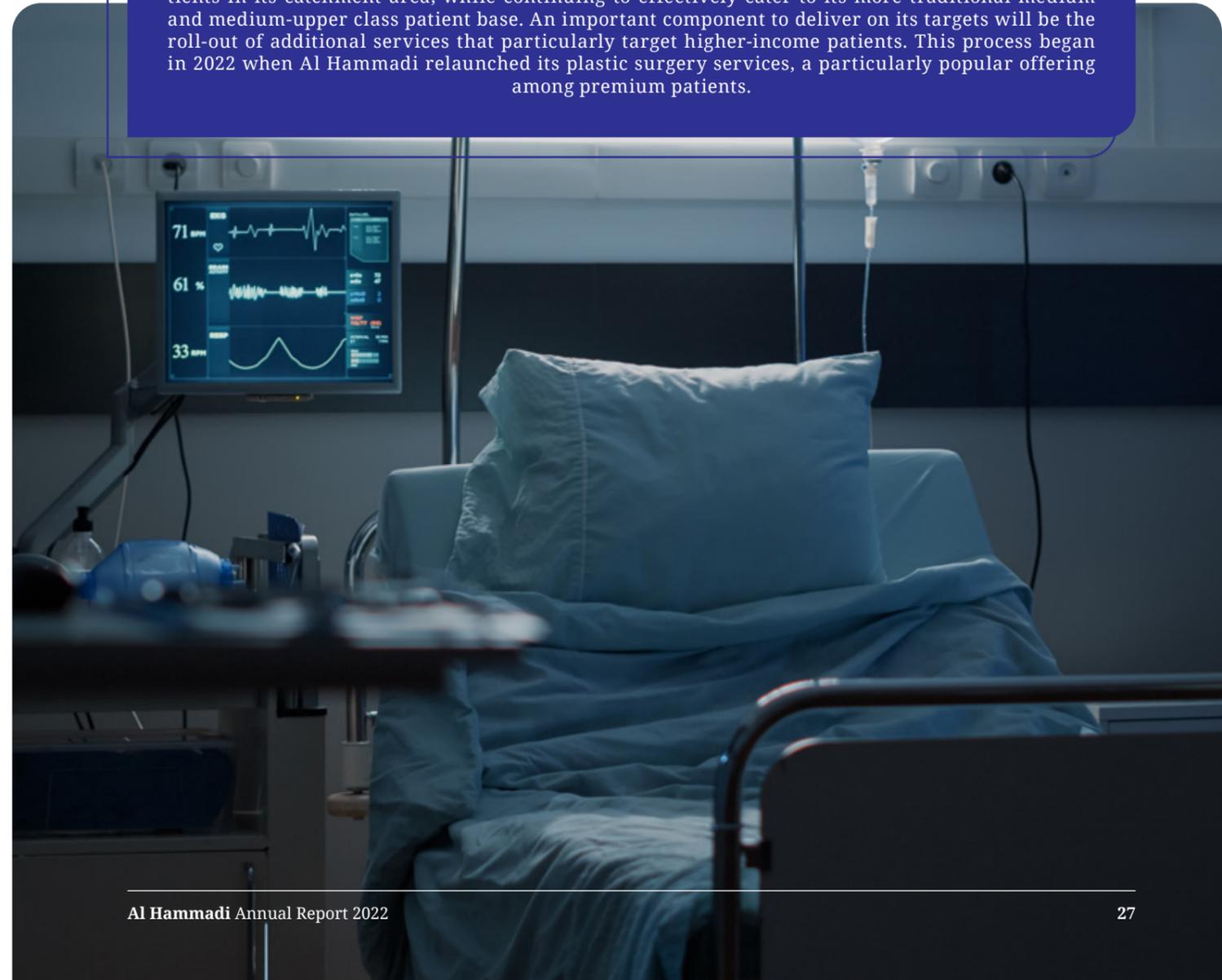


### 2022 Performance

In 2022, Al Nuzha Hospital recorded revenues of SAR 503 million, a 24% y-o-y increase, which came on the back of higher inpatient and outpatient volumes.

### Outlook

Al Nuzha Hospital remains focused on positioning itself as the facility of choice for premium patients in its catchment area, while continuing to effectively cater to its more traditional medium and medium-upper class patient base. An important component to deliver on its targets will be the roll-out of additional services that particularly target higher-income patients. This process began in 2022 when Al Hammadi relaunched its plastic surgery services, a particularly popular offering among premium patients.



# An Exciting Hospital Pipeline

As Riyadh's population continues to expand in line with the government's Vision 2030, Al Hammadi plans to roll out multiple new facilities to effectively capture a larger share of the patient pool. In the coming seven years, the Group is aiming to add two more hospitals to its network, expanding its capacity and its geographical reach across the Saudi Arabian capital. While the new facilities will offer a broad range of services, each one will operate individual centers of excellence focused on fast-growing specialties.



**200** rooms  
Planned inpatient capacity



**120**  
Operational Outpatient Clinics

## Olaya Hospital – Expected Launch in 2026

Olaya Hospital was Al Hammadi's first facility, originally launched back in 1985. At its peak, the facility was home to 200 inpatient rooms and 74 outpatient clinics. The facility was temporarily shut down in the final months of 2021 as management kicked off an extensive renovation plan aimed at constructing a new facility with a new infrastructure and a broader service offering. The revamped facility, which is planned to reopen in 2026, will have a capacity of 200 rooms and 120 clinics and will operate two centers of excellence focused on sports medicine and oncology. The facility is located in the Olaya neighborhood of Riyadh, which has historically been a business, commerce, and leisure hub in the city, rendering it a natural residential destination for expats and a large number of Saudi citizens.



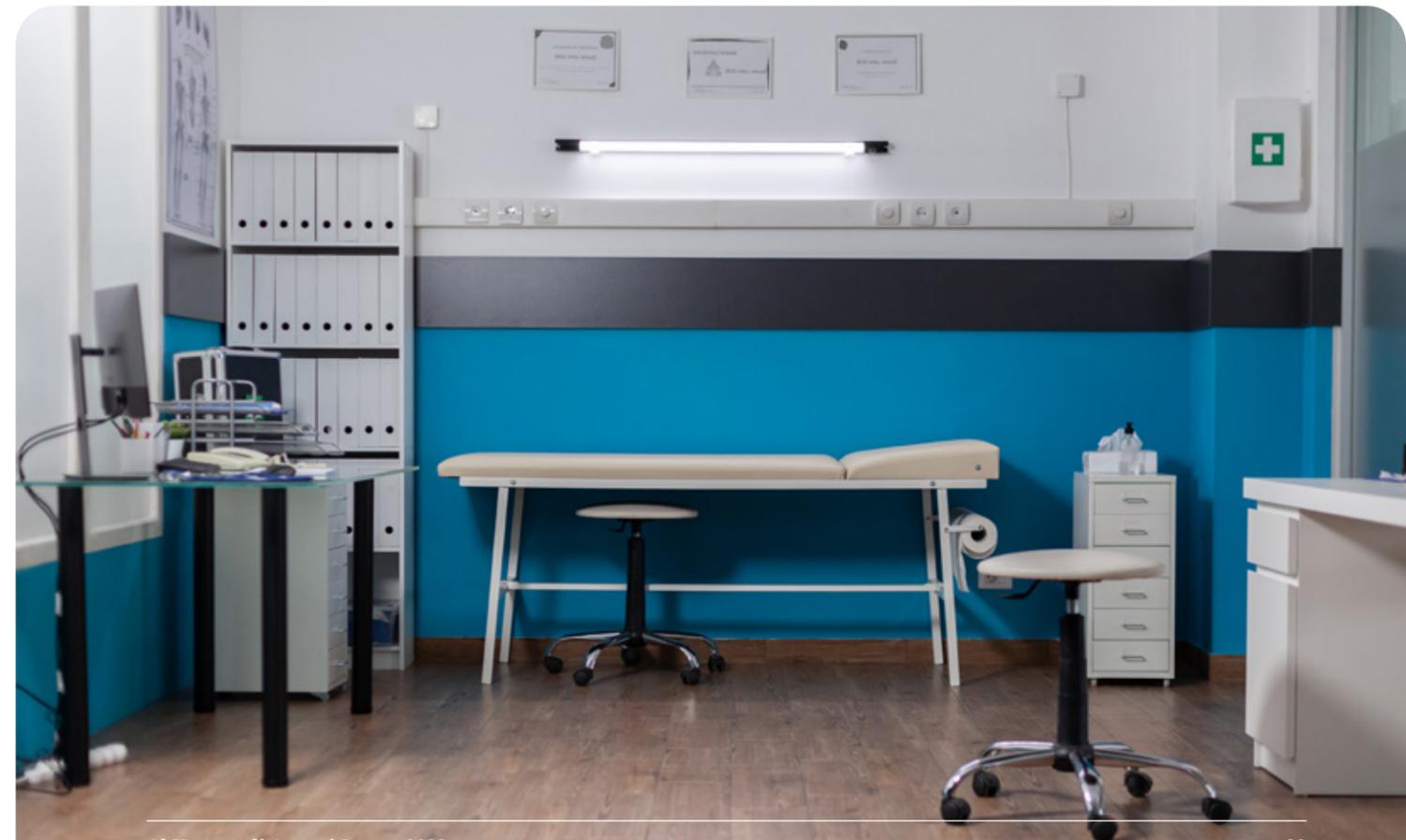
**200** rooms  
Planned inpatient capacity



**120**  
Operational Outpatient Clinics

## Al Narjis Hospital – Expected launch in 2028

Building on this, Al Hammadi is expecting to launch its fourth hospital in 2028. The facility will have a capacity of 200 rooms and 120 clinics and will house two centers of excellence focused on rehabilitation and plastic surgery. The facility will be located in Al Narjis neighborhood in the north of the Kingdom's capital.



# Our Business Model

Since inception, innovation, transformation, and excellence have been at the heart of Al Hammadi business. This has not only applied to its service offering, which is constantly expanded and adapted to match patient needs, but has also been a guiding principle when setting out the Group's strategy and devising its business model. Over the years, Al Hammadi's proven business model has enabled the Group to remain a step ahead of the competition and build the Al Hammadi brand into an industry leader in Riyadh.



**Operator of two leading hospitals in Riyadh**



**One of the largest operators in Riyadh, catering to medium and medium-upper class patients with exposure to other classes**



**Strong collections framework**



**Robust margins outlook**



**Access to top-tier medical professionals and in-house training and development capabilities**



**Integrated business model with exposure to adjacent segments of the healthcare market**



**Efficient procurement system and long-lasting relationships with medical equipment providers**



**Geographically focused footprint, enabling efficient resource management**



## Operator of two leading hospitals in Riyadh

Al Hammadi operates two leading hospitals in KSA's capital city with a cumulative capacity of 600 inpatient rooms and 180 outpatient clinics. Across its two facilities, the Group offers a full portfolio of services and upholds safety and quality standards in line with global standards. Despite the presence of significant competition in its catchment areas, the Group has been able to consistently maintain its leading position across its chosen segments thanks to its broad offering, which typically encompasses a wider portfolio than its competitors, and superior service quality offered to patients. Leveraging a differentiated value proposition across its two facilities, the Group is able to tap into a wide range of patient segments including its traditional medium and medium-upper class insurance and Ministry of Health (MoH) patient pools as well as the higher-income class A/VIP segment.



## One of the largest operators in Riyadh, catering to medium and medium-upper class patients with exposure to other classes

Looking at class B operators, Al Hammadi currently stands as one of the largest operator in Riyadh, with an implied market share of 20% across the medium and upper-medium segment. The Group's leadership position ideally positions it to take full advantage of the expected growth in demand coming from medium and upper-medium class patients. In fact, the segment is expected to be one of the fastest growing in the coming years, supported by multiple drivers. These include the growing number of locals joining the private workforce and switching to private health insurance plans, a sharp rise in Riyadh's local and expat population in line with the government's 2030 strategy, the health-conscious trends witnessed across younger segments of the population, the increasing prevalence of lifestyle diseases, and a changing demographic profile that will see the Kingdom's elderly population rise further in the coming years. Meanwhile, as opposed to most other private players in the market that tend to have more focused exposures to specific insurance segments, Al Hammadi also successfully caters to other insurance classes. More specifically, following the premiumization of Al Nuzha hospital, the Group is now able to draw a larger share of premium patients to the facility. Meanwhile, thanks to the ample spare capacity enjoyed at Al Suwaidi Hospital, the Group will be able to attract additional medium and upper-medium class patients who are typically looking for more cost-friendly offerings.





### Robust margins outlook

Al Hammadi has historically enjoyed attractive margins on the back of supportive pricing dynamics, a successful track record spanning over three decades, and a supportive patient mix. On the patient mix front, Al Hammadi's increasing focus on MoH, class A, and cash patients continues to support profitability as these segments are typically associated with longer hospital stays (in the case of MoH patients) and higher prices (in the case of class A and cash patients). Meanwhile, thanks to its solid utilization profile and ample spare capacity, Al Hammadi is well-placed to capture an important share of the growing demand for high-quality medical services in a cost-effective manner. These factors will continue to boost profitability in the coming years and provide adequate protection from short-term cost pressures.



### Strong collection framework

In line with Al Hammadi's goal of maintaining strong collection rates, the Group completed a full revamp of its revenue management cycle framework in 2021 to enhance the quality of its claims processing and collection procedures. Today, Al Hammadi operates a new end-to-end solution that covers the full cycle from claim management up to collection and reconciliation. The new framework, which standardizes the revenue collection process across both Al Hammadi hospitals, operates as a multi-stage process covering all aspects of the revenue cycle from classifying the Group's service offering and obtaining pre-approvals for credit and insurance patients to the claim submission, review, and management process. The new system is already delivering solid results with credit loss provisions normalizing throughout 2022. In the coming years, as Al Hammadi looks to grow its operations further and maintain significant exposure to MoH patients, its revamped collection frameworks will enable it to maintain solid claims processing and collection times. At the same time, the Group's efforts to further diversify its revenue mix in favour of premium and cash patients is also expected to support further improvements in collection periods going forward.



### Access to top-tier medical professionals and in-house training and development capabilities

A key ingredient enabling Al Hammadi to consistently deliver high-quality services and a superior patient experience has been its staff. Leveraging its reputation in the market and its status as an employer of choice, the Group continues to successfully attract top medical and non-medical talent to its hospitals. Once recruited, Al Hammadi's in-house training and development capabilities guarantee that all new personnel receive the training and professional development needed for them to deliver the quality of care that patients have come to expect from the Al Hammadi brand and for all staff members to progress professionally in line with their ambitions.



### Integrated business model with exposure to adjacent segments of the healthcare market

In line with Al Hammadi's ambitious growth targets and overarching mission, the Group has been expanding its presence in recent years across adjacent segments of the healthcare market. Today, the Group is active in both the pharmaceutical distribution and vaccine import and production spaces. On the pharmaceutical front, the Group is implementing several strategies to expand its pharmaceutical offering and facilitate its patients' process to receive their needed medication. Offering pharmacy services at its hospitals enables the Group to further develop its one-stop shop model to capture and retain patients from the start to the end of their treatment journey. Meanwhile, on the vaccine front, the Group is looking to benefit from early mover advantage in an industry that is set to pick up speed as the Saudi government invests to guarantee the Kingdom's future pharmaceutical and health security.



### Efficient procurement system and long-lasting relationships with medical equipment providers

Al Hammadi enjoys robust and long-lasting relationships with all its key medical equipment providers, enabling it to efficiently source supplies and equipment at competitive rates and prices. The Group also benefits from a centralized procurement framework that enables it to leverage its total spend when negotiating with vendors and suppliers, while also getting a clear overview of all bids, offers, and suppliers, leading to improved negotiation outcomes. Together, these provide a strategic advantage versus other smaller or less established players in the market. In particular, these factors play a crucial role in shielding the business during challenging macroeconomic periods like those faced throughout 2022 when supply chain disruptions and record-high inflation weighed on healthcare providers' operations and margins.



### Geographically focused footprint enabling efficient resource management

Starting with its first hospital back in 1985, Al Hammadi has historically been a Riyadh-based operator. Today, the Group owns two operational hospitals located in two strategic neighborhoods in the northeastern and southwestern areas of the city. In the coming seven years, the Group is looking to further expand its network with the roll-out of two additional facilities located in attractive neighborhoods of KSA's capital. On top of guaranteeing an attractive growth profile thanks to the government's ambitious plans for Riyadh, the Group's geographically focused footprint also ensures an efficient management of resources and an enhanced patient experience. On the one hand, management is able to efficiently reallocate human resources across the two hospitals to ensure that staffing shortages are quickly addressed. On the other hand, patients can be easily transferred from one facility to the other to ensure that they access the centers of excellence and medical professionals they need to best treat their conditions.



# Our Strategy

To ensure Al Hammadi's continued growth and value creation for patients and stakeholders, management adheres to a multi-pillar strategy that looks to expand the Group's business while maintaining the quality and financial prudence that have been key in securing Al Hammadi's success since inception.



**Capacity expansion with continued focus on attractive Riyadh market**



**Launch of lucrative new specialization to drive growth and gain market share**



**Adhere to prudent financial policies to provide headroom and flexibility**



**Grow pharmacy business**



**Maintain world-class service quality and international accreditations**



**Optimize revenue mix**



## Capacity expansion with continued focus on attractive Riyadh market

Building on its existing platform, the Group is looking to roll out two additional facilities in the coming seven years. Together, the new facilities will increase the Group's capacity by an additional 400 rooms and 240 clinics, enabling it to effectively capitalize on the attractive growth prospects of Riyadh's healthcare



market. The new facilities will be strategically located in neighborhoods where the Group's value proposition and reputation are well-placed to drive immediate growth. More information on the new hospitals is available on page 28 of this report.



## Launch of lucrative new specialization to drive growth and gain market share

To complement its geographical and capacity expansions, the Group is also looking to further develop its service offering and capitalize on the current trends witnessed in the healthcare industry. As such, while all new hospitals will offer a



full portfolio of services, they will also be housing multiple centers of excellence specifically focused on high-growth service segments. These include rehabilitation, plastic surgery, sports medicine, and oncology.



## Adhere to prudent financial policies to provide headroom and flexibility

Management closely monitors the Group's debt profile and aims to maintain a sensible level to provide enough headroom to allow for unforeseen volatility. More importantly, Al Hammadi successfully committed itself to maintaining certain key financial ratios at or below specified thresholds, limiting its exposure, and ensuring its growth does not come at the expense



of present or future financial stability. This has allowed Al Hammadi to maintain strong liquidity positions and stand reinforced against market vulnerability. The Group intends to continue strategically using short- and long-term financing tools alongside its cash flow from operations to finance future cash needs and fuel the business' growth.



### Grow pharmacy business

In recent years, Al Hammadi has expanded in adjacent segments of the healthcare industry to diversify its revenue base and deliver on its one-stop shop vision. An important element of this strategy has been the launch of its pharmaceutical business, which the Group is looking to further develop in the coming years to capitalize on the important growth opportunities



offered by the segment. The development of Al Hammadi's pharmacy segment is an imperative step in achieving the Group's long-term vision of effectively serving its wide consumer base, as well as capturing the consistently increasing healthcare demand across Riyadh through the provision of a host of different services to our patients.



### Maintain world-class service quality and international accreditations

A key aspect to attract patients, and especially insurance patients, to the Group is maintaining high service quality and international accreditations. To ensure this, the Group performs regular reviews of its patient outcomes



and satisfaction, quickly addressing any shortcomings. Meanwhile, the Group boasts several international certifications, and a dedicated team actively works to ensure these are renewed successfully upon expiry.



### Optimize revenue mix

While continuing to maintain a strong focus on MoH, medium, and upper-medium class insurance patients, Al Hammadi has been actively working to expand the patient segments it caters to. In particular, the Group is focusing on attracting more class A/VIP patients to its facilities, while also growing the share of cash patients it serves. To attract premium patients (class A/VIP) to the Group, Al Hammadi has recently completed the premiumization of its Al Nuzha Hospital. This saw the facility's 300 inpatient rooms converted from doubles to singles, alongside the addition of several specialties, particularly the ones popular among



premium patients. This will not only help attract premium insurance patients but is expected to help capture a larger share of cash patients in the hospital's catchment area. The changing patient mix within the facility is expected to support further improvements in its claim/patient and margins in the coming years. Meanwhile, in an effort to attract more medium and upper-medium class patients to its hospitals, the Group is looking to leverage the ample spare capacity at Al Suwaidi Hospital to roll out additional services designed for patients currently opting for cheaper alternatives in the area.



# 2022 Operational & Financial Review

During the past year, the Group was able to deliver a solid performance by continuing to deliver short-term growth and profitability while pursuing its long-term value creation strategy. Al Hammadi's efforts throughout 2022 saw it end the year ideally placed to continue delivering world-class care to its patients and further growth and value for its shareholders in 2023 and beyond.

## Financial Performance

### Income Statement Analysis

Al Hammadi recorded revenues of SAR 1,122 million during FY 2022, an 18% y-o-y increase from the SAR 952 million recorded during FY 2021. Medical services, which represent operations at both Al Nuzha and Al Suwaidi hospitals, accounted for 78% of the Company's consolidated top line for FY 2022, recording revenues of SAR 871 million, compared to SAR 738 million during FY 2021. Both hospitals recorded robust revenue growth, with Al Nuzha's top line expanding 24% y-o-y and Al Suwaidi growing by an impressive 46% y-o-y.

On a patient type basis, revenue growth was primarily driven by higher revenues generated by insurance patients, with solid growth in revenues generated by MOH patients also supporting Al Hammadi's top line. Finally, on a segmental basis, both the Company's inpatient and

outpatient segments recorded y-o-y revenue growth, making similar contributions to consolidated growth. More specifically, Al Hammadi's inpatient segment recorded revenues of SAR 442 million in FY 2022, up 15% y-o-y. Meanwhile, the outpatient segment revenues stood at SAR 428 million, up 21% versus the previous year.

Meanwhile, Al Hammadi's pharmaceutical sales contributed roughly 22% of consolidated revenues, booking SAR 252 million for the full year, up a solid 18% y-o-y. During the year, Al Hammadi's in-house pharmacies (located in Al Nuzha and Al Suwaidi) generated sales of SAR 189 million, up 20% y-o-y. Pharma Serve booked sales of SAR 62 million in FY 2022, up from SAR 56 million the previous year. This primarily reflected the signing of a vaccine contract with a total value of SAR 38 million.

Al Hammadi's cost of revenue reached SAR 706 million for FY 2022, increasing 20% y-o-y from the SAR 588 million recorded during FY 2021. The increase was primarily driven by higher maintenance costs, as well as increases in salaries for medical staff compared to FY 2021. Salary increases were largely the result of the transfer of salary costs from Olaya Hospital (which temporarily ceased operations in late 2021) to the Company's Al Nuzha and Al Suwaidi hospitals, as well as extra staff hires due to the Company's expansion of Al Nuzha's outpatient capacity. While the new outpatient expansion, which saw 20 new clinics added to the hospital's existing capacity, came online in the final quarter of 2022, medical staff was hired several months in advance in order to complete the necessary training and preparations ahead of its official launch. As a percentage of revenues, however, cost of revenue

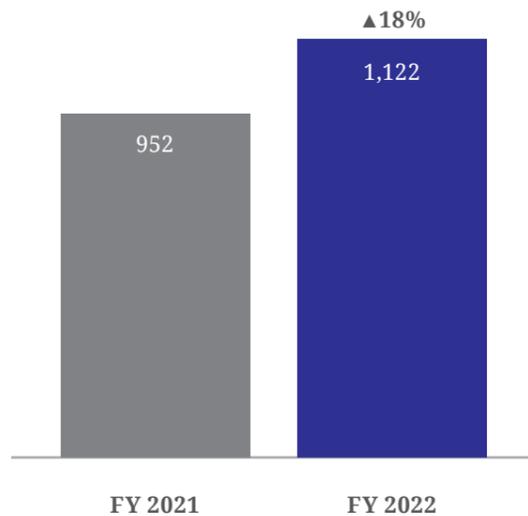
remained largely stable, increasing to 63% versus the 62% booked during FY 2021.

Moving further down the income statement, gross profit during FY 2022 stood at SAR 416 million, increasing 14% y-o-y and resulting in a GPM of 37.1% compared to the 38.2% recorded during FY 2021. The marginal decline in gross profitability for the year was primarily a result of the higher costs associated with the new hires at Al Nuzha Hospital's outpatient extension.

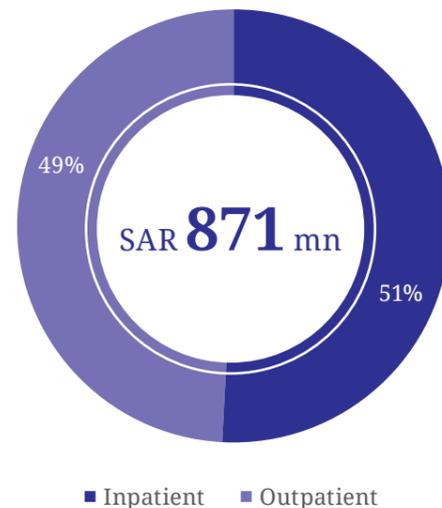
The Company recorded sales, general and administrative (SG&A) expenses during FY 2022 of SAR 98 million, increasing 17% y-o-y. As a proportion of revenues, SG&A expenses stood at 8.8% for FY 2022, decreasing 0.1 percentage points versus FY 2021.



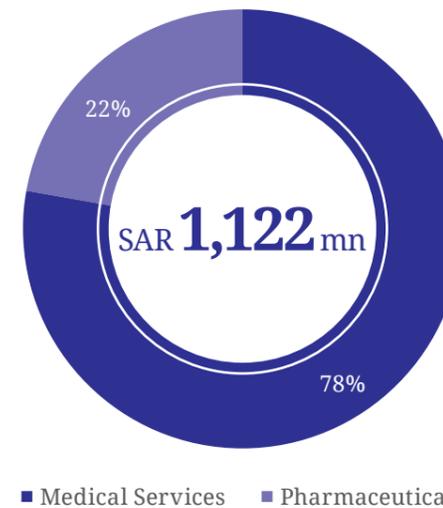
Group Revenue (SAR mn)



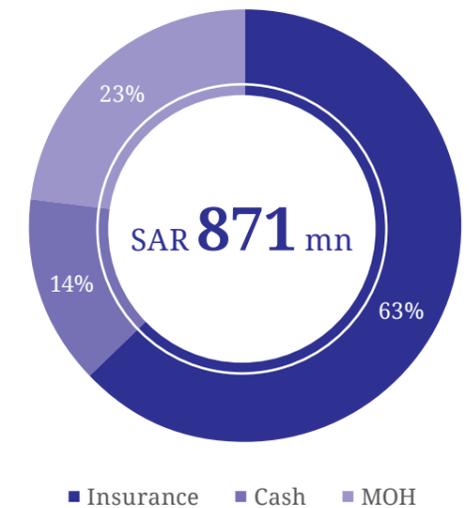
Medical Services Revenue Breakdown by Patient Segment (FY 2022)



Revenue Breakdown by Service Type (FY 2022)

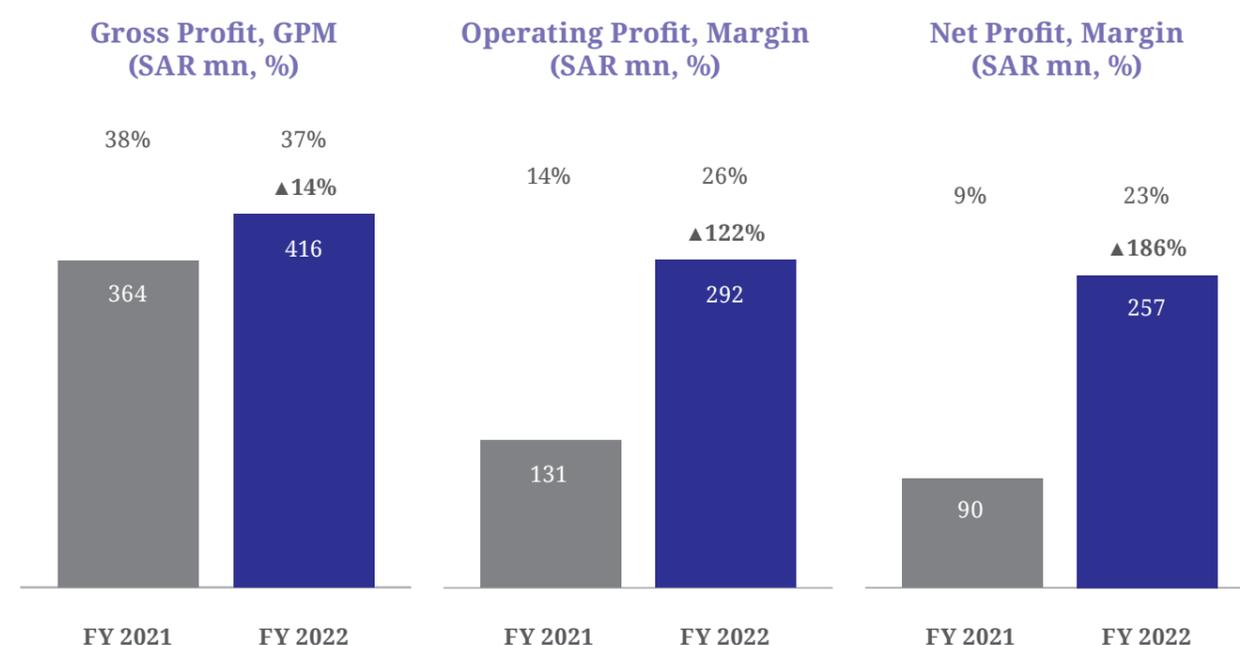


Medical Services Revenue by Patient Type (FY 2022)



Al Hammadi's double-digit growth in gross profit for the year and the successful cost optimization measures led to operating profit increasing 122% y-o-y to record SAR 292 million. The operating profit margin for FY 2022 increased 12 percentage points to 26% during the year. Operating profit expansion for the year was also largely driven by a 65% y-o-y decrease in expected credit loss provision, which dropped to SAR 54 million during FY 2022, compared to SAR 154 million the previous year, reflecting the Company's significant improvement of collection rates.

Finally, the Group posted a net profit of SAR 257 million during FY 2022, up by 186% from the SAR 90 million posted during FY 2021. The Company's net profit margin also increased by 14 percentage points to record 23% for the full year. The substantial expansion of Al Hammadi's bottom line principally reflects the solid rise in operating profits for the 12-month period. Strong bottom-line growth in FY 2022 also partially reflects the booking of a one-time SAR 10 million loss from investment in subsidiaries during the previous year. The SAR 10 million loss during FY 2021 was a result of recording an impairment of goodwill in the Company's subsidiary, Pharma Serve.



## Balance Sheet Analysis

As of year-end 2022, Al Hammadi's total assets stood at SAR 2,482 million, increasing 10% y-o-y from SAR 2,262 million as of year-end 2021. Inventories as of year-end 2022 booked SAR 56 million, up from SAR 54 million as of 31 December 2021.

The Company recorded cash and cash equivalents of SAR 61 million as of year-end 2022, a decrease from the SAR 121 million recorded at 31 December 2021. Despite the decrease in cash and cash equivalents, the Company improved its liquidity position, with the current and quick ratios booking 2.8 and 2.6 as of 31 December 2022, compared to 2.5 and 2.2, respectively, as of year-end 2021.

With regards to Al Hammadi's liabilities, the Company recorded total debt of SAR 232 million as of 31

December 2022, increasing from SAR 209 million as of year-end 2021. The total debt recorded as of year-end 2022 is split between SAR 31 million in commercial loans and SAR 201 million in zero-interest government grants. Net debt, on the other hand, stood at SAR 172 million as of 31 December 2022, up from SAR 88 million as of December 2021.

Finally, Shareholders' equity posted SAR 1,711 million as of 31 December 2022, increasing from the SAR 1,659 million recorded as of 31 December 2021. The Company recorded debt/equity of approximately 13.6% as of year-end 2022 compared to 12.6% in 2021. Additionally, net debt/equity came in at 10.0% at the close of FY 2022, up against 5.3% at the close of FY 2021.

## Operational Performance

Al Hammadi recorded 44,973 inpatient admissions during FY 2022, an impressive 11% y-o-y increase. Al Nuzha hospital contributed 58% of overall patient admissions in FY 2022, up from 52% during FY 2021. The Company's Al Suwaidi hospital accounted for 42% of inpatient admissions in FY 2022 (versus 39% during FY 2021). The Company's inpatient admission growth came despite the temporary closure of its Olaya facility (which had contributed to 9% of inpatient volumes in FY 2021) for the purpose of constructing a new facility with a state-of-the-art infrastructure and a broader service offering. The facility is set to reopen in 2026. On a quarterly basis, the Company booked 12,599 inpatient admissions during Q4 2022, an 11% y-o-y increase compared to the same quarter of the previous year.

Al Hammadi registered 1,038,547 outpatient visits during FY 2022, an increase of 6% compared to FY 2021. The Company's Al Nuzha hospital accounted for 62% of all outpatient examinations, compared to 53% in FY 2021. Al Suwaidi hospital registered 38% of outpatient visits during FY 2022, compared to 34% in FY 2021. Al Hammadi was able to maintain this strong growth in outpatient volumes despite the suspension of Olaya hospital's operations (which had contributed to 13% of outpatient volumes in FY 2021). Outpatient visits for the quarter recorded 287,628 during Q4 2022, up 10% y-o-y compared to Q4 2021.

Al Hammadi's state-of-the-art facilities maintained high and stable utilization rates across both its hospitals and patient segments. More specifically, at Al Nuzha Hospital, the Company reported average inpatient and outpatient utilization rates of 100% in FY 2022. Meanwhile, at Al Suwaidi Hospital, average inpatient room utilization stood at 55% while outpatient clinic utilization stood at 95% in FY 2022.

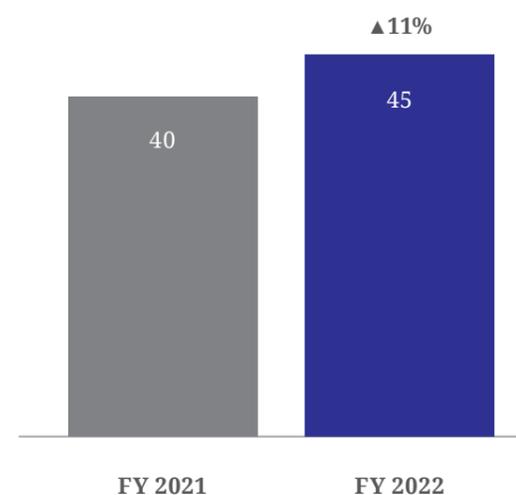
Finally, on the capacity expansions front, 2022 saw the Company continue to take important strides forward.



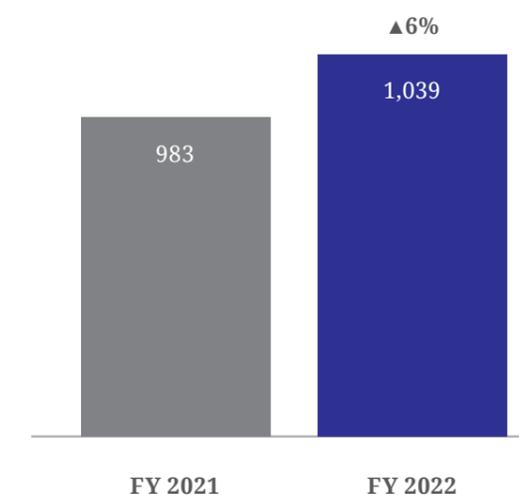
As part of its growth strategy, Al Hammadi is planning to launch several new hospital facilities in strategic catchment areas of Riyadh over the coming seven years. The first to come online (in 2026) will be the revamped Olaya facility housing 200 inpatient rooms, 120 outpatient clinics, and two centers of excellence, with specializations in sports medicine and oncology. This will be followed by Al Narjis hospital in 2028. The facility will also house 200 inpatient rooms and 120 outpatient clinics, as well as two centers of excellence focused on rehabilitation and plastic surgery.

The Company is actively exploring additional expansion opportunities in the Kingdom's capital and largest city of Riyadh. Meanwhile, across its already operating facilities, the Group is pursuing multiple expansion projects to add to their respective capacities. On this front, Al Hammadi inaugurated a 20-clinic outpatient expansion at Al Nuzha Hospital in 2022. The new clinics, which began operations in Q4 2022, are expected to complete the ramp up phase in the first half of 2023, reaching 100% utilization in the first six months from launch. In 1H 2023, the Company will also expand Al Suwaidi Hospital's outpatient capacity by an additional 20 clinics.

## Inpatient Admissions ('000)



## Outpatient Visits ('000)



# Our People

## Our HR Strategy

One of Al Hammadi's competitive advantages and a main driver behind its continued success has been the strength of its people. From its doctors and nurses to its back-office staff and management team, Al Hammadi boasts a team of dedicated professionals with extensive medical and non-medical experience and the ambition to consistently improve themselves and elevate the Al Hammadi brand. As such, promoting the professional development of its people and providing a safe and inspiring work environment where all staff can reach their full potential has been a key priority for the Group since inception.

Al Hammadi's HR department is focused on three main goals: promoting a transparent and cooperative work culture for its employees, providing comprehensive training programs aimed at improving workforce competency and professional advancement, and ensuring diversity.

The HR department is led by capable and experienced professionals keen on ensuring and advancing the technical and operational capabilities of all staff members, who remain the essential components of providing stellar medical services to the Group's growing patient base.



**62%**

Share of Female Staff in 2022



**3,709**

Total Staff Training Hours in 2022



**87%**

Employee Satisfaction Rate in 2022



**2,864**

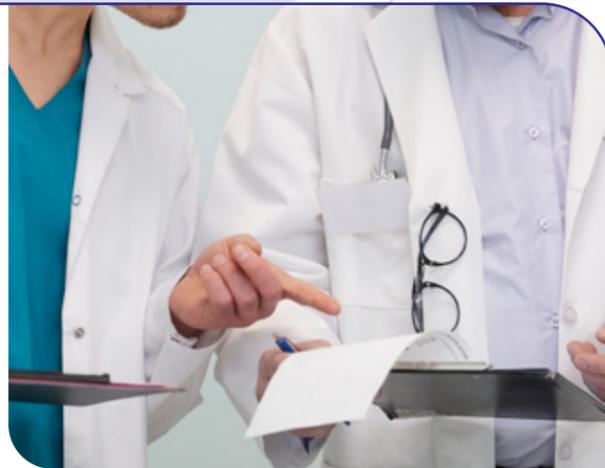
Total Staff in 2022



## Transparent Work Culture

Building and promoting a healthy and transparent work culture is at the core of Al Hammadi's success, and the HR department actively works to both maintain and improve work culture for all its employees. In line with this goal, the HR department regularly promotes an open dialogue and constant communication between its employees, encouraging staff members to report any potential concerns and regularly monitoring staff satisfaction levels.

In line with this goal, employees are regularly encouraged to complete surveys to gauge overall morale and provide opportunities for communication.



Moreover, the HR department sets staff interaction guidelines to ensure a comfortable and professional workspace, as well as a simple corporate hierarchy and clear code of conduct that it recommends all staff review regularly to ensure compliance.



## Training Programs

Al Hammadi invests significant time and effort in its staff members, wholeheartedly believing in the direct correlation between staff training and quality service provision. Consequently, the Group implements several programs geared toward professional development, including lectures for medical staff to introduce the latest in medical research, mentorship programs for new employees to ensure smooth integration, and leadership training courses for prospective promotions. As part of Al Hammadi's training and development strategy, the Group offers both in-house training opportunities and access to external programs to ensure its staff has full exposure to the latest progress and research in the medical field.

Additionally, Al Hammadi's HR department sets a robust succession framework that is key to ensuring the continuance of all the Group's operations under any circumstance. The succession framework sets clear career growth paths and encourages staff to excel in their fields. The plan also provides a strategy for the



HR department in preparing and training employees in line for promotions, equipping them with the necessary tools for competency in their new roles. A strong and effective succession framework also plays a vital role in ensuring the Group continues to deliver high-quality medical care and superior patient experiences, further building its brand name and reputation in the increasingly competitive Riyadh healthcare market.



## Diversity

Al Hammadi remains at the forefront of diversity and inclusion efforts across the Kingdom, championing women's participation in the workforce. Today, over 60% of all Al Hammadi staff members are women. To achieve these numbers and continue encouraging diversity in the workforce, the HR department employs an equal employment opportunity framework in its hiring process. Moreover, the Group constantly monitors employee conduct codes and compliance to ensure a fair and professional atmosphere for all its staff members.



# Management Biographies



**Mr. Mohammed Al Hammadi**  
Chief Executive Officer/Managing Director

A seasoned executive with almost three decades of management experience, Mr. Mohammed Al Hammadi has been serving as the Group Chief Executive Officer and Managing Director since 1996. Mr. Al Hammadi also serves as the General Manager of several other companies, including Al Hammadi Information Technology Co., Al Hammadi Contracting Company, Construction and Maintenance Company, among others. He holds a Bachelor's Degree in Business Administration from Weber University, USA.



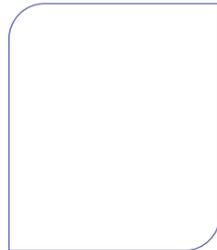
**Dr. Abdulaziz Al Hammadi**  
Chief Operating Officer

Dr. Abdulaziz Al Hammadi is a member of the Board of Directors and the Chief Operating Officer of Al Hammadi Holding. He worked at the King Saud University Hospital for Chest Diseases until 2008 and the King Khalid University Hospital until 2005. Dr. Abdulaziz holds a Bachelor of Medicine and General Surgery from Al-Azhar University, Egypt.



**Mr. Mohammed Al Saafeen**  
Chief Financial Officer

Mr. Mohammed Al Saafeen is the Group Chief Financial Officer, boasting over 20 years of audit, finance, and accounting experience. His experience includes previous stints at Abdullatif Alissa Group Holding Co., Zahran Operations and Maintenance Co., and Deloitte, Jordan. He is a Certified Fraud Examiner (CFE) and holds an MBA in Finance from the University of Jordan.



**Dr. Reema Al Hammadi**  
Chief Medical Officer

A consultant OB-GYN at Al Hammadi hospitals since 2004, Dr. Reema Al Hammadi has assumed the position of Group Chief Medical Officer since 2014. She also sits on the Board of the Royal Commission for Riyadh City and King Abdullah bin Abdulaziz University Hospital. She obtained her MBBS degree at King Saud University, Riyadh, in 1993 and was certified as a consultant OB-GYN from the Saudi Council Commission in 2001.



**Mr. Wahid Raafat**  
Chief Audit Executive

Mr. Wahid Raafat boasts extensive experience in internal and external auditing, with over 18 years of practical experience. He previously worked as the Senior Manager Assurance Services at PwC, KSA, and Senior Auditor for External Audit Services at KPMG, Egypt. He holds a Bachelor's Degree in Commerce, with a major in Accounting, Alexandria University, as well as the Certified Public Accountant (CPA) certification from the American Institute of Certified Public Accountants, USA.



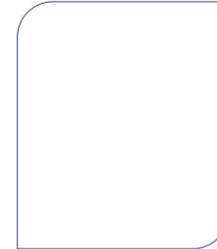
**Dr. Safug Al Koraisi**  
Head of Intensive Care Units

The Head of Al Hammadi Holding's Intensive Care Units since 2016, Dr. Safug has been accumulating healthcare experience for over a decade. He previously assumed the roles of Consultant and Chief of the Department of Critical Care Medicine at the Security Forces Hospital Program, Director of Critical Care Fellowship at the Saudi Council of Health Specialty, among others. He received his Bachelor of Medicine and Bachelor of Surgery from King Saud University, Riyadh, in 1994.



**Mr. Majid Al Nahdi**  
Human Resources Manager

Serving as HR manager since 1999, Mr. Majid Al Nahdi has over 23 years of extensive experience in the Human Resources field. He is an expert at directing staff and developing strategies for professional development, as well as providing advice to senior managers related to HR management. Mr. Majid holds a Bachelor's Degree from King Saud University and a Health Leadership and Quality Certificate accredited by the Saudi Commission for Health Specialties.



**Ms. Kamar Khalifa**  
Quality Manager

Ms. Kamar Khalifa has been serving as Group Quality Manager since 2016. Ms. Kamar has a broad range of experience in the development, maintenance, and evaluation of hospital quality management, as well as risk management and patient safety. She holds a Bachelor's Degree in Information Technology and Computing and is a Certified Professional in Healthcare Quality (CPHQ).



**Dr. Emad Bukhari**  
Medical Director of Al Nuzha Hospital

An experienced medical professional, Dr. Emad Bukhari is a Cardiac Consultant with over 6,000 successful open-heart cases under his belt. He is the founding Chairman of Imam University's Medical College and was previously the Head of the Credentialing Committee of Cardiac Surgery Programs in the Saudi Council. He obtained his MBBS in 1985.



**Dr. Daifallah Al Nakhli**  
Medical Director of Al Suwaidi Hospital  
Head of Infection Control of Al Hammadi Company

With years of experience in the medical field, Dr. Daifallah Al Nakhli is the Head of Infection Control for Al Hammadi Hospitals and the Medical Director of Al Suwaidi Hospital. Previously, he served as Internal Medicine and Infectious Disease Consultant and Director of the Infection Control Department at Prince Sultan Military Medical City (PSMMC). He obtained his Bachelor of Medicine and Bachelor of Surgery from King Khalid University, KSA, in 1995 and was accredited by the Jordanian Board for Internal Medicine in 2002.

# Environmental and Social Initiatives

Al Hammadi is committed to serving its community not only through the provision of quality healthcare services but also through a variety of environmental and social initiatives aimed at building a better tomorrow for Riyadh and its residents. As such, the Group spearheads a host of environmental, social, and corporate social responsibility (CSR) initiatives targeted at reducing its carbon footprint, raising awareness, and furthering the training and development of its community's talented youth.



## Environmental Initiatives

In an effort to help preserve our environment, the Group has implemented several sustainability initiatives throughout its portfolio of hospitals. Notably, the Company installed an intelligent adiabatic cooling system that is expected to drastically decrease cooling electricity consumption (an estimated double-digit decrease).

Additionally, Al Hammadi planted 100 trees in 2022, in line with its efforts to contribute to reducing pollution in the fast-growing Saudi Arabian capital. Following this initiative, the Group's Board of Directors approved a proposal to plant a tree every day for the coming year, marking its sustained commitment to prioritizing community wellbeing through responsible practices, sustainability initiatives, and social development programs.

Finally, the Group is resilient in its paper waste management initiative, with material decreases seen in printing and the introduction of electronic forms and signatures as an alternative to traditional hard copies. Al Hammadi aims to reach a target of 99% electronic paperwork by 2025. These initiatives are at the core of the Company's environmental efforts, with a continuous focus on reducing its carbon footprint and minimizing its emissions.

While significant progress has been made, management remains committed to furthering its environmental efforts and is currently studying a wide array of initiatives to help make 2023 Al Hammadi's most successful year from an environmental footprint reduction point of view.



## CSR Initiatives

Al Hammadi focuses on three main CSR initiatives: raising healthcare awareness, training the future generation of healthcare workers and volunteers, and improving quality of care through research and training.

experienced specialists capable of providing the latest medical advice on the prevention of these diseases and overall safe practices.



Additionally, the Group participates in several world health awareness days, leveraging the opportunity to spread knowledge and prevention measures to the community. 2022 saw Al Hammadi's participation in several of these awareness days, including campaigns for cervical cancer awareness, diabetes awareness, hypertension awareness, hepatitis awareness, hand hygiene awareness, and others. Most notably, the Group set up external booths in shopping centers and public areas for cervical cancer awareness and world diabetes awareness days to better inform the public.

## Training Future Generations

In its commitment to providing stellar medical services to all of its patients, Al Hammadi employs a detailed and comprehensive training program for all of its new staff members, including mentorship programs and lectures. These courses include new material added on a perpetual basis following our diligent research efforts in remaining updated with the latest in all medical research and technology. As such, new staff members are able to perform their duties with the most up-to-date information following a full training cycle.

## Female Empowerment

As the Kingdom remains focused on diversity and inclusion, Al Hammadi is proud to be one of the champions of female empowerment in Riyadh. The Group has been focused on raising awareness, implementing training programs, and furthering women's opportunities in its employment practices. As of the end of 2022, over 62% of the Group's total staff were women, constituting 1,788 of a total of 2,864 members. Furthermore, two of Al Hammadi's total six c-suite executives are women, currently filling the roles of the Group's Chief Medical Officer and Chief Financial Officer for the Medical Support Service Company.

The Group is also adamant in attracting talented and intelligent members of the community by marketing the benefits of a medical career. Through several employment fairs, guest lectures, and awareness campaigns, Al Hammadi is able to offer tailored training programs, courses, and seminars to members of the community who are motivated to begin their medical profession.

In order to maintain its high proportion of female staff members and management, the Group constantly embarks on initiatives and campaigns geared at encouraging female workforce participation, including attending employment fairs and offering training programs for the most promising young talent.

## Healthcare Awareness

The Group raises healthcare awareness across Riyadh with a variety of initiatives planned throughout the year. Mainly, Al Hammadi produces informed publications on the prevalence of NCDs, their risks, and the lifestyle choices associated with their spread across the Kingdom. These diseases include obesity, diabetes, hypertension, among many others. The Group also provides





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# **Governance Report**

# Governance Report

## Introduction

### a. Corporate Governance

Al Hammadi Holding implements its own internal corporate governance framework, including all of the framework's articles that were approved by the Company's General Assembly of Shareholders on 26/12/2017. Al Hammadi regards the compliance with its corporate governance framework as a core contributor to the Company's success, as the framework seeks to enhance and regulate the Company's financial and operational performance, as well as safeguard the rights of all its shareholders. The framework also facilitates the presentation and disclosure of the Company's financial results accurately and transparently through the implementation of the below:

- Managing the Company with the purpose of increasing its value and setting in place a system of accountability
- Implementing an effective supervisory role in cooperation with executives in order to achieve the interests of the Company and its shareholders, including minor investors, and working toward increasing shareholders' rights in an appropriate manner
- Disclosing information with complete transparency and setting in place effective internal controls and risk management systems
- The Company confirms that every shareholder has all the rights related to the Company's shares, which include:
  - The right to receive a share of the profits that are to be distributed
  - The right to receive a share of the Company's assets in the event of liquidation
  - The right to attend shareholder meetings, participate in their deliberations, and vote on their outcomes.
  - The right to manage their shares
  - The right to oversee the Board of Directors' operations and hold Board Members accountable
  - The right to inquire about and ask for information as long as this does not harm the Company's interests and does not conflict with the Capital Markets Authority's laws and regulations

### b. Corporate Governance Policies

The Company's corporate governance framework consists of the following policies:

- Corporate Governance Policy
- General Assembly of Shareholders Policy
- Board of Directors Policy
- Audit Committee Policy
- Nomination and Remuneration Committee Policy
- Transparency and Disclosure Policy
- Internal Audit Policy
- Risk Management Policy
- Dividend Distribution Policy
- Stakeholder Engagement Policy
- Conflict of Interest Policy

## 1. Implementation of Provisions of CGR

The Company fully complies with all of the laws listed in the Capital Markets Authority's corporate governance laws and regulations, except for the below:

Article / Paragraph Number	Article / Paragraph Stipulation	Reasons for Non-Implementation
32/B	The Board of Directors is to hold a minimum of four meeting per year and no less than one meeting every three months	Guiding article This article is in contradiction with Article (24) of the Company's Articles of Association.
38	Determining the necessary requirements that need to be met by the Company's Board Secretary	Guiding article The Secretary is appointed according to Article (23) of the Company's Articles of Association.
39	Provide training for Board Members and Executive Managers	Guiding article
41	Provide training for Board Members and Executive Managers	Guiding article
66/B	The number of candidates for a seat on the Board of Directors	Guiding article
70	Formation of a Risk Management Committee	Guiding article The Company conducts regular reviews to its risk management policies to ensure the implementation of its various policies and programs, with the purpose of minimizing the potential risks that the Company could face. The Company's senior management also ensures that the risk management operations and systems are effectively implemented throughout the Company.
71	Risk Management Committee Responsibilities	
72	Risk Management Committee Meetings	
74/A	The establishment of an independent unit or department to assess and manage risks	The Company is currently looking for suitable candidates with appropriate compensations to establish this unit as soon as possible, taking into consideration the comments mentioned on the above articles.
89/3	The Company's website shall include all information that should be disclosed, as well as any data or other information published through other means of disclosure	Guiding article The Company currently discloses any information or data required to be disclosed according to the rules, regulations, and manner specified by the Capital Markets Authority.
95	The formation of a Corporate Governance Committee	Guiding article The Company develops its corporate governance rules, monitors their implementation, and amends them when needed.



## 2. Board of Directors, Committees, and Executive Management

### a. Board of Directors Responsibilities

The Company's Board of Directors represents all of the Company's shareholders and must exercise the highest levels of care and loyalty when managing the Company, working toward protecting its interests, developing its operations, and maximizing its value.

- I. Developing the Company's strategies, plans, and main objectives while supervising their implementation and reviewing them on a regular basis, as well as ensuring the availability of all the necessary human and financial resources.
- II. Setting in place and supervising the Company's internal control systems and regulations.
- III. Preparing clear and specific policies, standards, and procedures for membership in the Board of Directors, in a manner that does not conflict with the mandatory provisions of the Governance Regulations issued by the Capital Market Authority, and putting them into effect after being approved by the General Assembly.
- IV. Developing a written policy that regulates relationships with stakeholders.
- V. Developing policies and procedures that ensure the Company's compliance with laws and regulations, as well as its commitment to disclosing material information to shareholders and stakeholders, while verifying that the Company's executive management adheres to these policies.
- VI. Overseeing the Company's financial management, its cash flows, and its financial and credit relationships with third parties.
- VII. Ensuring the accuracy and integrity of the data being disclosed in accordance with the policies of disclosure and transparency being enforced.
- VIII. Establishing effective communication channels that allow shareholders to have continuous and periodic access to the various aspects of the Company's activities and material events.

### b. Executive Management Responsibilities

- I. Implementing the internal policies and procedures set forth by the Board of Directors.
- II. Suggesting a company-wide, comprehensive strategy that includes general and specific action plans, policies, and mechanisms for investment, financing, risk management, and management of administrative emergencies, while ensuring their implementation.
- III. Suggesting the ideal capital structure for the Company and its financial goals.
- IV. Implementing and supervising internal controls systems.
- V. Suggesting the Company's organizational and employment structure and presenting it to the Board for approval.
- VI. Effectively implementing the Company's governance policies and suggesting amendments when necessary.
- VII. Implementing the policies and procedures that ensure the Company's compliance with laws and regulations, as well as its commitment to the disclosure of material information to shareholders and stakeholders.
- VIII. Managing the Company's daily operations and activities, as well as managing resources in an efficient manner in line with the Company's goals and strategies.

### c. Board of Directors Biographies

<b>Name</b>	Mr. Saleh Mohammed Hamad Al Hammadi
<b>Current Position</b>	Chairman of the Board of Directors of Al Hammadi Holding Company
<b>Nationality</b>	Saudi
<b>Appointment Date</b>	22/06/2022
<b>Qualifications</b>	High School Degree
<b>Experience</b>	Chairman of Al Hammadi Holding Company Chairman of Aziz Company for Contracting and Industrial Investment

<b>Name</b>	Dr. Abdulaziz Mohammed Hamad Al Hammadi
<b>Current Position</b>	Vice-Chairman of the Board of Directors of Al Hammadi Holding Company
<b>Nationality</b>	Saudi
<b>Appointment Date</b>	22/06/2022
<b>Qualifications</b>	Bachelor's Degree in Medicine from Faculty of Medicine Kasr Al Ainy – Cairo
<b>Experience</b>	Riyadh Central Hospital / Ministry of Health 1979–1982 Vice-Chairman of Al Hammadi Holding Company

<b>Name</b>	Mr. Mohammed Saleh Mohammed Al Hammadi
<b>Current Position</b>	Managing Director and CEO of Al Hammadi Holding Company
<b>Nationality</b>	Saudi
<b>Appointment Date</b>	22/06/2022
<b>Qualifications</b>	Bachelor's Degree in Management from Weber State University – USA – 1996 Bachelor's Degree in Marketing from Weber State University – USA – 1996
<b>Experience</b>	Chairman of Al Baha Investment and Development Company Chairman of Saudi Automotive Services (SASCO) 2006–2009 Member of the Board of Directors at Saudi Chemical 2007 – 2009

<b>Name</b>	Dr. Abdulaziz Saleh Mohammed Al Hammadi
<b>Current Position</b>	Member of the Board of Directors and COO of Al Hammadi Holding Company
<b>Nationality</b>	Saudi
<b>Appointment Date</b>	22/06/2022
<b>Qualifications</b>	Bachelor's Degree in Medicine and General Surgery – Al Azhar University
<b>Experience</b>	King Khaled University Hospital King Saud University Chest Diseases Hospital

<b>Name</b>	Mr. Saad Abdulmuhssin Alhamidi
<b>Current Position</b>	General Manager of Al-Zaman Al-Mutatawur Company
<b>Nationality</b>	Saudi
<b>Appointment Date</b>	22/06/2022
<b>Qualifications</b>	Bachelor's Degree in Accounting from University of Northern Colorado
<b>Experience</b>	General Manager of Al-Zaman Al-Mutatawur Company 2014–to date Chief Compliance Officer and Board Secretary at Aman Cooperative Insurance 2009–2014 Assistant Head of Risk Department at Ernst and Young 2007–2009 Credit Officer at Al Rajhi Bank 2006–2007 External Auditor at PWC 2005–2006

<b>Name</b>	Mr. Aziz Muhammed Algahtani
<b>Current Position</b>	Financial Accounting Advisory
<b>Nationality</b>	Saudi
<b>Appointment Date</b>	22/06/2022
<b>Qualifications</b>	Master's Degree in Accounting from King Fahd University of Petroleum and Minerals, 2000 Bachelor's Degree in Accounting from King Fahd University of Petroleum and Minerals, 1994
<b>Experience</b>	Financial Accounting Advisory Financial and Administrative Advisor at Takamol Holding Chief Audit Executive at Saudi Technology Development and Investment Company (TAQNIA) Chief Audit Executive at Petroleum, Chemicals & Mining Company (PCMC) CFO at Business Triangle Company Group Chief Audit Executive at Saudi Research and Marketing Company Chief Audit Executive at National Agriculture Development Company (Nadec) Internal Audit Manager at Saudi Telecom Company (STC) Internal Auditor at Saudi Arabian Oil Company (Saudi Aramco)

<b>Name</b>	Dr. Nasser Hamd Mohammed Binsaif
<b>Current Position</b>	Assistant Professor – Saudi Electronic University
<b>Nationality</b>	Saudi
<b>Appointment Date</b>	22/06/2022
<b>Qualifications</b>	Bachelor's Degree in Accounting from King Saud University, 1999 Master's Degree in Management with an accounting major from Johnson & Wales University – USA – 2009 PHD in Business Information Systems – Cork College – Republic of Ireland, 2018
<b>Experience</b>	Faculty Member at Saudi Electronic University Alsalam Aerospace Industries, 2001–2006 Faculty Member at Prince Sultan University, 1999 –2000

<b>Name</b>	Dr. Ahmed Ibraheem M Alsagheir
<b>Current Position</b>	CEO of Madinah Health Cluster
<b>Nationality</b>	Saudi
<b>Appointment Date</b>	22/06/2022
<b>Qualifications</b>	Bachelor's Degree in Medicine and Surgery from King Saud University, 1996 Canadian American Fellowship in Proctology from University of Manitoba – Canada, 2001 Canadian American Fellowship in Hematology from McMaster University – Canada, 2003 Canadian American Fellowship in Oncology from McMaster University – Canada, 2005 Executive Master's Degree in Health Management from University of Alabama – USA, 2013
<b>Experience</b>	CEO of Madinah Health Cluster 2022–to date Research Team Leader and Manager of Hematopoietic stem cell transplantation at Johns Hopkins Aramco Healthcare, 2016–2022 General Manager of the General Directorate of Health Affairs of Madinah Faculty Member at King Saud University School of Medicine, 1997 – 2001

<b>Name</b>	Mr. Fahad Suliman Alnuhait
<b>Current Position</b>	Head of Industrial Investments and Funding – NEOM
<b>Nationality</b>	Saudi
<b>Appointment Date</b>	22/06/2022
<b>Qualifications</b>	Bachelor's Degree in Business Administration from King Saud University, 2003 Master's Degree in Finance from Newcastle University, 2009 Chartered Financial Analyst (CFA), 2017 Executive Program for Leadership from Harvard Business School, 2018
<b>Experience</b>	Head of Industrial Investments and Funding at NEOM 2019–to date Director of Investments for Emerging Sectors at Dussur, 2017–2019 Head of Investments at TAIC, 2014–2017 Board Member at IFC MENA Fund, 2014–2017 Board Member at MEFIC Capital, 2013–2015 Investment Manager at TAIC, 2010–2014

#### d. Executive Management Biographies

<b>Name</b>	Mr. Mohammed Saleh Mohammed Al Hammadi
<b>Current Position</b>	Managing Director and CEO of Al Hammadi Holding Company
<b>Qualifications</b>	Bachelor's Degree in Management from Weber State University – USA, 1996 Bachelor's Degree in Marketing from Weber State University – USA, 1996
<b>Experience</b>	Chairman of Al Baha Investment and Development Company Chairman of Saudi Automotive Services (SASCO), 2006–2009 Member of the Board of Directors at Saudi Chemical, 2007–2009

<b>Name</b>	Dr. Abdulaziz Saleh Mohammed Al Hammadi
<b>Current Position</b>	Member of the Board of Directors and COO of Al Hammadi Holding Company
<b>Qualifications</b>	Bachelor's degree in Medicine and General Surgery – Al Azhar University
<b>Experience</b>	King Khaled University Hospital King Saud University Chest Diseases Hospital

<b>Name</b>	Mr. Mohammed Saeed Al Saafeen
<b>Current Position</b>	Chief Financial Officer of Al Hammadi Company
<b>Qualifications</b>	Bachelor's degree of Administrative Sciences, major in Accounting and minor in Financial & Banking Services – Yarmouk University Master of Business Administration (MBA) in Finance – University of Jordan
<b>Experience</b>	Financial Reporting and Budgeting Manager – Abdullatif Alissa Group Financial Manager – Zahran Operations & Maintenance Co. Financial Manager – Golden Group Co.

<b>Name</b>	Dr. Reema Al Hammadi
<b>Current Position</b>	Chief Medical Officer of Al Hammadi Company
<b>Qualifications</b>	MBBS Degree – King Saud University
<b>Experience</b>	Board Member at the Royal Commission for Riyadh City Board Member at King Abdullah bin Abdulaziz University Hospital

<b>Name</b>	Mr. Wahid Raafat Mohamed
<b>Current Position</b>	Chief Audit Executive of Al Hammadi Company
<b>Qualifications</b>	Bachelor's degree in Commerce, major in Accounting – Alexandria University Certified Public Accountant (CPA) – American Institute of Certified Public Accountants
<b>Experience</b>	Senior Manager of Assurance Services – PwC, KSA Senior Auditor for External Audit Services – KPMG, Egypt

<b>Name</b>	Dr. Safug Al Koraisi
<b>Current Position</b>	Head of Intensive Care Units of Al Hammadi Company
<b>Qualifications</b>	MBBS Degree – King Saud University
<b>Experience</b>	Security Forces Hospital Program Saudi Council of Health Specialties Saudi Critical Care Society

<b>Name</b>	Mr. Majid Al Nahdi
<b>Current Position</b>	Human Resources Manager of Al Hammadi Company
<b>Qualifications</b>	Bachelor's degree in Business Administration – King Saud University
<b>Experience</b>	General Manager – Real Estate Company

<b>Name</b>	Ms. Kamar Khalifa
<b>Current Position</b>	Quality Manager of Al Hammadi Company
<b>Qualifications</b>	Bachelor's degree in Information Technology & Computing Certified Professional in Patient Safety (CPHQ) Certified Risk Management Professional (CRMP)
<b>Experience</b>	Maintenance and evaluation of hospital quality management, risk management, and patient safety

<b>Name</b>	Dr. Emad Bukhari
<b>Current Position</b>	Medical Director of Al Nuzha Hospital
<b>Qualifications</b>	MBBC FRCC Harvard Fellowship
<b>Experience</b>	Imam University Saudi Heart Association American Heart Association

<b>Name</b>	Dr. Daifallah Al Nakhli
<b>Current Position</b>	Medical Director of Al Suwaidi Hospital Head of Infection Control of Al Hammadi Company
<b>Qualifications</b>	MBBS – King Khalid University Fellowship in Infectious Diseases – McMaster University Fellowship in Infection Control and Clinical Epidemiology – McMaster University
<b>Experience</b>	Gulf Cooperation Center of Infection Control Advisory Board National Infection Control Committee Infection Control Committee at the General Directorate of Health Services – Ministry of Defense

### 3. Membership of Board Members in the Board of Directors of Other Companies

Number	Name	Company Name	Location	Legal Entity	Current / Previous
1	Mr. Saleh Mohammed Hamad Al Hammadi	Aziz Company for Contracting and Industrial Investment	KSA	Closed Joint Stock	Current
2	Dr. Abdulaziz Mohammed Hamad Al Hammadi	Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO)	KSA	Listed Joint Stock	Previous
3	Mr. Mohammed Saleh Mohammed Al Hammadi	East Pipes Integrated	KSA	Listed Joint Stock	Current
		Al Baha Investment and Development Company		Listed Joint Stock	Current
		Aziz Company for Contracting and Industrial Investment		Closed Joint Stock	Current
		Sudair Pharma Company (SPC)		Limited Liability Company	Current
		Al Khebra Investments		Closed Joint Stock	Current
		SASCO		Listed Joint Stock	Previous
4	Dr. Abdulaziz Saleh Mohammed Al Hammadi	Al Baha Investment and Development Company	KSA	Listed Joint Stock	Current
		Al Khebra Investments		Closed Joint Stock	Current
		Sudair Pharma Company (SPC)		Limited Liability Company	Current
		Aziz Company for Contracting and Industrial Investment		Closed Joint Stock	Previous
5	Mr. Aziz Muhammed Algahtani	Alujain	KSA	Listed Joint Stock	Current
		Thimar Development Holding		Listed Joint Stock	Current
		Basic Chemical Industries (BCI)		Listed Joint Stock	Current
		Nayifat		Listed Joint Stock	Current
		Almaktaba		Closed Joint Stock	Current
		Al-Shalawi International Co.		Closed Joint Stock	Current
		Trading & Contracting		Closed Joint Stock	Current
		Mansour Rabia Medical Co		Closed Joint Stock	Current
		Al Zamil		Closed Joint Stock	Current
		Arcelor Mittal		Closed Joint Stock	Current
		Medical Care Company		Closed Joint Stock	Current
		Malaz Capital		Closed Joint Stock	Current
		Raya Financing Company		Closed Joint Stock	Current
		Mshari Al-Shathri Engineering Consulting Company		Closed Joint Stock	Current

Number	Name	Company Name	Location	Legal Entity	Current / Previous
5	Mr. Aziz Muhammed Algahtani	Sudair Pharma Company (SPC)	KSA	Closed Joint Stock	Current
		Mouwasat Medical Services		Listed Joint Stock	Previous
		MESC		Listed Joint Stock	Previous
		Saudi Real Estate		Listed Joint Stock	Previous
		Jazan Energy		Listed Joint Stock	Previous
6	Mr. Saad Abdulmuhssin Al Hamidi	Al Baha Investment and Development Company	KSA	Listed Joint Stock	Current
		Nayifat		Listed Joint Stock	Current
		Al-Zaman Al-Mutatawur Company		Limited Liability Company	Current
7	Mr. Fahad Suliman Alnuhait	Saudi Jordanian Investment Fund Co. (PSC)	Jordan	Public Joint Stock	Current
		Saudi Coffee Company	KSA	Closed Joint Stock	Current
		Bedaya	KSA	Closed Joint Stock	Previous
		Member of the IFC's Advisory Committee for Investments in the Middle East and Africa	KSA	Closed Joint Stock	Previous
		MEFIC Capital	KSA	Closed Joint Stock	Previous
		Incolase	KSA	Closed Joint Stock	Previous
		Egyptian Polypropylene and Polypropylene (EPP)	Egypt	Closed Joint Stock	Previous
8	Dr. Nasser Hamd Mohammed Binsaif	-	-	-	-
9	Dr. Ahmed Ibraheem M Alsagheir	Sudair Pharma Company (SPC)	KSA	Limited Liability Company	Current
		Blood and Cancer Center		Closed Joint Stock	Current

## 4. Board of Directors

The Company is managed by a Board of Directors consisting of nine (9) members appointed by the General Assembly of Shareholders for a term not exceeding three (3) years, in accordance with Article (18) of the Company's Articles of Association and in accordance with Article (17) of the Corporate Governance Regulations issued by the Capital Market Authority (CMA).

The current members of the Board of Directors and their positions are as follows:

Name	Role	Nature of Membership	Appointment Date
Mr. Saleh Mohammed Hamad Al Hammadi	Chairman	Non-executive	22/06/2022
Dr. Abdulaziz Mohammed Hamad Al Hammadi	Vice-Chairman	Non-executive	22/06/2022
Mr. Mohammed Saleh Mohammed Al Hammadi	Managing Director and CEO	Executive	22/06/2022
Dr. Abdulaziz Saleh Mohammed Al Hammadi	Member	Executive	22/06/2022
Mr. Aziz Muhammed Algahtani	Member	Independent	22/06/2022
Mr. Fahad Suliman Alnuhait	Member	Independent	22/06/2022
Mr. Saad Abdulmuhssin Alhamidi	Member	Independent	22/06/2022
Dr. Nasser Hamd Mohammed Binsaif	Member	Independent	22/06/2022
Dr. Ahmed Ibraheem M Alsagheir	Member	Independent	22/06/2022
Dr. Sami Abdullah Dakhel Allah Al-Saeed*	Member	Independent	22/06/2019
Dr. Abdul Aziz Saleh Abdul Rahman Abdullah Al-Faryan*	Member	Independent	22/06/2019

\* Membership ended on 21/06/2022

## 5. Measures Taken by the Board of Directors to Record and Process Shareholders' Suggestions and Comments

The Board has formed a Shareholders Affairs Department that is responsible for recording, processing, and answering any inquiries that shareholders might have about their shareholding in the Company. The Department is accessible through the following numbers: (Phone: 2329999-011, Fax: 2319999-011).

## 6. Board of Directors' Committees

To ensure the optimal performance of the Company, the Board of Directors has established the Audit Committee and the Nomination and Remuneration Committee. The Board has detailed a set of rules that govern the roles and responsibilities of each committee, which have been approved in accordance with Article (17) of the Company's Articles of Association for a period of three years. The membership of each committee ends in accordance with Article (19), which stipulates that a committee member's membership ends with the expiry of their membership on the Board of Directors, the member's resignation, the member's death, or if the member declares their bankruptcy or insolvency, has applied for a debt settlement with their creditors, or has stopped paying their financial liabilities. Each committee submits its reports and suggestions to the Board of Directors. The Board conducts an annual review of the laws governing the committees based on the recommendations of the committees in accordance with the Audit Committee's charter, the Nomination and Remuneration Committee's charter, and the Company's Corporate Governance framework, which was approved in the Ordinary General Assembly dated 26/12/2017. The aforementioned is available for any shareholder to access at the Company's headquarters.

### I. Audit Committee

The Audit Committee comprises three members. In order to ensure neutrality, the Audit Committee comprises one member from outside the Board of Directors and two independent Board Members. The following table shows the members of the Audit Committee:

Name	Nature of Board Membership	Committee Position
Mr. Aziz Muhammed Algahtani	Independent Board Member	Committee Chairman
Dr. Nasser Hamd Mohammed Binsaif	Independent Board Member	Committee Member
Ms. Lama Abdulaziz Al Hammadi	Non-Board Member	Committee Member

#### Committee Roles and Responsibilities:

The roles and responsibilities of the Audit Committee include, but are not limited to, the following:

##### i. Financial Reports

- Analyzing the Company's interim and annual financial statements before presenting them to the Board and providing opinions and recommendations thereon to ensure their integrity, fairness, and transparency.
- Providing its technical opinion, at the request of the Board, regarding whether the Board's report and Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy.
- Reviewing any critical or unfamiliar issues that arise within the financial reports.
- Accurately investigating any issues raised by the Company's Chief Financial Officer (or any person assuming such duties), compliance officer, or external auditor.
- Reviewing estimates in respect to significant matters that are contained in the financial reports.
- Reviewing accounting policies followed by the Group and providing its opinion and recommendations to the Board thereon.



##### ii. Internal Audit

- Examining and reviewing the Company's internal and financial control systems and its risk management system.
- Analyzing internal audit reports and following up on the implementation of corrective measures with respect to remarks made in such reports.
- Supervising the Company's Internal Audit Department to ensure its effectiveness in executing the activities and duties specified by the Board.
- Providing a recommendation to the Board on appointing the Head of the Company's Internal Audit Department and giving suggestions regarding their remuneration, benefits, and assessment of performance.

##### iii. Compliance

- Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith.
- Ensuring compliance with relevant laws, regulations, policies, and instructions.
- Reviewing the proposed contracts and related-party transactions and providing recommendations to the Board in connection therewith.
- Raising any issues it deems necessary to the Board of Directors in order to take action, while providing its recommendations.

##### iv. External Auditor

- Recommending to the Board the appointment, dismissal, and remuneration of external auditors, after confirming their independence and reviewing their scope of work and contractual terms.
- Verifying the independence of the external auditors, their objectivity, and fairness and the effectiveness of the audit activity, taking into account the relevant rules and standards.
- Supervising and assessing the plan and activities of the external auditors, ensuring that the auditor does not provide any technical or administrative work beyond their scope, and recommending to the Board the approval or denial of any activity beyond the scope of the audit work assigned to the external auditors during the performance of their duties.
- Responding to queries from the Group's external auditors.
- Reviewing the external auditors' reports and their comments on the financial statements and following up the actions taken about them.



The following table contains the dates and member attendance information for the nine Audit Committee meetings that were held during 2022:

Name	21/03/2022	18/05/2022	23/06/2022	28/06/2022	21/08/2022	14/09/2022	09/10/2022	01/11/2022	26/12/2022	Total
Mr. Aziz Muhammed Algahtani	√	√	√	√	√	√	√	√	√	9
Dr. Abdul Aziz Abdul Rahman Al-Faryan*	√	√	×	×	×	×	×	×	×	2
Dr. Nasser Hamd Mohammed Binsaif	√	√	√	√	√	√	√	√	√	9
Ms. Lama Abdulaziz Al Hammadi**	×	×	√	√	√	√	√	√	√	7

\* Membership expired on 21/06/2022

\*\* Membership began on 22/06/2022

## II. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for reviewing the composition of the Board of Directors, submitting recommendations regarding the changes that can be made, and setting the remuneration and incentive policies for the Board of Directors and the Senior Executive Management, which aim to enhance productivity. The Committee also evaluates the efforts of each Board member and Executive Manager in applying the Company's strategy.

The Committee comprises three independent Board members. The Committee held two meetings during 2022, which were attended by all members.

Name	Nature of Board Membership	Committee Position
Mr. Saad Abdulmuhssin Alhamidi	Independent Board Member	Committee Chairman
Mr. Fahad Suliman Alnuhait	Independent Board Member	Committee Member
Mr. Ibrahim Saleh Al-Dakheel*	Non-Board Member	Committee Member

The following table shows committee member attendance:

Name	24/03/2022	02/11/2022
Mr. Saad Abdulmuhssin Alhamidi	√	√
Mr. Fahad Suliman Alnuhait	√	√
Mr. Ibrahim Saleh Al-Dakheel	×	√
Dr. Sami Al-Saeed**	√	×

### Committee Roles and Responsibilities:

The roles and responsibilities of the Audit Committee include, but are not limited to, the following:

- Establishing clear policies and standards for Board membership, Executive Management, and Board Committees, presenting them to the Board of Directors for review and approval by the General Assembly of Shareholders. These policies should take into consideration performance-related factors and should be disclosed. The Committee is responsible for making sure that these policies are executed.
- Clarifying the relation between the paid remunerations and the adopted remuneration policy and highlighting any material deviation from that policy.
- Reviewing the remuneration policy periodically and assessing its effectiveness in achieving its objectives.
- Providing recommendations to the Board in respect of the remunerations of its members, the committees' members, and senior executives, in accordance with approved policy.
- Recommending clear policies and standards for Board membership and Executive Management.
- Providing recommendations to the Board for the nomination and re-nomination of its members in accordance with approved policies and standards, taking into account that nominations shall not include any person convicted of a crime involving moral turpitude or dishonesty.
- Determining the qualifications necessary for Board Membership and Executive Management positions.
- Determining the time a Board member should allocate to the work of the Board.
- Producing an annual review of membership requirements for the Board and Executive Management and preparing a description of the required remuneration capabilities and qualifications for such membership.
- Reviewing the structure and composition of the Board, Board committees, and the Company's executive management, and providing recommendations regarding changes.
- Ensuring, on an annual basis, the independence of independent directors and ensuring the absence of any conflicts of interest if a Board Member also acts as a member of the Board of another company.
- Providing job descriptions for executive, non-executive, and independent Board Members and Senior Executive Management.
- Setting procedures to be followed if the position of a member of the Board or a senior executive becomes vacant.
- Determining the strengths and weaknesses of the Board of Directors and recommending solutions to the weaknesses in line with the interests of the Company.

\* Membership began on 22/06/2022

\*\* Membership expired on 21/06/2022



## Committee Members Compensation:

### I. Audit Committee

Name	Fixed Compensation, Excluding Committee Meeting Attendance Compensation	Committee Attendance Compensation	Total
Aziz Muhammed Algahtani	100,000	45,000	145,000
Nasser Hamd Mohammed Binsaif	100,000	45,000	145,000
Lama Abdulaziz Al Hammadi	77,778	35,000	112,778

### II. Nomination and Remuneration Committee

Name	Fixed Compensation, Excluding Committee Meeting Attendance Compensation	Committee Attendance Compensation	Total
Fahad Suliman Alnuhait	50,000	10,000	60,000
Saad Abdulmuhssin Alhamidi	50,000	10,000	60,000
Ibrahim Saleh Al-Dekheel	50,000	10,000	60,000

## 8. Fines and Penalties

The following table shows all penalties and fines imposed on the Company during FY 2022:

Penalty / Fine Precautionary Measure / Precautionary Restriction	Reason for Penalty	Penalizing Authority	Treatment
N/A	N/A	N/A	N/A

## 9. Opinion of the Company's External Auditor on the Annual Financial Statements

According to what was stated in the report of the external auditor of the Company, Messrs. / Dr. Mohamed Al-Amri and Co. BDO, which stated the outcome of the audit after auditing the consolidated annual financial statements of the Group for the fiscal year ended on 31 December 2022 AD, as follows:

The consolidated financial statements of the Group present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 AD, 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 standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

## 10. Qualifications of the Company's External Auditor on the Annual Financial Statements

The external auditor, Messrs. Dr. Mohamed Al-Amri and Co. BDO, does not have any qualifications on the annual consolidated financial statements of the Group for the fiscal year ended on 31 December 2022.

## 11. Internal Audit

### a. Internal Audit Department

Internal audit is an objective and independent assurance and advisory activity with the purpose of improving the Company's operations and adding value to them. Internal audit helps the Company achieve its objectives by providing a regular input to evaluate and improve the effectiveness of risk management, internal control, and processes involved in the Company's controls performance. The Company's Internal Audit department has carried out many periodic and special audits, focusing on high-risk activities and functions, to improve the efficiency and effectiveness of the Company's operations, noting that the necessary measures have been taken to follow up most of the observations included in the internal audit reports in order to verify that the necessary corrective measures have been taken.

### b. The Company's Internal Control Effectiveness Annual Review Results

The internal control system aims to ensure effective and efficient achievement of the Company's objectives, compliance with laws, regulations, and policies, as well as the management of potential risks. The Company's management is responsible for setting up a comprehensive and effective control system commensurate with the level of risks that the Company may be exposed to. The Audit Committee continuously reviews the periodic reports prepared by the internal and external auditors and the Company's various departments related to internal control. Based on what was reached by the results of the annual reviews, the Audit Committee would like to point out that it did not find material issues that could be mentioned in this report. We also point out that there is continuous communication between the Audit Committee and the executive management of the Company regarding the periodic follow-up to assess and review the control system to ensure the achievement of internal control objectives by improving the efficiency of operations and their effectiveness while adhering to the relevant laws and regulations.

## 12. Corporate Social Responsibility

The Company's CSR strategy is outlined on pages 46 to 47 of this report.

## 13. General Assembly Meetings

General Assembly Attendance Registry for FY 2022:

Name	Position	EGM Dated 20/06/2022
Mr. Saleh Mohammed Hamad Al Hammadi	Chairman	√
Dr. Abdulaziz Mohammed Hamad Al Hammadi	Vice-Chairman	√
Mr. Mohammed Saleh Mohammed Al Hammadi	Managing Director and CEO	√
Dr. Abdulaziz Saleh Mohammed Al Hammadi	Chief Operating Officer	√
Dr. Sami Abdullah Dakhel Allah Al-Saeed*	Board Member	×
Dr. Abdul Aziz Saleh Abdul Rahman Abdullah Al-Faryan*	Board Member	√
Mr. Aziz Muhammed Algahtani	Board Member	√
Mr. Fahad Suliman Alnuhait	Board Member	√
Mr. Saad Abdulmuhssin Alhamidi	Board Member	√

## 14. The Group, its Subsidiaries, and its Associates

### a. The Main Business Activities of the Group (The Company, its Subsidiaries, and its Associates)

The Company provides medical services to patients at its hospitals that are spread out across Riyadh and have a bed capacity of 1,028 beds. The Company's main business activities are managing and operating hospitals and medical facilities, as well as providing healthcare services across all fields of medicine.

### b. Subsidiaries

- I. Medical Support Services Company: On 31 January 2018, Al Hammadi Holding Company purchased the stakes of all associates in Medical Support Services Company, which specializes in providing hospitals and medical centers with logistical medical and non-medical services, such as communication medicine, providing medical and non-medical maintenance services, subsistence and hygiene, buying and selling medicines and medical supplies, and outsourced marketing.
- II. Pharmaceutical Services Company "Pharma Serve": On 31 January 2018, Al Hammadi Holding Company purchased the stakes of all associates in Pharma Serve Company, which specializes in wholesale and retail trade of medicine and medical supplies and equipment.

### c. Associates

- I. Sudair Pharmaceuticals Company: Al Hammadi Holding purchased a 35% stake in Sudair Pharmaceuticals Company, which specializes in the manufacturing of cancer medication. The cancer medication manufacturing plant represents the first phase of Sudair's factories complex, which is the largest project specialized in manufacturing cancer medication within the Kingdom.

## 15. Main Transactions, Investments, and Events

- a. On 29 March 2022, Al Hammadi Holding announced the purchase of a 19,202-meter squared plot of land in the Al Nargis area on Abu Bakr Al Seddiq road, North of King Salman Road in Riyadh, for a total amount of SAR 115,600,133, not including taxes, for the purpose of building a hospital.
- b. On 21 June 2022, Al Hammadi Holding announced the results of its Extraordinary General Assembly, which included the approval to increase the Company's capital from SAR 1.2 billion to SAR 1.6 billion, through capitalizing retained earnings and a portion of the Company's statutory reserve with an amount of SAR 400 million. Each shareholder received one share for each three shares owned in the Company. This comes following the approval of the Capital Markets Authority and the Tadawul.

\* Membership ended on 21 June 2022.

## 16. Potential Risks Faced by the Company

### a. Risk Related to Activities and Operations – Including, but Not Limited to:

#### i. The rapid development in medical devices and technologies and the need to update them periodically

The health sector is characterized by rapid progress in medical devices and equipment and technical developments, so the Company must constantly update its devices despite their increasing cost in order to be able to provide the best possible service to its customers.

#### ii. High costs for attracting doctors, nursing staff, and medical personnel

Attracting and employing qualified medical and nursing staff to work in the group is among the difficulties it faces due to the limited number of medical personnel available in the Saudi market. Therefore, the failure of the Company to attract and employ the best medical competencies in terms of reputation, expertise, and experience to work in the Company's hospitals will affect the operational process and its achievement of occupational and financial goals.

#### iii. Medical errors

The Company is exposed to medical errors that may be committed by its medical staff, and therefore, the Company cannot guarantee that such errors will not occur by its medical staff in the future despite its continuous procedures in monitoring the quality of the medical services provided.

Accordingly, the Company is obligated, according to Article (41) of the Law on the Practice of Health Services, to bear the financial compensation that must be paid to the affected patient as a result of the medical error committed by one of its health practitioners' affiliates, and it is also possible that the Company will not succeed in proving the basis of its claim to the insurance company for any reason. This could negatively affect the Company and its financial position.

#### iv. Price competition and the maintenance of contractual relationships

Competition has become increasingly important, as there are numerous service providers within the market. The Company strives to acquire the largest segment of customers by providing distinctive medical and treatment services that are not available to others and achieving a degree of competitive advantage and distinction over its competitors in order to achieve the highest levels of return.

#### v. Cost and location of new projects

The real and final cost of these projects is considered to be more than the cost estimated by the Company according to the studies that have been approved in this regard, and if the actual cost exceeds the estimated cost, the Company may have to resort to obtaining new financing to cover this increase, which leads to the Company incurring additional financing costs and could potentially impact profits.

## b. Healthcare Sector Risks – Healthcare Provision

### i. Cost and Location of New Projects

- The competitive environment in general with regards to the services provided and how it compares to those of other providers.
- The restructuring of the Saudi healthcare market.
- Saudization, as the group exerts significant effort in implementing the minimum percentage determined by the Ministry of Labor despite the lack of national health cadres in the healthcare field.

### c. Risks Related to Common Stock

The distribution of dividends, or lack thereof, which depends on the financial position of the Group, in addition to other factors that enable the Group to distribute dividends, which might not be available.

## 17. Summary of Assets, Liabilities, and Business Results (SAR millions)

### a. Business Results for the Past Five Years

The following table shows a summary of the Company's profit and loss statement for the fiscal year ending 31 December 2022 and the previous four years:

Item / Year	2018	2019	2020	2021	2022
Net Revenues	894	974	992	952	1,122
Gross Profit	250	283	352	364	416
Operating Profit	138	147	176	131	292
Profit Before Zakat	105	109	151	118	274
Net Profit	90	93	131	90	257

As per the above table, the Group's revenues have grown steadily throughout the past years in line with the Group's expansion strategy of establishing new hospitals and acquiring companies that complement the Group's operations.

The Company recorded net profit for 2022 of SAR 257 million, increasing 185.65% from the previous year. Net profit increases for the year were driven by increases in revenues, which expanded 17.91% y-o-y supported by solid expansions at both the Company's medical services and pharmaceuticals segments. Growth at Al Hammadi's medical services segment resulted from rising inpatient and outpatient volumes during 2022. Additionally, a 64.82% decrease in expected credit loss provision compared to last year also contributed to increased net profit. The decrease in expected credit loss provision reflects the update of data related to the amounts expected to be recovered and used in the model for calculating expected credit losses in accordance with the requirements of IFRS No. (9).

### b. Performance Summary for the Group's Main Business Activity (The Company and its Subsidiaries)

Company Revenue (SAR million)	2021	Percentage of Total Revenues	2022	Percentage of Total Revenues
Medical Services	738	78%	870	78%
Pharmacies and Medicine	214	22%	252	22%
<b>Total</b>	<b>952</b>	<b>100%</b>	<b>1,122</b>	<b>100%</b>

Company Revenue (SAR million)	2021	Percentage of Total Revenues	2022	Percentage of Total Revenues
Medical and Pharmaceutical Equipment	57	6%	62	6%

The Group's net revenues for 2022 stood at SAR 1,122 million versus SAR 952 million in 2021, a y-o-y increase of SAR 170 million or 18%. This comes on the back of increased operating efficiency at Al Hammadi Al Nuzha Hospital and Al Suwaidi Hospital following higher admissions to the Hypnosis Department and increased outpatient pharmacy visits. Net revenues at Al Hammadi Olaya Hospital, which is listed under non-recurring operations in the Group's financial reports for 2021, reached SAR 132 million, noting that the Company's operations were discontinued in the third quarter of 2021 in order to build a new hospital in its place.

### c. Geographical Analysis of the Group's Revenues

The Group's operations are centralized within Riyadh and there are no branches located elsewhere within or outside the Kingdom.

### d. Assets, Liabilities, and Shareholders' Equity Results for the Past five Years

Item / Year	2018	2019	2020	2021	2022
Total Assets	2,484	2,538	2,435	2,262	2,482
Total Liabilities	1,006	972	736	603	771
Total Shareholders' Equity	1,478	1,566	1,699	1,659	1,711
Total Liabilities and Shareholders' Equity	2,484	2,538	2,435	2,262	2,482

As shown by the previous table, total assets have grown in line with the Group's expansion strategy. In 2018, Al Hammadi Al Nuzha Hospital was inaugurated, and the Group acquired Medical Support Services Company and Pharma Serve Company. In 2021, the Board of Directors approved to discontinue the operations of Al Hammadi Olaya Hospital in order to set up a new hospital in its place. The Group also purchased a 35% stake in Sudair Pharmaceutical Industries, as well as the developer of Sudair's factories complex, as part of the Group's expansion strategy.

Total shareholders' equity grew from 1,478 in 2018 to 1,711 in 2022, a 16% y-o-y growth. Worth noting that the Company distributed dividends worth SAR 332 million between 2018 and 2022.

### e. Cash Flow Statement

Item / Year	2018	2019	2020	2021	2022
Net Cash Flows from Operating Activities	(52)	183	317	435	254
Net Cash Flows from Investing Activities	(117)	(45)	(27)	(133)	(113)
Net Cash Flows from Financing Activities	35	(106)	(352)	(195)	(201)
Net Change in Cash	(134)	32	(62)	107	(60)
Cash Balance at the Start of the Year	178	44	76	14	121
Cash Balance at the End of the Year	44	76	14	121	61

## 18. Substantial Differences in Operational Results Compared to the Previous Year

There have been no substantial changes in the Company's operational results compared to the previous year, nor have there been any announcements by the Company outlining expectations for upcoming changes.

## 19. Differences in Accounting Standards from Those Approved by the Saudi Organization for Certified Public Accountants (SOCPA)

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in line with interpretations issued by the International Accounting Standards Board (IASB), and approved by the Saudi Organization for Certified Public Accountants (SOCPA),

## 20. Subsidiaries and Associates

### a. Subsidiaries

Company Name	Capital	Ownership %	Main Scope of Business	Location
Medical Support Services Company	SAR 2,000,000 million	100%	Buying and selling medicines and medical supplies	Riyadh, KSA
Pharma Serve Company	SAR 500,000	100%	Wholesale and retail trade of medicine and medical supplies and equipment	Riyadh, KSA

### b. Associates

Company Name	Capital	Ownership %	Main Scope of Business	Location
Sudair Pharmaceuticals Company	SAR 57,000,000	35%	Manufacturing of cancer medication	Riyadh, KSA

## 21. Dividend Policy

In accordance with the company's articles of association and the regulations for the distribution of profits in the internal corporate governance system, the distribution of cash dividends is subject to the approval of the General Assembly based on the recommendations of the Board of Directors, taking into account various factors such as the Company's financial position and its financial pledges that restrict the distribution of cash dividends according to the credit facilities agreements concluded by the Company With its financing banks, as well as its current and expected business results, cash requirements, and expansion plans. According to Articles (46) and (47) of the Company's articles of association, the dividend policy, the place, and date of the exchange, has been defined as follows:

Article	Definition
Article (46) Distribution of Profits	The annual net profits of the Company are distributed after deducting all general and other expenses as follows: <ul style="list-style-type: none"> <li>Ten percent (10%) of the net profits are excluded to form the statutory reserve. The Ordinary General Assembly may stop this action when said reserve reaches thirty percent (30%) of the Company's capital.</li> <li>The Ordinary General Assembly may, upon the proposal of the Board of Directors, set aside ten percent (10%) of the net profits to form other reserves.</li> <li>The Ordinary General Assembly may decide to hold other reserves to the extent that serves the interest of the Company or ensures the distribution of fixed profits as much as possible to shareholders. The Assembly may also deduct from the net profit an amount in order to establish social institutions for the Company's employees or to assist existing ones.</li> <li>From the remainder, a payment of at least one percent (1%) of paid-up capital shall be distributed to shareholders. The Company may also disburse periodical dividend payments to shareholders on a semi-annual or quarterly basis in accordance with the regulations issued by the Capital Markets Authority, based on an approval provided by the Ordinary General Assembly to the Board of Directors to distribute dividends periodically, this approval is renewed annually.</li> </ul>
Article (47) Dividend Eligibility	Shareholders are entitled to a share in the Company's profits in accordance with the decisions of the general assembly issued in this regard. The decision shall indicate the date of maturity and the date of distribution. The eligibility of profits shall be for the owners of shares registered with the Securities Depository Center Company (Depository Center) at the end of the first trading day following the maturity date.

The following table shows the dividends distributed during FY 2022:

Item	19/04/2022 Q1	19/06/2022 Q2	27/09/2022 Q3	19/12/2022 Q4	Total Dividends Disbursed in 2022
Dividend to Face Value of Share Ratio	3%	3%	3%	3.5%	12.5%
Total	48,000,000	48,000,000	48,000,000	56,000,000	200,000,000

On 23 August 2022, Al Hammadi Holding Company announced that the Board of Directors approved the Company's dividend distribution policy for the coming three years during the meeting held on 23 August 2022 starting from the third quarter of 2022. The policy preserves a minimum value of dividends per share to be distributed on a quarterly basis, according to the following:

The Company is committed to distributing no less than 60% of its net profit for each quarter for the coming three years.

The dividend policy is subject to change according to the following:

- Any material changes in the Company's strategy and operations (including the commercial environment in which the Company operates)
- Laws, regulations, legislations, and controls governing the sector in which the Company operates
- Any obligations or undertakings to banking or financing entities, or to meet the requirements of credit rating agencies, which may be binding on the Company from time to time

The following table shows the Company's historical profit figures:

Item	2017	2018	2019	2020	2021	2022
Net Profit	108	90	93	131	90	257
Average Number of Shares	120	120	120	120	120	160
Total Value Distributed	90	-	-	60	72	200
% of Net Profit	83%	0%	0%	46%	80%	78%

## 22. Statement of Shareholders Owning 5% or More of the Company's Capital as at 31 December 2022

### a. Investors by Size

Ownership Size – Share	No. of Investors	No. of Shares	Ownership Percentage
More than a million	25	108,974,206	68%
From (501 thousand) – less than a million	12	9,310,284	6%
From (100 thousand) – less than (500 thousand)	99	21,095,404	13%
Less than (100 thousand)	36,566	20,618,106	13%
<b>Total</b>	<b>36,702</b>	<b>160,000,000</b>	<b>100%</b>

### b. Investors by Type

Type	No. of Investors	No. of Shares	Ownership Percentage
Companies and Institutions	309	65,592,911	41%
Individuals	36,393	94,407,089	59%
<b>Total</b>	<b>36,702</b>	<b>160,000,000</b>	<b>100%</b>

## 23. Share Direct Ownership of Board Members, Senior Executives, and Their Wives or Minor Children

The following tables show the share ownership of Board Members and Senior Executives, including their wives and minor children, as well as any changes that occurred during FY 2022.

## I. Share Direct Ownership of Board of Directors Members

Name	Nature of Membership	31/12/2021	31/12/2022	% Change
Mr. Saleh Mohammed Hamad Al Hammadi	Chairman	15,787,800	21,050,400	33.3%
Dr. Abdulaziz Mohammed Hamad Al Hammadi and his spouse	Non-executive	18,940,100	17,413,466	-8.1%
Mr. Mohammed Saleh Mohammed Al Hammadi	Executive	5,880,000	7,840,000	33.3%
Dr. Abdulaziz Saleh Mohammed Al Hammadi	Executive	5,880,000	7,840,000	33.3%
Mr. Aziz Muhammed Algahtani	Independent	-	133	0%
Mr. Fahad Suliman Alnuhait	Independent	15	20	33.3%
Mr. Saad Abdulmuhssin Alhamidi	Independent	1,009	4,011	297.5%
Dr. Nasser Hamd Mohammed Binsaif	Independent	4,002	5,335	33.3%
Dr. Ahmed Ibraheem M Alsagheir	Independent	-	-	0%

## II. Share Direct Ownership of Senior Executives

Name	Nature of Membership	31/12/2021	31/12/2022	% Change
Mr. Mohammed Saleh Mohammed Al Hammadi	Executive	5,880,000	7,840,000	33.3%
Dr. Abdulaziz Saleh Mohammed Al Hammadi	Executive	5,880,000	7,840,000	33.3%
Mr. Mohamed Saeed Suleiman Al-Saafeen	CFO	-	-	0%
Dr. Reema Saleh Mohammed Al Hammadi	Chief Medical Officer	-	-	0%

## 24. Loans and Indebtedness

Information related to loans (whether they are payable on demand or otherwise), the Group's total debt, and any amounts paid by the Company in loan repayments during the year, as well as the principal amount of the loan, the name of the loaning party, the loan duration, and the remaining amount:

### III. Loans Provided by Commercial Banks

Lending Entity	Total Loan Value	Loan Length	Balance at the Start of the Year	Additions Made During the Year	Repayments Made During the Year	Remaining Balance
Arab Bank	365,000,000	7 Years	-	101,291,364	70,000,000	31,291,364*
Arab Bank	25,000,000	Short Term	-	25,000,000	25,000,000	-
SNB Bank	21,293,637	Short Term	-	21,239,637	21,239,637	-
<b>Total</b>	<b>411,239,637*</b>		<b>-</b>	<b>147,531,001</b>	<b>116,239,637</b>	<b>31,291,364</b>

#### IV. Loans Provided by the Ministry of Finance

Lending Entity	Total Loan Value	Loan Length	Balance at the Start of the Year	Additions Made During the Year	Repayments Made During the Year	Remaining Balance
Ministry of Finance	374,284,000	20 Years	320,571,300	-	18,712,000	301,859,300**

#### V. Statement of Indebtedness

Item	Value (SAR)
Long-term Loans and Government Grants	317,896,597
Short-term Loans and Government Grants	38,266,754
Accrued Expenses and Other Liabilities	103,374,156
Employees' End of Service Benefits	78,826,036
Trade Payables	87,043,622
Accrued Zakat	16,898,535
Lease Liabilities	128,979,676
<b>Total</b>	<b>771,285,376</b>

\* Year-end balance includes interest payable of SAR 1,291,364.

\*\* This amount represents the balance of the loans granted by the Ministry of Finance, which is divided into government loans and grants in the consolidated financial statements and is processed according to the accounting policies stipulated in International Financial Reporting Standard No. (20).

#### 25. Board of Directors Meetings

The Company's Board of Directors held five meetings during 2022. Member attendance for said meetings is listed in the following table:

Name	24/03/2022	19/05/2022	20/06/2022	23/08/2022	02/11/2022	Total
Mr. Saleh Mohammed Hamad Al Hammadi	√	√	√	×	×	3
Dr. Abdulaziz Mohammed Hamad Al Hammadi	√	√	√	√	√	5
Mr. Mohammed Saleh Mohammed Al Hammadi	√	√	√	√	√	5
Dr. Abdulaziz Saleh Mohammed Al Hammadi	√	√	√	√	√	5
Mr. Aziz Muhammed Al-gahtani	√	√	√	√	√	5
Mr. Fahad Suliman Alnuhait	√	√	√	√	√	5
Mr. Saad Abdulmuhsin Alhamidi	√	√	√	√	√	5
Dr. Nasser Hamd Mohammed BinSaif*	×	×	√	√	√	3
Dr. Ahmed Ibraheem M Alsagheir*	×	×	√	√	√	3
Dr. Sami Abdullah Dakhel Allah Al-Saeed**	√	√	×	×	×	2
Dr. Abdul Aziz Saleh Abdul Rahman Abdullah Al-Faryan**	√	√	×	×	×	2

\* Membership began on 22/06/2022

\*\* Membership expired on 21/06/2022

The Chairman of the Board of Directors and the Secretary of the Board of Directors communicate with all other Board Members through the use of modern technology, such as email and conference calls, as well as discussions during periodic meetings. Below is the table showing the dates of all Board resolutions that were passed by circulation, which are a total of four resolutions:

Name	02/06/2022	10/09/2022	29/11/2022	29/12/2022
Mr. Saleh Mohamed Hamad Al Hammadi	√	√	√	√
Dr. Abdulaziz Mohammed Hamad Al Hammadi	√	√	√	√
Mr. Mohammed Saleh Mohammed Al Hammadi	√	√	√	√
Dr. Abdulaziz Saleh Mohammed Al Hammadi	√	√	√	√
Mr. Aziz Muhammed Algahtani	√	√	√	√
Mr. Fahad Suliman Alnuhait	√	√	√	√
Mr. Saad Abdul-muhssin Alhamidi	√	√	√	√
Dr. Nasser Hamd Mohammed Binsaif*	×	√	√	√
Dr. Ahmed Ibraheem M Alsagheir*	×	√	√	√
Dr. Sami Abdullah Dakhel Allah Al-Saeed**	√	×	×	×
Dr. Abdul Aziz Saleh Abdul Rahman Abdullah Al-Faryan**	√	×	×	×

## 26. Requests for Shareholders' Register

Request Date	Reasons for Request
10/08/2022	Corporate Procedure
20/06/2022	OGM
06/02/2022	OGM

\* Membership began on 22/06/2022

\*\* Membership expired on 21/06/2022

## 27. Related Party Transactions

The Members of the Board of Directors confirm that all agreements concluded with related parties do not include any preferential terms, and that these contracts are renewed annually by the General Assembly of Shareholders for approval.

During 2022 there were no contracts where the Company was a party and in which there were substantial benefits for either the Chairman of the Board, any of the Board Members, any of the Company's Executive Managers, the CFO, the Managing Director, or any other individual apart from those mentioned in the report.

The members of the Board of Directors confirm that it is not permissible for any Board Member without permission from the General Assembly of Shareholders to renew each year or participate in any business that would compete with the company or to trade in one of the branches of the activity that it practices.

The following table shows all related party transactions for the year 2022:

Related Party	Contracting Party	Value in SAR	Contract Type
Mr. Saleh Mohammed Al Hammadi	Personal	7,811,500	Residential Lease
Dr. Nasser Hamd Mohammed Binsaif*	Artal Food Trading	5,973,180	Several Supplies
Dr. Abdulaziz Mohammed Al Hammadi	Personal	3,955,500	Residential Lease
Mr. Saleh Mohammed Al Hammadi**	Aziz Company for Contracting and Industrial Investment	865,597	Supportive Services
Relatives of Shareholders	Personal	630,000	Residential Lease
Mr. Mohammed Saleh Al Hammadi***	Al Hammadi Information Technology	596,351	SMS and Technical Support
<b>Total</b>		<b>19,832,128</b>	

The following table shows the payment balances with related parties:

Payables	Value in SAR
Key Shareholders	9,117,424

## 28. Statutory Payments

The Company falls under the jurisdiction of the Zakat, Tax, and Customs Authority, and the Company pays Zakat in line with the instructions set out by the authority.

\* Transactions with Artal Food Trading were conducted through a delegation from the General Assembly of Shareholders dated 20/06/2022 to the Board of Directors with the permissions set out in article (56) of the Regulatory Rules and Procedures issued pursuant to the Company's Law. Artal Food Trading is owned by a relative to Dr. Nasser Hamd Mohammed Binsaif (Board Member).

\*\* Mr. Saleh Mohammed Al Hammadi (Chairman of the Board of Directors) is the Chairman of Aziz Company for contracting and Industrial Investment.

\*\*\* Al Hammadi Information Technology is owned by Mr. Mohammed Saleh Al Hammadi, an executive Board Member.

The following table shows the zakat provision due and paid during FY 2022 in SAR millions:

Item	Value in SAR
Balance as at 01/01/2022	18,3
Zakat Provision for the Year	16,8
Paid Amounts	(18,2)
Balance as at 31/12/2022	16,9

The following table shows the statutory payments due and paid during FY 2022 in SAR millions:

Item	Value in SAR
Zakat	18,2
VAT	125,9
Social Insurance	8,6
Government Fees	21,9
<b>Total</b>	<b>174,6</b>

## 29. Board of Directors Statement

### a. The Board of Directors Confirms the Following

- The Company's internal controls system was prepared on sound basis and implemented effectively.
- The Company's financial records were correctly prepared.
- There are no doubts about the Company's ability to maintain its various activities.
- There are no penalties of substantial effect or other precautionary restrictions imposed on the company by any supervisory or regulatory body.
- The Audit Committee has no concerns about the external auditor and has not raised any recommendations to the Board of Directors to replace them prior to the expiry of their contractually agreed term.
- The external auditor's report has not contained any reservations and has affirmed the presentation of the Group's consolidated financial statements in a fair manner.
- The Company has not issued shares or debt instruments to any of its subsidiaries.
- The Company, as well as its subsidiaries, did not purchase, refund, or cancel any refundable debt instruments.
- During the year, the Company did not issue or grant any debt instruments convertible into shares or any contractual securities, subscription right notes, or similar rights, and no compensation was obtained by the Company in exchange.
- During the year, the Company did not issue or grant any transfer of subscription rights under debt instruments convertible into shares, any contractual securities, subscription right notes, or similar rights.
- The Company has not made any arrangements or assignment agreement whereby any of the shareholders of the Company waives their rights to the profits.
- The Company has not made any arrangements or assignment agreement whereby a member of the Board of Directors or a senior executive waives a salary or compensation.
- During the year, the Company did not make any investments or create other reserves for the benefit of the Company's employees.
- During the year, no interest belonging to persons other than board members, senior executives, their spouses and minor children in the category of shares eligible to vote.

## 30. Board of Directors Decisions and Recommendations

The Board of Directors does not have any recommendations up until the date of preparing the annual report for FY 2022.



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