



A strategic vision
and sustainable
development



Avalon
Pharma

Avalon
Pharma

Annual Report 2023



Avalon Pharma
For our families' health and wellbeing

Middle East Pharmaceutical Industries Co.



— Custodian of the Two Holy Mosques —

King Salman bin Abdulaziz Al Saud

God save him



— His Royal Highness —

Prince Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince and Prime Minister

God save him





Annual Report



Submitted to the Shareholders of Middle
East Pharmaceutical Industries Co. for
the financial year ending on
31 December 2023G

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Avalon Pharma is always keen to be a loyal partner and contributor to achieving the Kingdom's Vision 2030. In line with the goal of the national vision to advance the field of health care, it is committed to contributing significantly to the well-being of the nation and devoting the concept of quality of life, through continuous innovation, expansion, and commitment to the highest standards of quality, Avalon plays a pivotal role in providing accessible and innovative healthcare solutions in the Kingdom of Saudi Arabia.

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Honorable Shareholders and Partners,

A new milestone added to the march of our company in growth and development, with more achievements, which I am pleased to review on behalf of myself and on behalf of my esteemed colleagues in the Board of Directors, through the pages of our annual report for the year 2023G. It reflects the most important developments and successes achieved by the Middle East Pharmaceutical Company "Avalon Pharma" during this year, in its various business streams.

Indeed, one of the most prominent features of these developments is the major strategic shift in the Company's journey, which is approval of the Capital Market Authority to offer the Company's shares for an initial public offering (IPO) and list them on the Saudi stock Exchange, as an ambitious strategic step in the right direction, which enhances the Company's leadership as one of the most prominent providers of health and beauty care solutions and products as well as the approved and medically proven generic medicines across the Kingdom of Saudi Arabia, Middle East and North Africa region, Eastern Europe, Asia, and Africa.

This qualitative shift in the Company's journey provides for strengthening its services and organizational structure within the framework of comprehensive corporate governance that enhances the sustainability of its growth and development. Being a listed company will provide also for expanding the Company's customer base and increasing its market value, as well as enhancing its financial solvency, promoting efficiency of its performance in all its

work segments, and growing its competitive strength, which is directly reflected in the increase in its financial resources, enabling it to achieve the highest profitable returns for shareholders and partners.

I would like to take this opportunity to appreciate and thank the sincere efforts and dedication demonstrated by the Company's employees in all work channels and segments, who played a vital and decisive role in raising the efficiency of performance and enhancing achievements at all levels during this year, which contributed to promoting and supporting the outcome of this major strategic transformation of the Company.

In conclusion, I am pleased to extend my sincere thanks and gratitude to all our shareholders and partners for their precious trust and great support, and to all honorable members of the Board of Directors, whose directives and recommendations had a great impact on advancing our successful strategic journey. I also extend thanks to members of the Company's executive management and all our employees at all levels and their various job roles for their loyalty and great giving in pursuit of achieving the Company's strategic goals with high efficiency. May the Almighty bless you all.

Ahmad Shafer Al-Tabbaa
Chairman



Chairman's Statement



CEO's Statement

Peace and blessing of Allah be upon you,

In culmination of a long journey of giving and growth, Avalon Pharma has witnessed a wide range of achievements at all levels, as embodied in a set of facts and figures that I am pleased to shed lights on through the pages of our annual report for this year 2023G. These successes came

as a result of advance and thoughtful planning, in line with our endeavor to achieve our strategic goals, towards consolidating our leadership as the fastest growing local pharmaceutical and medical preparations manufacturing company in the Kingdom.

On the operational level, during the year 2023G, Avalon Pharma completed the implementation of a major expansion of its manufacturing, production and storage facilities, seeking to double its manufacturing and production capacity during the first half of 2024G. We also announced the Company plans to start establishing "Avalon 4" factory, to be inaugurated and launched in 2026G, which will provide new jobs in addition to producing more than (75) complex and high-tech pharmaceutical products for treating tumors, general injections, and others, in the kingdom markets.

The Company also continued to promote and develop its strategic partnerships with the existing network of regional distributors. We signed agreements with Al Madina Pharmacy, one of the oldest pharmaceutical and healthcare companies in the United Arab Emirates, which strengthens our presence there. Further, we entered into a strategic partnership agreement with Al-Ula Peregrina Trading Company, to create the first distinguished Saudi cosmetic and dermatology products, that offer solutions based on its advanced technology and natural effectiveness, the patented active ingredient in Peregrina. This was part of our commitment and endeavors to produce new pharmaceutical product ranges and target additional production sub-sectors, in line with its implementation of the Company's development strategy that extends until 2027G.

Avalon Pharma's financial performance witnessed significant growth during the year 2023G, as the compound annual growth rate rose by 11.5% compared to 5% in the previous year, while our revenues remained strong at 338 million Saudi riyals, an increase of 11% on an annual basis. This is a positive reflection of the favorable market conditions, supported by the increase in its basic product portfolio and growth of its sales, while the Company is counting on the increasing demand

for cosmetic products, from specialists and skin health care centers in the Kingdom, on a large scale.

On December 6, 2023, the Saudi Capital Market Authority approved the Company's application to sell 6,000,000 shares, representing 30% of the Company's issued share capital, through an IPO by the selling shareholders. This move constitutes a strategic transformation in the Company's growth and development process, and an ambitious step in the right direction, towards strengthening its leadership in the Saudi market, and increasing its solvency and financial strength, which enhances its resilience towards increasing its investment portfolio and expanding its customer base.

Today, we hope that these Company achievements will establish a solid and more mature start in all its work paths, towards promising investment and production horizons, driven by our proven record in our superior ability to adapt to and anticipate market demand in advance, through our commitment to an integrated evolutionary and development strategy in the medium and long term.

In conclusion, I extend my deepest thanks and appreciation to all shareholders and partners for their great trust in us. I also thank all members of the Board of Directors for their continuous support and wise leadership in all work streams, and to the members of the executive management and all employees for their great efforts in enhancing the process of work and giving in the Company, towards achieving all strategic goals with efficiency and merit, praise be to Allah.

Mohamed Maher Al Ghannam
Managing Director and CEO

02

Executive Summary



Milestone during 2023G

January 1

Adopting and activating the ambitious AEC plan to achieve revenues worth one billion Saudi riyals in 2030.



November 2

Participation in the World Health Exhibition



October 20

Ranked in the first place in displaying creativity and national pride at Saudi Made 2023 Exhibition



December 14

Preparing to participate in the DUPHAT 2024 conference

Key Highlights

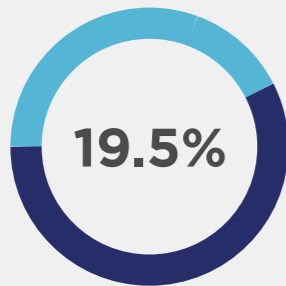
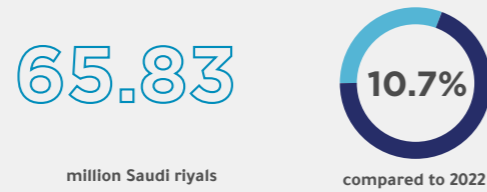
Net sales



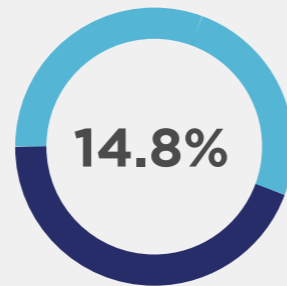
Gross profit



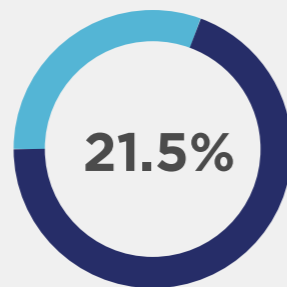
Net profit



Net profit margin

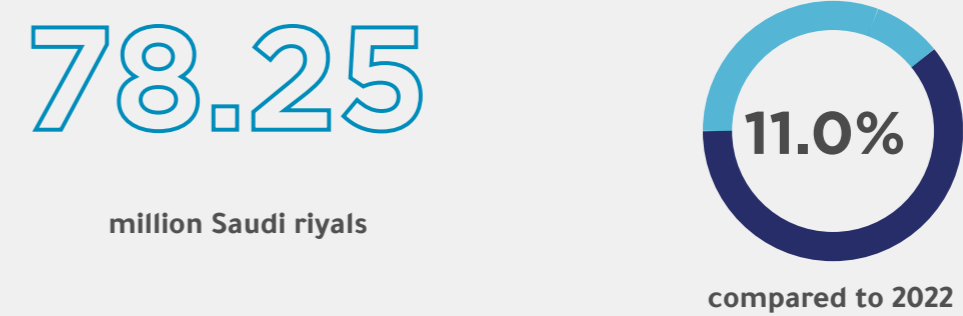


Return on assets



Return on equity

Operating profits



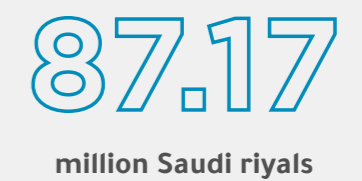
Total operating expenses



Total loans



Inventory



Our Story

Success, growth, and leadership



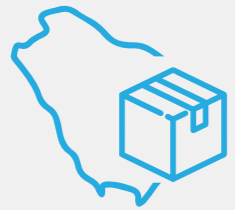
15+

Export Countries



120+

Registered SKUs In The Region



300+

Registered SKUs In KSA



500+

Staff

With an ambitious strategic vision

Avalon Pharma
Annual Report 2023



Avalon Pharma launched its business in 1998G in the city of Riyadh, as a Saudi joint stock Company active in developing, manufacturing, and marketing a wide range of generic medicines and pharmaceutical preparations to consumers, in addition to prescription medicines (dispensed under a prescription). The Company has managed to develop its work processes based on research, study, and direct and constant access to the latest findings in the global pharmaceutical industries, especially personal care products.

Avalon Pharma has a product range of more than (250) products falling under more than (70) brands within several diverse therapeutic categories and focuses specifically on medicines and preparations used in the treatment of skin diseases, and medicines for the respiratory system, nervous system, and musculoskeletal system.

Avalon Pharma is committed to innovation and excellence as a methodology and way of working through its research and development efforts. Its advanced research and development center is a nucleus of creativity and promotes a culture of continuous discovery, with the minds, supervision, and participation of an elite group of researchers, scientists, and experts to constantly innovate advanced pharmaceutical solutions by conducting a wide range of experiments and precise analyzes in the analytical development laboratory, which is fully equipped according to the highest standards of advanced technical efficiency. Meanwhile, the Company is working to expand the horizons of innovation and develop knowledge and technical capabilities in the field of health care in a way that gives Avalon Pharma several competitive advantages that establish a leadership position for it in this vital and important sector, ensuring that all the needs and requirements of its customers are met, and even exceed their expectations.

On parallel, the Company achieved comprehensive institutional maturity, through which it was able to develop its organizational and financial structure based on a comprehensive governance framework. It was also able to obtain approval of the Saudi Capital Market Authority on offering its shares on an initial public offering as a preliminary step to listing it in Tadawul as a Saudi joint stock company, in an ambitious qualitative shift toward sustainable growth and strategic development.

Avalon Pharma is characterized by a stimulating, competitive work environment, managed by a group of the best competencies and administrative, technical and investment expertise, through which it attracts the best talents of Saudi youth from fresh university and educational center graduates. The company endeavors to provide all means of training, qualification, support and hone their talents, to enable them to develop their career path, raising their capabilities and developing their knowledge, as a contribution to achieving the nationalization program and supporting local content, one of the most prominent goals of the Kingdom's Vision 2030.



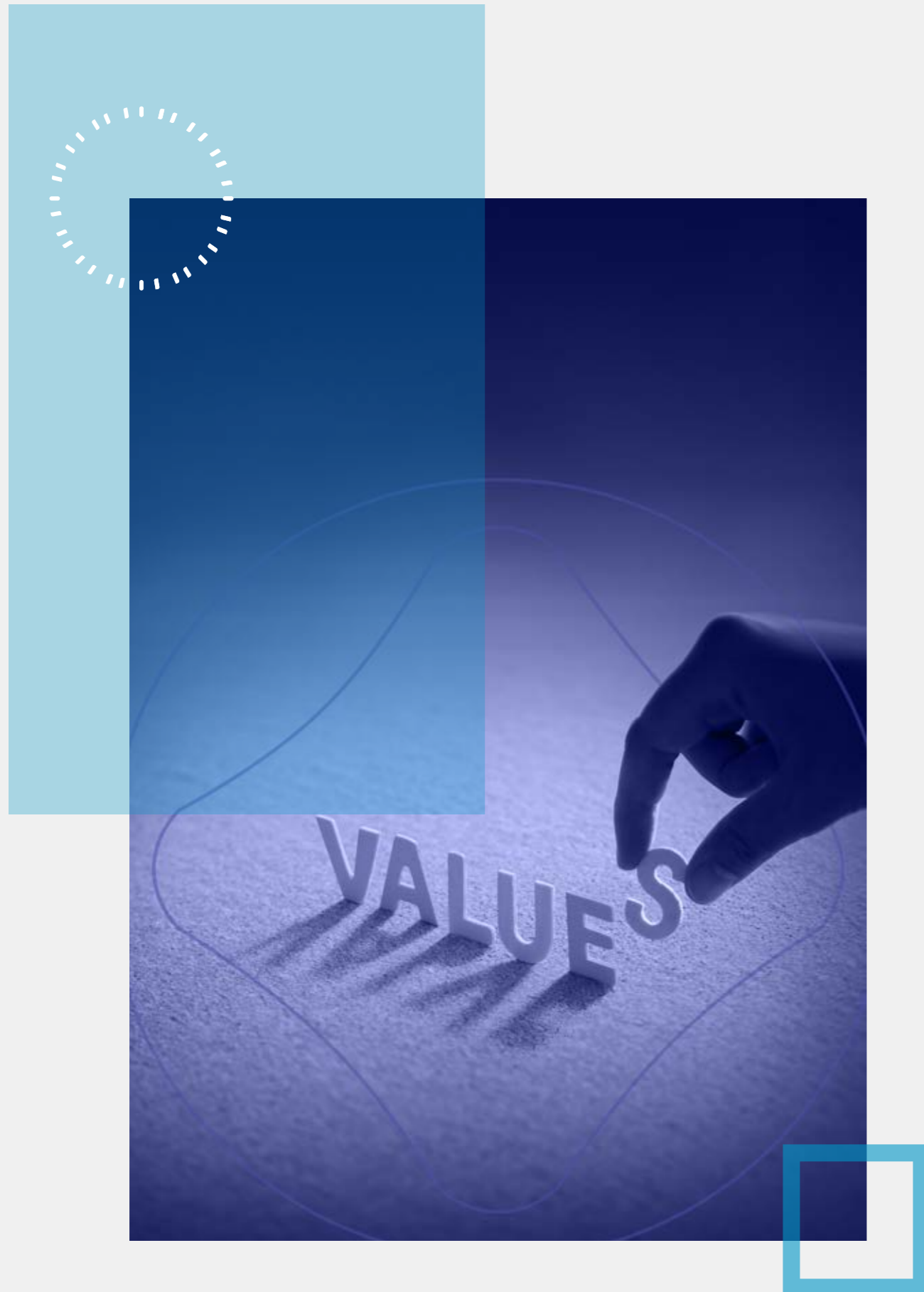
Vision

Striving to emerge as the foremost health, beauty, and wellness company in our markets, we are committed to establishing our presence as a dynamic, customer-centered organization, leaving a lasting impact.



Mission

Our mission is to effectively develop, manufacture, and successfully market a diverse range of high-quality health and beauty brands, as well as generic prescription medicines across the Kingdom of Saudi Arabia, the MENA region, Eastern Europe, Asia, and Africa.



Values



Agile

Vibrant, swift, and seamlessly coordinated in all facets of our operations.



Valuing

We deeply appreciate and safeguard the trust bestowed upon us by our customers, patients, stakeholders, and authorities.



Ambitious

In our pursuit of market leadership in the pharmaceutical industry, we are dedicated to maintaining the highest standard of products that align with our dynamic environment.



Learning

Through continuous training and development of our behavior and professional expertise, we strive to implement best practices across our organization and within our communities every day.



Optimistic

Dedicated to achieving a positive future for our community, kingdom, and the world, we actively pursue excellence in health and wellbeing for all.



Nurturing

By supporting and encouraging one another, we safeguard the health and wellness of our patients and customers. Simultaneously, we nurture the ever-changing needs of our stakeholders and markets.

Milestones in the Success Journey

1998

Avalon Pharma is founded as the inaugural manufacturing facility, "Avalon 1," under the banner of the Middle East Factory For Chemical Products, marking the commencement of operations.

www.avalonpharmaceutical.com

2002

Medico is established and initiates distribution operations.

2000

Avalon makes its debut in the Saudi retail market.

2004

Commencement of exports to GCC countries.

2006

Avalon Pharma obtains the Ministry of Health (MOH) license to manufacture medicines.

2010

Avalon expands its presence, reaching Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestine, Sudan, Yemen, and the UAE.

2015

Avalon inaugurates its R&D facility, "Avalon 2," and launches its second manufacturing facility, "Avalon 3," signaling the commencement of operations.

www.avalonpharmaceutical.com

2021

Avalon introduces "Avalon 4," a new centralized warehouse to enhance logistics and distribution capabilities.

2022

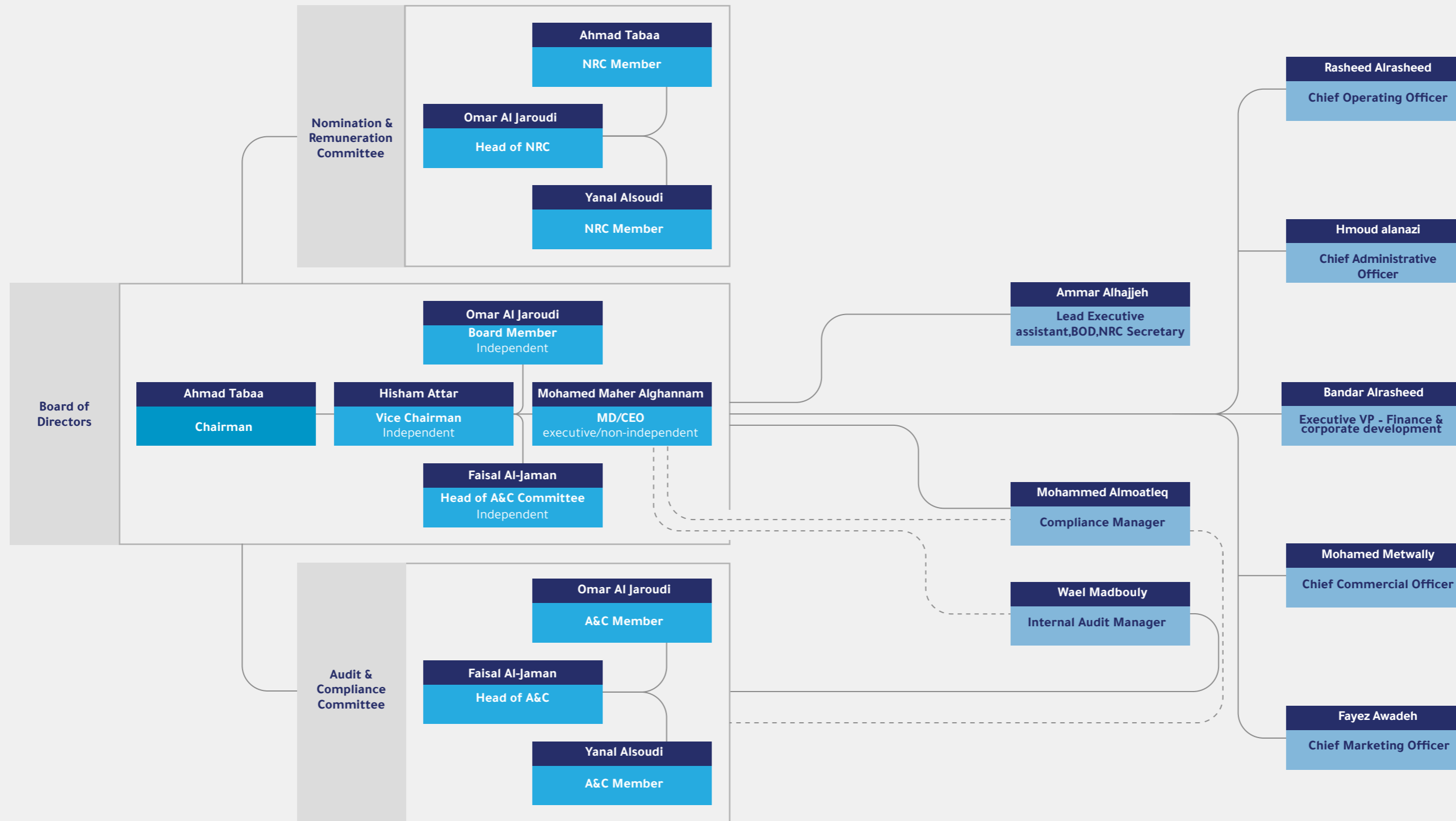
Avalon completes the expansion of Avalon 2 manufacturing capacity, initiating operations in Q2 2024.

Additionally, the company undergoes a significant transformation, converting from a Limited Liability Company (LTD) to a Joint Stock Company (JSC).

2023

Avalon Pharma announces its intention to offer 30% of its capital through an IPO and list its shares on the main Saudi Stock Exchange (TASI).

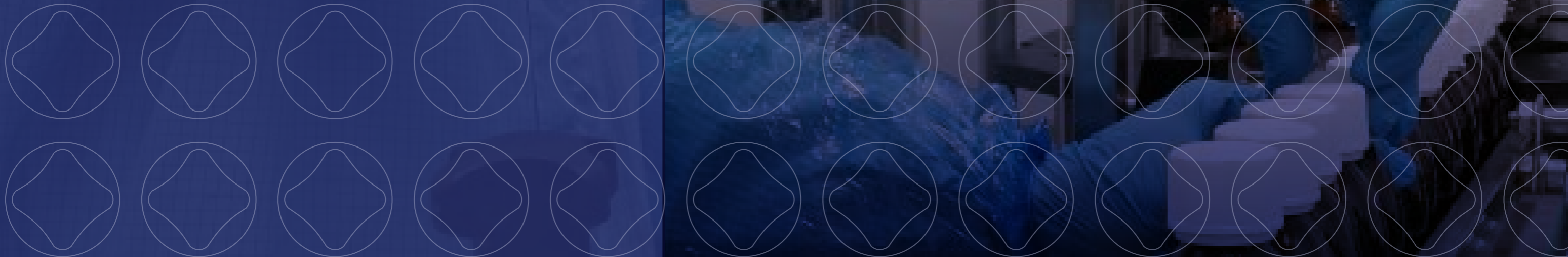
Organizational Chart 2023



03

Strategic Direction

Essence of Sustainable Development



Company's strategy

In line with the Kingdom's Vision 2030 to develop the healthcare sector in the Kingdom and focus on the pharmaceutical industry and self-sufficiency of many products, in addition to the trend towards enhancing participation between the public and private sectors and encouraging investment by foreign companies in the Kingdom, Avalon Pharma has developed a business strategy that includes four basic pillars and aims for growth and expansion in the Kingdom and abroad.

First pillar

Accelerating growth in existing businesses in Saudi Arabia

Since incorporation in 2003, the Company has been working to advance growth and development, especially in its business within the Kingdom of Saudi Arabia, in an effort to expand its customer base and increase its market share of the categories of products and medicines that it manufactures and imports. Meanwhile, the Company continues to focus on increasing the production capacity of factories in line with the increase in demand for its products, through:

01 Launching new products of the current main brands

- a. a. The Company leverages the strength of its brands and focuses on developing other therapeutic categories from those brands. Some of the Company's brands have medicines and other treatments within other therapeutic categories in which the Company generates with positive results in terms of revenue volume and thus business volume and market share.
- b. b. Introducing a new product range and a wider variety of products and medicines within existing therapeutic categories. During the first half of 2023G, revenues from the skin and respiratory product categories represented 55.4% and 20.0% of the Company's total revenues, respectively, and they are the Company's two main therapeutic categories. The Company has an opportunity to expand the product base within the current therapeutic categories, especially the products of those categories that constitute the smallest part of the Company's business, which include diabetes drug products, chronic primary care products, and cardiovascular and nervous system drugs.

02 Developing the Company's current main brands

- The Company includes more than 70 brands, while it seeks to benefit from the property rights of small brands in terms of revenues and low performance and focus on developing them into large brands. The Company recently selected about 50 clients from pharmacies, pharmacy chains and hospital pharmacies with the aim of focusing on developing low-performing brands and thus increasing the volume of business from them. These products have good growth opportunities according to the results achieved recently, and according to the market survey and the opinions of customers and end users.
- Providing an additional and larger variety in terms of package sizes and drug doses.
- Canceling the license of low-performed brands, which contributes to improving the supply chain and optimal inventory rotation.

03 Focus on spreading existing brands and promoting them further.

04 Promote the development of tender work

- Launching new products suitable for tender work.
- Taking advantage of the government's increasing preference to award contracts to local pharmaceutical manufacturing companies.

05 Explore partnership opportunities with large chain pharmacies, hospital pharmacies, and retail pharmacies that benefit from Avalon Pharma's existing manufacturing capabilities.



Second pillar

Investing in new products and launching brands

Avalon Pharma is considered a leading player in manufacturing and producing pharmaceuticals in the Kingdom and is constantly working to study investment opportunities in the field of manufacturing pharmaceuticals and health products to provide a range of health and physical solutions, based on its success over the past years by investing in many products, in an effort to increase the size of its portfolio. Investment, developing a group of products, and adding additional therapeutic categories by launching new brands. Its investment strategy in this field includes the following:

- 01** Increasing the Company's product portfolio.
- 02** Expanding the base of over the shelf products within the categories of skin diseases, respiratory system, etc
- 03** Focusing on bringing between 3 to 5 new pharmaceutical molecules annually from global markets that have not yet been launched in the Kingdom of Saudi Arabia before.
- 04** Moving towards a portfolio of specialized products to benefit from the sector localization program in the Kingdom of Saudi Arabia in line with the strategic objectives of the government of the Kingdom of Saudi Arabia and Vision 2030, which aims to achieve self-sufficiency in a number of priority products such as various oncology preparations and treatments and solid injections.
- 05** Building strategic partnerships with multinational companies to manufacture innovative products in the Kingdom of Saudi Arabia that will positively impact Avalon Pharma's image and enhance its competitiveness in the local markets.

Third pillar

Expanding export business outside the local Saudi market

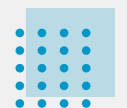
In line with Vision 2030 and the strategic objectives of the Government of the Kingdom of Saudi Arabia represented in "developing economic relations with the region outside the GCC states", Pharma endeavors to benefit from its long and strong experience, in the operational, economic, regulatory and legal aspects, in exporting outside the Kingdom to expand its external presence in addition to many countries in the Gulf, the Middle East and Africa, mainly including Kuwait, UAE, Jordan, Iraq, Yemen, Bahrain, Lebanon, Egypt, Sudan, and Libya.

Meanwhile, the Company has gained strong experience over the past years in exporting outside the Kingdom from an operational, economic, regulatory, and legal perspective, especially with regard to registering products and medicines and obtaining approvals and permits in accordance with the different requirements of each country to which it exports. The Company finds a good opportunity to increase the volume of its business outside the Kingdom, targeting the markets of Egypt, Morocco, Indonesia, and Malaysia, in addition to launching new pharmaceutical products in global markets.

Fourth pillar

A gradual increase in the production capacity of factories

The Company is keen to implement a continuous development strategy and keep pace with the latest technical developments in the global pharmaceutical and pharmaceutical industry, in an effort to develop its business, increase its market share, and enhance its financial and operational strength, which have contributed to encouraging the Company to invest additionally in production lines and exploit market opportunities by gradually increasing production capacity in conjunction with increasing the size of the demand. While looking to raise its manufacturing capabilities in general, and in the production lines of skin and beauty products in particular.



The Company's strengths and competitive advantages

The Company has succeeded in establishing a prominent leadership position in the local market, thanks to its long-term strategy that relies on sustainable development, and benefiting from its long experience and distinguished operational and manufacturing capabilities, in addition to its continuous and direct knowledge of the latest developments in the global industry in this field, as well as its great knowledge of the requirements and needs of customers in the markets in which it is active, which gave it many competitive advantages, the most important of which are as follows:

Large manufacturing capacity with high quality with the latest facilities and capabilities



The Company has state-of-the-art facilities that adhere to the strict quality specifications and standards of the Food and Drug Authority, Good Manufacturing Practices, and ISO certifications. In terms of resources, the Company has a large manufacturing capacity through 3 manufacturing facilities that include research and development departments, in addition to a network of 4 warehouses that supply its products to all parts of the Kingdom. Avalon Pharma has continuously invested in additional production lines and capitalized on market opportunities by gradually increasing production capacity in response to the growing demand for medicines and medical supplements.

In addition, the manufacturing facilities are equipped with laboratories and quality control departments that employ an integrated and continuous approach to managing production processes and monitoring all stages of manufacturing to ensure accuracy, speed, and high quality of the final products. Avalon Pharma devotes strict attention to product quality, and the Company's quality control process focuses on identifying the best licensed suppliers of various chemical raw materials, active ingredients, packaging materials and supplies to ensure compliance with the required and specified conditions and standards. Avalon Pharma routinely inspects its raw materials and finished products. The laboratories located within the factory are equipped with the latest devices and advanced analytical techniques to ensure the maximum quality of its products.



Proven track record in launching pioneering products across diverse therapeutic categories

Avalon Pharma in the Kingdom of Saudi Arabia has a product range that includes more than 250 products falling under more than 70 brands within several therapeutic categories, including medicines and preparations used in the treatment of skin diseases, skin creams and skin care preparations, respiratory system medicines, nervous system medicines, and systemic medicines, Gastrointestinal, musculoskeletal drugs, in addition to a wide variety of drugs and preparations in other therapeutic categories including sexual system drugs, diabetes, cardiovascular drugs, anti-infectives, anti-parasitic drugs, pain relievers, antiseptics, and women's and men's health drugs. In addition, work is underway to register 19 new products with the Food and Drug Authority, including 4 skin medicines, 4 respiratory medicines, 1 digestive system medicine, 1 musculoskeletal medicine, and 9 various medicines within the Company's other therapeutic categories, as the registration period generally ranges between 12 months up to 18 months.



A leading company in the market of dermatological products, medicines, and skin care products

Avalon Pharma leads the market for dermatological products, medicines, and skin care products during the year 2022G, with a market share amounting to 8.9% of the total market size, according to the results of the market study prepared by Euromonitor International, as its revenues from this category constituted 49.6% of the Company's total revenues.



The Company's ability to expand geographically on a large scale

The Company's business has expanded to many foreign markets in the Gulf countries, the Middle East and Africa, which include Kuwait, the Emirates, Jordan, Iraq, Yemen, Bahrain, Lebanon, Egypt, Sudan, and Libya. It also seeks to develop the volume of business outside the Kingdom and export its products to new countries such as Morocco, Indonesia, and Malaysia in the coming years.



Experienced leadership and experienced management team

Avalon Pharma has a distinguished executive management team with deep experience in the field of the pharmaceutical industry. The team members have high competence and full knowledge of the characteristics of developing and marketing the Company's products and managing related operations. The Operations Department also includes many specialized employees including pharmacists, chemists and scientists with extensive experience in the pharmaceutical industry and research and development. All departments in the Company work in an integrated manner to develop the Company's business and achieve the strategy of management and shareholders in the short and long term.



6. Distinctive relationship with customers

Avalon Pharma has developed strong business relationships with its clients in the government and the private sectors, including hospitals, clinics, pharmacy chains (pharmacies with a large number of branches), major pharmacies, regional distributors and supermarkets, and is focused on strengthening its relationships directly with doctors and pharmacists on an ongoing basis.



04

Business Segments

“Products and Manufacturing”

Promising Developmental Prospects

First Products

Based on its advanced technical and investment expertise, its extensive experience in the local and regional markets, and its extensive and continuous knowledge of the latest findings in the pharmaceutical industries, medical preparations, and global health and beauty care products, as well as its endeavors to build the strongest strategic partnerships with the most prominent and prestigious brands in this field. Its portfolio includes more than (70) brands covering a variety of therapeutic categories in various vital healthcare sectors, which enhances Avalon Pharma's position and leadership in providing the best products for a wide range of medical needs. Below are the main drug categories:

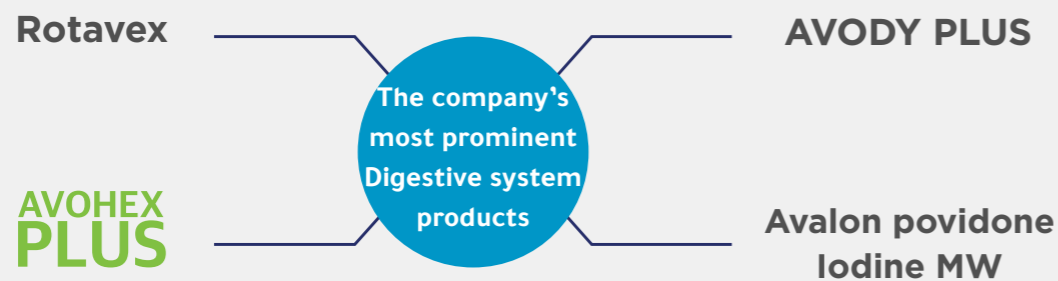
1 Dermatology and skin care drugs (23) trademarks

Multi-use medicines, products and preparations that help treat skin diseases such as bacterial and fungal infections, dermatitis, alopecia, hair loss, dryness and cracks in the skin, burns and scars, skin care, skin health and hygiene, etc. The Company's most prominent brands in this category:



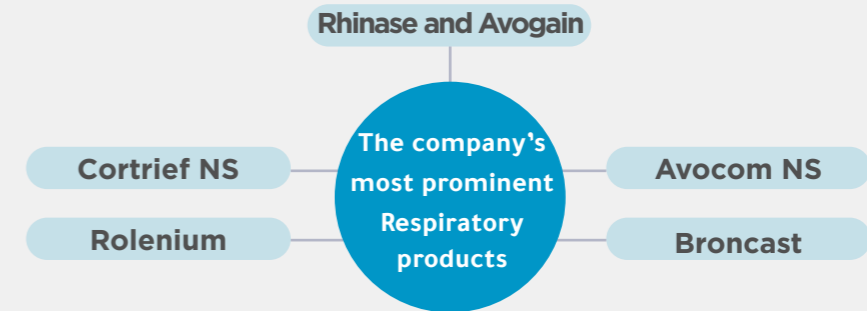
2 Digestive system drugs (8) trademarks

Multi-use medicines that help treat diseases of the digestive and internal systems, stomach problems, and nutrition. The Company's most prominent brands in this category:



3 Respiratory and infection control drugs (7) trademarks

Multi-use medications that help treat nasal allergies, asthma, and respiratory diseases. The Company's most prominent brands in this category:



4 Musculoskeletal drugs (4) trademarks

Multi-use medications that help relieve musculoskeletal pain. The Company's most prominent brands in this category:



5 Other medicines within various therapeutic categories (4) trademarks

It includes sexual, diabetes, cardiovascular, anti-infective, anti-parasitic, pain relievers, antiseptics, and women's and men's health medications. The Company's most prominent brands in this category:



6 Vascular drugs

7 Reproductive and urinary system drugs

8 Central nervous system drugs

The most prominent Avalon brands:

- 01 Alpha Plus
- 02 Avalon Care
- 03 Avogen

Second Manufacturing

16,513,284

tubes of creams produced

8,314,636

boxes of pharmaceutical disinfectants produced

5,235,935

strips of oral solid medications produced

12,215,856

boxes of liquids produced

Avalon Pharma is distinguished by advanced manufacturing and production capabilities, which contribute to strengthening its leadership position as one of the most prominent national companies active in the pharmaceutical industries. Pharmaceuticals owns (3) three factories in the city of Riyadh:

1 Avalon Factory

The production lines of this factory include tablets, pharmaceutical supplements, capsules, nasal sprays, creams, lotions, topical solutions, and cosmetic products.

2 Avalon Factory

Fully equipped with an R&D center and an integrated analytical development laboratory. This state-of-the-art facility boasts extensive manufacturing capabilities for oral solids, creams and topical liquids.

3 Avalon Factory

This factory is the largest manufacturer of hand sanitizers in the Kingdom of Saudi Arabia. It also produces a wide range of high-quality hygiene products, including antiseptics and mouthwashes.

Avalon Pharma continues to research, develop, manufacture and market the finest pharmaceutical products. The Company is committed to continuous innovation in the field of health care. While we currently offer more than (300) (SKU) products. We have a strong pipeline that includes more than (40) molecules in the development stage. Below we provide a statement of the Company's annual production capacity:

Total annual production capacity					
	Cream production lines	Skin and cosmetics production lines	Liquid Pharmaceutical production lines	Solid Pharmaceutical production lines **	Disinfectants production lines
Avalon Factory (1)	19,000,000 Tubes	3,400,000 Tubes	13,200,000	8,100,000 Strips	-
Avalon Factory (2)	21,760,000 Tubes	-	16,320,000	27,200,000 Strips	-
Avalon Factory (3)	-	-	-	-	14,687,600 Box
Total annual production capacity of factories	40,760,000 Tubes	3,400,000 Tubes	29,520,000 Box	35,300,000 Strips	14,687,600 Box



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05

**Shareholding
Companies,
Subsidiaries,
and Investment
Companies**



First: Shareholding Companies

A statement of the names, number of shares, and ownership percentages of the Substantial shareholders in the Company

Shareholder name	Nationality	Number of shares at the beginning of 2023	Ownership percentage beginning 2023G	Number of shares at the end of 2023	Ownership percentage at the end of 2023	Net change	Percentage of change by the end of 2023G
Tabbaa National Holding Company	Kingdom of Saudi Arabia	12,050,000	60.25%	12,050,000	60.25%	0%	0%
Talal Youssef Zahid	Kingdom of Saudi Arabia	4,200,000	21.00%	4,200,000	21.00%	0%	0%
Ali Shafer Al-Tabbaa	Kingdom of Saudi Arabia	1,320,000	6.60%	1,320,000	6.60%	0%	0%
Faisal Shafer Al-Tabbaa	Kingdom of Saudi Arabia	1,280,000	6.40%	1,280,000	6.40%	0%	0%
Durrat Al-Wadaa Investment Company is a one person company	Kingdom of Saudi Arabia	500,000	2.50%	500,000	2.50%	0%	0%
Youssef Talal Zahid	Kingdom of Saudi Arabia	400,000	2.00%	400,000	2.00%	0%	0%
Durrat Al-Faisal Investment Company	Kingdom of Saudi Arabia	250,000	1.25%	250,000	1.25%	0%	0%

1. Tabbaa National Holding Company

It is a limited liability Company under Commercial Registration No. (1010845554) issued by the city of Riyadh on 07/05/1444H (corresponding to 01/12/2022G), and its capital is (100,000) one hundred thousand Saudi riyals. Divided into (100,000) one hundred thousand ordinary shares of equal value, the value of each of which is (1) Saudi riyal. The head office of Tabbaa National Holding Company is located in Riyadh. Its main activities according to its commercial registration are:

- Management of subsidiaries of holding companies.
- Investing the funds of subsidiaries of holding companies.
- Owning necessary real estate and movables for holding companies.
- Owning industrial property rights for subsidiaries of holding companies.
- Leasing industrial property rights to subsidiaries of holding companies.

The following table shows the ownership structure of Tabbaa National Holding Company:

Partners	Number of shares	Nominal value of the share (SAR)	Total nominal value of the shares (SAR)	Ownership percentage
Ahmad Shafer Al-Tabbaa	51,000	1	51,000	51.00%
Lara Ahmad Al-Tabbaa	15,000	1	15,000	15.00%
Leena Ahmad Al-Tabbaa	15,000	1	15,000	15.00%
Shafer Ahmad Al-Tabbaa	9,500	1	9,500	9.50%
Yousif Ahmad Al-Tabbaa	9,500	1	9,500	9.50%
Total	100,000	-	100,000	100.00%

2. Durrat Al-Wadaa Investment Company

It is a one-person Company with limited liability under Commercial Registration No. (1010848791) issued by the city of Riyadh on 27/05/1444H (corresponding to 21/12/2022G), and its capital is (25,000) Twenty-five thousand Saudi riyals, divided into (2,500) two thousand five hundred ordinary shares of equal value, the value of each of which is (10) ten Saudi riyals. The head office of Durrat Al-Wadaa Investment Company is located in Riyadh. Its main activities according to its Articles of Association are:

- **Wholesale and retail trade and repair of motor vehicles and motorcycles**
 - Wholesale of computers, computer peripheral equipment and software
 - Retail sale of computers, computer peripheral equipment, software, and communications equipment in specialized stores
- **Transportation and storage**
- **Financial and insurance activities**
 - Other financial service activities, excluding insurance and pension financing, not classified elsewhere
 - Money management activities
- **Real estate activities based on fees or contracts**
- **Professional, scientific, and technical activities**
 - Advertising
 - Administrative and support services
 - Organizing conferences and trade exhibitions

3. Durrat Al-Faisal Investment Company

It is a limited liability Company under Commercial Registration No. (1010635096) issued by the city of Riyadh on 13/09/1441H (corresponding to 06/05/2020G), and its capital is (100,000) one hundred thousand Saudi riyals divided into (100) one hundred ordinary shares of equal value, and the value of each of which is (1,000) one thousand Saudi riyals. The main headquarters of Durrat Al-Faisal Investment Company is located in Riyadh. Its main activities according to its commercial registration are:

Buying and selling land and real estate, dividing it, and off-plan sales activities.

Advertising institutions and agencies.

Providing marketing services on behalf of others.

General construction of residential buildings.

General construction of non-residential buildings such as schools, hospitals, hotels, etc.

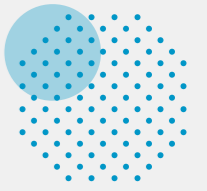
Organizing and managing exhibitions and conferences.

Systems analysis.

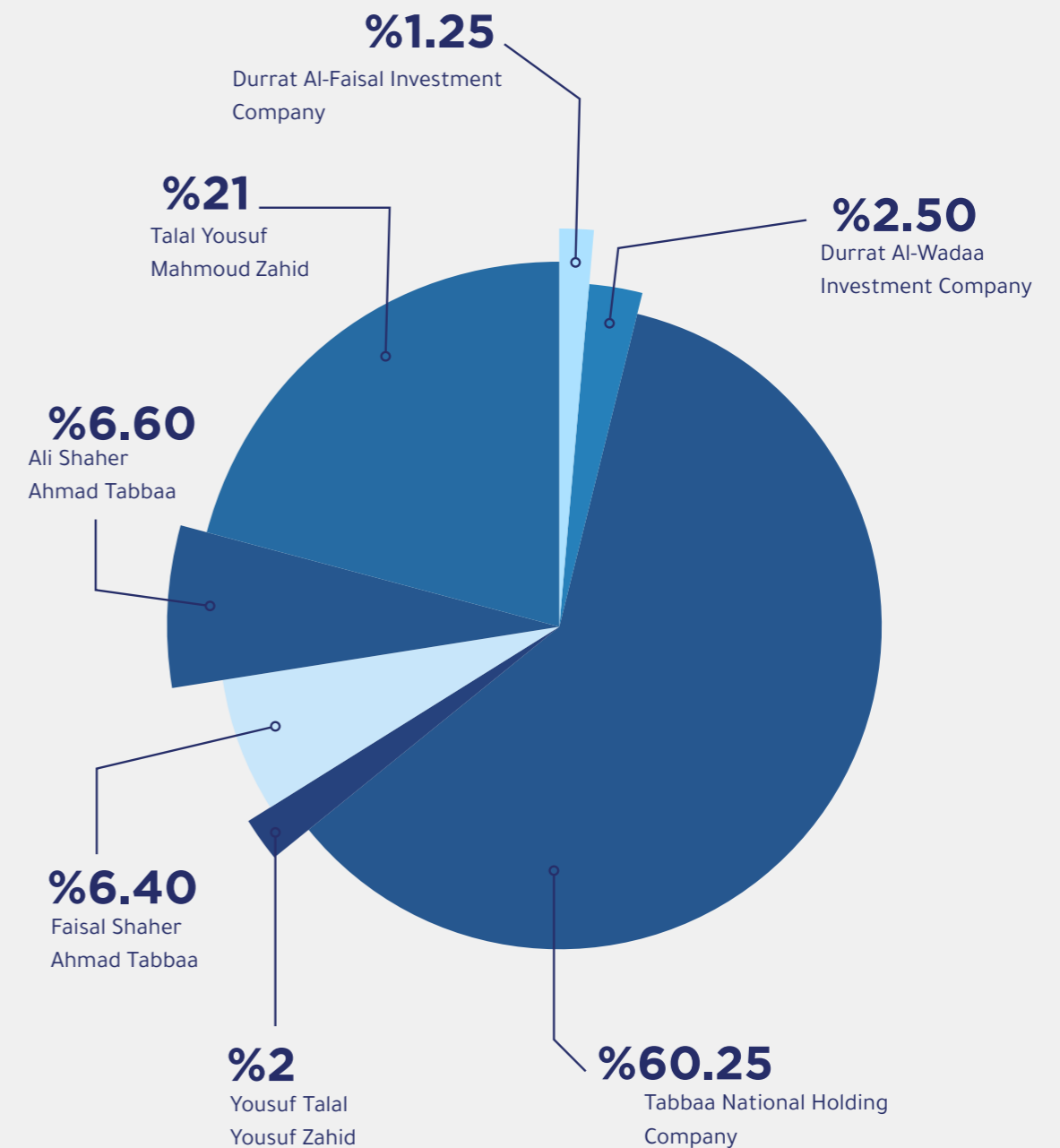
The following table shows the ownership structure of Durrat Al-Faisal Investment Company

Partners	No. of Shares	Nominal value per share (SAR)	Total nominal value of shares (SAR)	Ownership (%)
Ibrahim Faisal Al-Jamaan	40	1,000	40,000	40.00%
Sarah Faisal Al-Jamaan	20	1,000	20,000	20.00%
Farah Faisal Al-Jamaan	20	1,000	20,000	20.00%
Zain Faisal Al-Jamaan	20	1,000	20,000	20.00%
Total	100	-	100,000	100.00%

Company ownership structure



Middle East Pharmaceutical Industries Company (Avalon Pharma)



The company was listed on the Main Saudi stock market on 27/02/2024 and accordingly there was a change in the company's ownership structure for more details view the prospectus

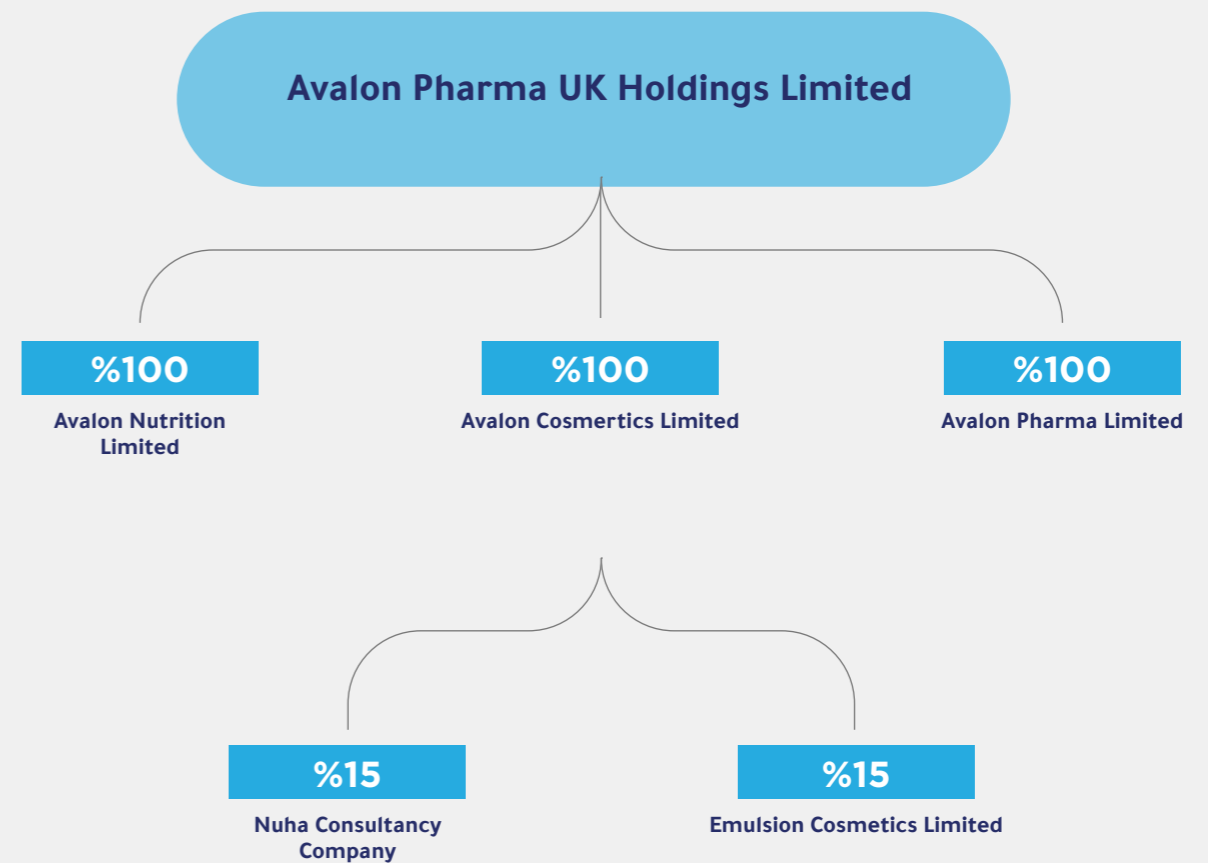
Second Subsidiaries

1. Avalon Pharma UK Holdings Limited

It is a wholly owned subsidiary of the Middle East Pharmaceutical Industries Company. It is a limited liability company under the Company Registration Certificate No. (12214173) issued by the Register of Companies in the United Kingdom on 19/01/1441H (corresponding to 09/18/2019G).

Avalon Pharma UK Holdings Limited has a share capital of (1) £1 divided into (1) one ordinary share of no nominal value. It fully owns three subsidiaries, and its activities are manufacturing medicines, medical and non-medical creams and ointments.

It is worth noting that Avalon Pharma UK Holdings Limited does not have any existing operations or activities as of the date of this prospectus and has not concluded any employment contracts or commercial projects. The company established this subsidiary to include three subsidiaries:



1

AVALON PHARMA COMPANY LIMITED

- Specializing in pharmaceutical products.

2

AVALON COSMETICS LIMITED

- Specialized in cosmetics

3

AVALON NUTRITION LIMITED

- Specializing in health products and nutritional supplements.

The subsidiaries were created with the aim of investing in new start-ups in the health, pharmaceutical, food or cosmetics industries. The company studies and evaluates potential investment opportunities that add to its commercial and investment portfolio

2. Avalon Pharma Limited:

It is a wholly-owned subsidiary of Avalon Pharma UK Holdings Limited, and it is a limited liability company under company registration certificate No. (12235087) issued by the Companies Register in the United Kingdom on 01/02/1441H (corresponding to 30/09/2019G). Avalon Pharma Limited has a capital of (1) one British pound divided into (1) one ordinary share with no nominal value. Its head office is located in the United Kingdom, and its activities include manufacturing medicines, medical and non-medical creams, and ointments.

Avalon Pharma Limited was established with the aim of investing in new emerging companies specializing in pharmaceutical products. It is worth noting that Avalon Pharma Limited does not have any existing businesses or activities and has not entered into any business contracts or commercial projects, and therefore, it has no revenue yet.

Third Investment

1. Columbia Care Inc.

On 28/07/2020, the Company purchased a 5.0% stake in Columbia Care International Holdco's at a value of (5,000,000) five million euros (equivalent to (21,485,620) twenty-one million four hundred and eighty-five thousand six hundred and twenty Saudi riyals). which is a wholly owned subsidiary of Columbia Care Inc. USA. This investment was disposed in 2021G through a swap agreement, whereby Avalon Pharma, in exchange for its share in Columbia Care International Holdco, obtained (783,805) seven hundred and eighty-three thousand eight hundred and five shares (about 0.02% of the total number of shares) in the American company Columbia Care Inc.

Columbia Care Inc. is a publicly traded company (listed on the NEO Stock Market in Canada) headquartered in the US state of Delaware and engaged in the manufacture of medical pharmaceuticals and health solutions.

Columbia Care Inc.'s activities include developing new treatments to be regulated and launched globally, especially in the United States of America, Canada, and Europe. Investment in them is for the purpose of global expansion of these treatments and introducing them to the Kingdom of Saudi Arabia and the Middle East region in the future as soon as the necessary approvals are obtained, and they are approved legally.

2. Nuha Consultancy Company

It is a limited liability company under company registration certificate No. (BC1849760) issued by the Companies Registry in the British Virgin Islands on 24/01/1436H (corresponding to 17/11/2014G). The capital of Nuha Consultancy Company is (58,824) fifty-eight thousand eight hundred- and twenty-four-Sterling pounds, divided into (58,824) fifty-eight thousand eight hundred and twenty-four ordinary shares with no nominal value. Its head office is located in the British Virgin Islands, and its activities are the retail sale of cosmetics and beauty tools in specialized stores.

During March 2020G, Avalon Cosmetics Limited, an indirectly wholly owned subsidiary of the Company, purchased a 15.0% ownership stake in Nuha Consultancy Company for a total amount of (1,090,816) one million ninety thousand eight hundred and sixteen Saudi riyals. The market value of the investment in Nuha Consultancy Company remained stable during the years 2020G, 2021G, and 2022G at the amount of (1,090,816) one million and ninety thousand eight hundred and sixteen Saudi riyals. During the first half of 2023G, Nuha Consultancy Company faced problems related to liquidity and is being liquidated, where the market value of the investment reached (zero Saudi riyals) as of June 30, 2023G.

3. Avalon Cosmetics Limited:

It is a wholly owned subsidiary of Avalon Pharma UK Holdings Limited and is a limited liability company under Company Registration Certificate No. (12214443) issued by the United Kingdom Companies Register on 19/01/1441H (corresponding to 18/09/2019G). Avalon Cosmetics Limited has a capital of (1) one British pound divided into (1) one ordinary share with no nominal value. Its head office is located in the United Kingdom, and its activities include manufacturing medicines, medicinal and non-medicinal creams, and ointments.

Avalon Cosmetics Limited was established with the aim of investing in new emerging companies specializing in cosmetics. It is worth noting that Avalon Cosmetics Limited does not have any existing operations or activities and has not entered into any business contracts or commercial projects. Its business is only in the value of its investments in Nuha Consultancy Company and Emulsion Cosmetics Limited, and work is underway to complete the liquidation of both companies.

4. Avalon Nutrition Limited

It is a wholly owned subsidiary of Avalon Pharma UK Holdings Limited, and it is a limited liability company under Company Registration Certificate No. (12235083) issued by the Companies Register in the United Kingdom on 01/02/1441H (corresponding to 30/09/2019G). Avalon Cosmetics Limited has a capital of (1) one British pound divided into (1) one ordinary share with no nominal value. Its head office is located in the United Kingdom, and its activities include manufacturing medicines, medicinal and non-medicinal creams, and ointments.

Avalon Nutrition Limited was established with the aim of investing in new emerging companies specializing in health products and nutritional supplements. It is worth noting that Avalon Nutrition Limited does not have any existing businesses or activities and has not entered into any business contracts or commercial projects, and therefore it does not have any revenues yet.

Subsidiaries, their capital, the Company's ownership percentage in them, their main activity, the country where their main operations are located, and the country where they are established

Subsidiary Name	Its capital (British Pound sterling)	Company ownership percentage	Revenues (SAR'000)	Main activity	Country of main operations	Country of incorporation
Avalon Pharma UK Holdings	1	Direct ownership 100%	N/A	Holding Company	UK	UK
Avalon Cosmetics Limited	1	Indirect ownership 100%	N/A	Investment Company	UK	UK
Avalon Pharma Limited	1	Indirect ownership 100%	N/A	Obtaining new international products and selling them in Saudi Arabia	UK	UK
Avalon Nutrition Limited	1	Indirect ownership 100%	N/A	Obtaining new international products and selling them in Saudi Arabia	UK	UK



3. Emulsion Cosmetics Limited

is a limited liability company under Company Registration Certificate No. (10632513) issued by the Companies Register in the United Kingdom on 25/05/1438H (corresponding to 22/02/2017G). The capital of Emulsion Cosmetics Limited is (190,482) one hundred and ninety thousand four hundred and eighty-two British pounds, divided into (190,482) one hundred and ninety thousand four hundred and eighty-two ordinary shares with no nominal value. Its head office is located in the United Kingdom, and its activities are the retail sale of cosmetics and beauty tools in specialized stores.

During March 2020G, Avalon Cosmetics Limited, an indirect wholly owned subsidiary of the Company, purchased a 15.0% ownership stake in Nuha Consultancy Company for a total amount of (140,754) one hundred and forty thousand seven hundred and fifty-four Saudi riyals.

The market value of investment in Emotion Cosmetics Limited amounted to (140,754) one hundred and forty thousand seven hundred and fifty-four Saudi riyals as of December 31, 2020G. On 08/04/2021G and 21/12/2021G, Avalon Cosmetics Limited contributed two additional payments in the capital of Emulsion Cosmetics Limited amounted to (73,352) seventy-three thousand three hundred and fifty-two Saudi riyals and (93,139) ninety-three thousand one hundred and thirty-nine Saudi riyals, respectively. Therefore, the value of the investment in Emotion Cosmetics Limited amounted to (307,245) three hundred and seven thousand two hundred and forty-five Saudi riyals as of December 31, 2021G and December 31, 2022G. As for the first half of the year 2023G, Emulsion Cosmetics Limited Company faced issues related to liquidity and its liquidation is underway, as the market value of the investment in it reached (zero Saudi riyals) as of June 30, 2023G.

The losses from the decline in the value of the investment during the first half of 2023G were reflected in the other comprehensive loss in the income statement, as the loss from the net change in fair value amounted to (307,245) three hundred and seven thousand two hundred and forty-five Saudi riyals as of June 30, 2023G.

On October 24, 2023, Avalon Cosmetics entered into a settlement agreement with the shareholders of Emulsion Cosmetics Limited and Nuha Consultancy to purchase Avalon Cosmetics shares for SAR 4,802.

Accordingly, the total loss for the year ending December 31, 2023 amounted to SAR 1,393,259 (December 31, 2022 0 SAR).

06

Human Capital

Success Partners



Human Resources

Avalon Pharma is keen to implement an ambitious strategy to build a distinguished operational and production environment, develop such an environment by supporting it with all services, solutions and facilities that make it a stable, integrated, competitive and stimulating work environment, through which it employs elite specialists, technicians and administrators, retains them, develops their skills, capabilities and experience, and Enables them to innovate and provide best efforts in their various tasks and job roles.

In line with the government's relentless efforts to localize jobs and raise the efficiency of local content, the Company endeavors to attract more competencies, skills, and academic and professional capabilities from young Saudi talents, qualify and train them according to a set of sustainable development and training programs, stemmed from its belief that its human capital is its most important vital asset and one of the most important key factors for success of its business. The Company was classified within the medium green range as of 31/12/2023G, as it was able to achieve an overall Saudization rate of 33.57%. Below we summarize the development of the Company's human capital compared to previous years.

Avalon Pharma Company employs (535) employees inside the Kingdom and (23) employees in its branch in the United Arab Emirates as of 31/12/2023G. The Company does not have any employees working for its subsidiaries outside the Kingdom of Saudi Arabia. All employees in the Kingdom are currently registered under the Company's file and two of its subsidiary files with the General Organization for Social Insurance. The following table shows the numbers of employees, Saudization rates, and the scope of the Company:

As of 31/12/2023			
		Number	Percentage
Middle East Pharmaceutical Industries Company Commercial Registration Number. (1010150538)	Saudis	117	33.57%
	Non-Saudis	277	66.43%
	Total	394	100.00%
Branch - Middle East Distribution - Riyadh Commercial registration Number (1010175025).	Saudis	42	34.46%
	Non-Saudis	97	65.54%
	Total	139	100.00%
Branch - Middle East for Distribution - Jeddah Commercial registration number (4030161826)	Saudis	1	N/A
	Non-Saudis	1	N/A
	Total	2	
Total in the Kingdom	Saudis	160	29.89%
	Non-Saudis	375	70.11%
	Total	535	100.00%
Employees in the UAE branch		23	
Total		567	

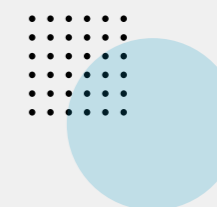
Digital Transformation

Avalon Pharma continued to advance its development rally in comprehensive digital transformation towards reinventing the current business model in accordance with the highest international standards of quality and efficiency, seeking to provide basic business services in new and innovative ways through various channels to promote the growth of development and production. The introduction of these technologies will lead to Making a major shift in developing the professionalism of employees as well as developing their professional interaction in various work channels, and increasing their focus on digital transformation projects, which in turn expands the scope of work toward improving business environment and professionalism.

In the context of achieving its digital transformation, Avalon Pharma is making unremitting efforts to support and enable the IT department to work on this with professionalism and high efficiency by the automation of all areas of the Company, most notably the global system SAP (SAP), in addition to the advanced email system from Microsoft (Office365), which features a tight system of high security and protection, in addition to other advanced systems related to computerization and digitization of operations, such as monitoring the performance of customer and manufacturing machines, to ensure operation with advanced technical performance.

Meanwhile, Avalon Pharma works to dedicate a sustainable development methodology, in cooperation with the Human Resources Department, to build many procedures that aim at developing the professional performance of Avalon Pharma employees, through effective systems and procedures, as one of the most important aspects of digital transformation.

In parallel, the Company continues to build and develop the areas of cybersecurity at all levels to protect it from all risks and challenges that the Company may face. The SOC system was adopted to protect and monitor both internal and external networks, in addition to building efficient protection systems with a high capacity for protection and security.



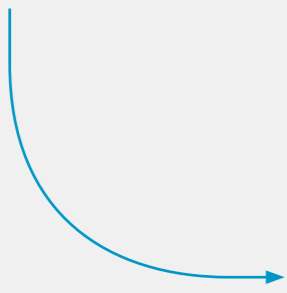
06

Social Responsibility Initiatives



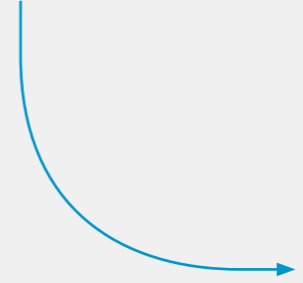
Avalon Pharma has committed to launching effective social initiatives and contributions, as part of its ongoing efforts to participate with its community and customers on many occasions that contribute to supporting them in a way that contributes to advancing societal development, and in a manner consistent with its moral values towards them. Below are the details of the Company's community participation and contributions:

- 1 **Chemicals recycling initiative, by following all the instructions contained in the Strategic Approach of the International Chemicals Management (SAICM).**
- 2 **An initiative to recycle packaging papers by following international standards for paper waste management.**
- 3 **Donate to the Down Syndrome Charitable Society**



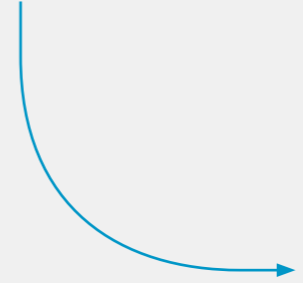
4

World Blood Donor Day campaign



5

Seasonal influenza vaccination campaign



08

**Honoring and
Local and
International
Participation**



Honoring and Appreciation

Avalon Pharma continued to enhance its presence through its participation on many occasions and its sponsorship of several diverse events, as it was honored by these authorities for its distinguished role in supporting and enhancing their work. Below are the most important occasions of honor and appreciation:

Honored by the Ministry of Defense



Honored by the Saudi Export Development Authority



Honored by the General Directorate of Prisons



Honored by King Fahd Security College



Local and International Participations

Avalon Pharma has sponsored or participated on many high-level conferences, events and functions that highlight our business and our unwavering commitment to creating value for the Company, by building trust and strengthening strong relationships with all relevant parties, including customers, suppliers and other business partners. During 2023G, Avalon Pharma participated in the following activities:

Arab Health Conference (ARAB HEALTH) - Dubai

The Company participated in this conference, which is classified as one of the largest health conferences in the Gulf region, in which more than (2000) companies from Arab and foreign countries are presented.



Arab Health Conference (DUBAI DERMA) - Dubai

The Company participated in this conference, which is classified as one of the largest health conferences in the Gulf region, in which more than (2000) companies from Arab and foreign countries are presented.



AVALON TRAINING & PURCHASING - BARCELONA

Avalon Pharma participated in training programs for all specialists in various fields on Avalon products in Barcelona, in addition to training workshops on procurement and the products that we offer to customers.



SAUDI MADE

Avalon Pharma participated in the Saudi Made 2023 Exhibition, in which Saudi companies whose products have been classified as Saudi products by the Saudi Export Authority participate exclusively.





GLOBAL HEALTH

Avalon Pharma participated in the World Health Conference in its second edition. The conference includes more than (250) companies specialized in the medical and health care field.

SAAM

Avalon Pharma participated in the SAAM 2023 exhibition, which specializes in the field of cosmetics and dermatology.



SAUDI DERM

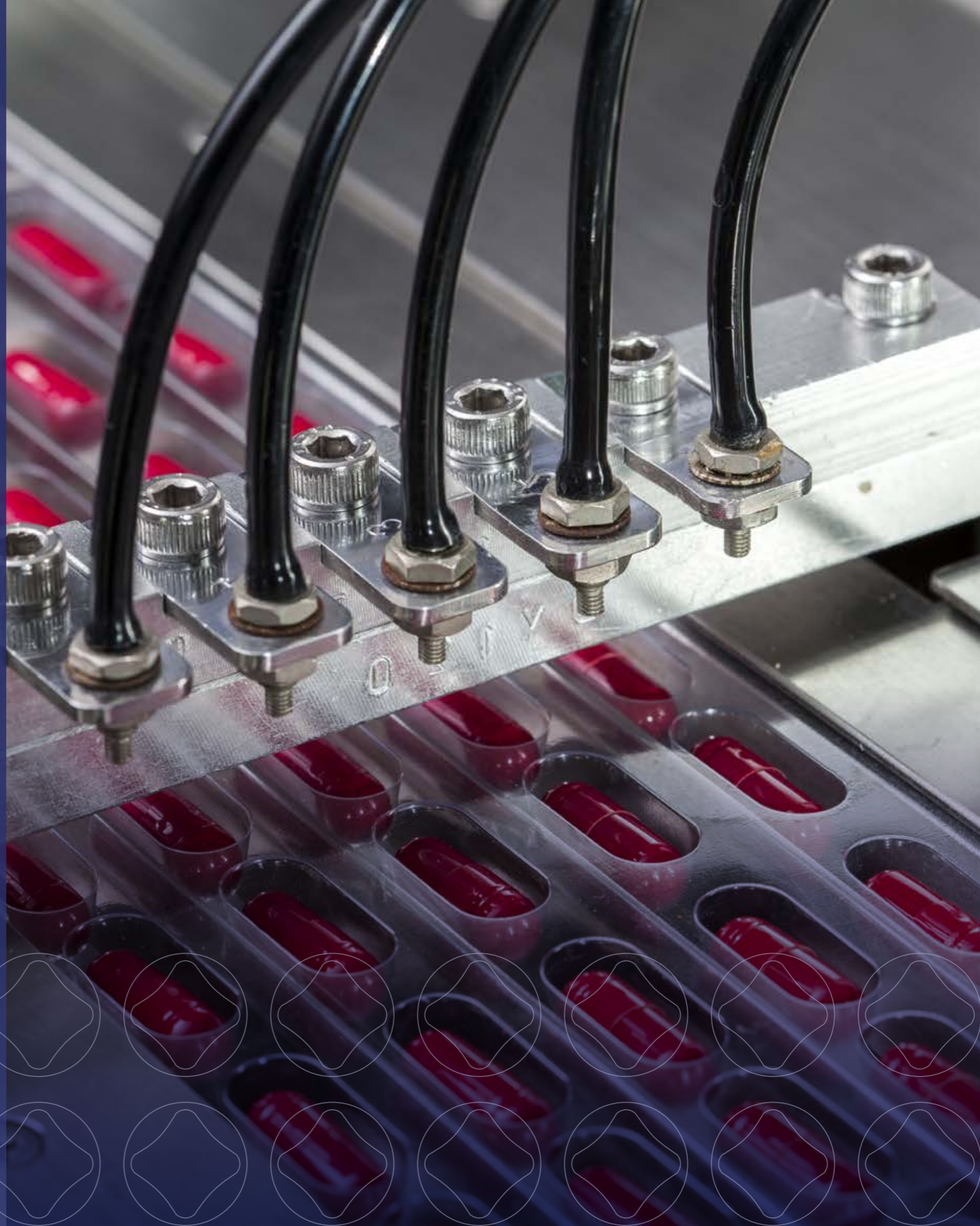
Avalon Pharma participated in the exhibition specialized in everything related to beauty, in the Kingdom of Saudi Arabia.



09

Sustainability Report

Environmental, Social and
Governance practices (ESG)



Avalon Pharma is committed to integrating the elements of environmental, social, and corporate governance practices into the core of its current and future business strategy, within a general framework of comprehensive, integrated governance. The Company is also committed to acting with great responsibility and care towards all its communities and related parties, in addition to its integrated environmental commitment. The company has devoted these practices primarily as a foundation for implementing its ambitious plans and growing its business, in an effort to crystallize the sustainability vision it adopts and advance its business process, thus enhancing its leadership position in the Kingdom of Saudi Arabia.

First Environmental practices

The Company consolidates its tireless efforts to enhance environmental awareness and develop sustainable practices within the work environment. It encourages employees, Directors, and executive departments to take measures to preserve the environment and reduce negative impacts on it. This system can be represented in three main parts, viz: determining the environmental impact, mitigation programs of its negative impact, and the monitoring and preparedness plan to optimally mitigate the negative effects. The Company's management has intensified awareness campaigns and participatory initiatives in its business environments to enhance employee awareness of preserving the environment and cleanliness in accordance with the highest international standards applicable in this field. Below are some of the initiatives launched by the Company in this field:

1

Converting from diesel generators to operating entirely with electricity.

2

Chemicals recycling initiative, by following all the instructions stipulated in the Strategic Approach to International Chemicals Management (SAICM).

3

Packaging papers recycling initiative by following international standards of paper waste management.

Second Social practices



Avalon Pharma works sustainably to develop a competitive, stimulating work environment through which it attracts elite talent, experience, and distinguished qualifications, retains them, and provides them with all integrated work capabilities, while implementing an environmental health system to preserve the health of all employees, by complying with safety standards in its buildings and facilities. The Company disseminates security and safety measures and policies within its premises, while ensuring that all pillars, foundations, and requirements of civil defense are provided, in an effort to provide a safe and healthy professional environment for all its employees. The highest safety performance standards and indicators are applied, including training on emergency evacuation plans, first aid, availability of fire and alarm systems, etc. Meanwhile, the Company continues to implement a comprehensive insurance system for employees and contracts with specialized medical companies to provide medical insurance for all workers in its complexes and administrative, operational, and service facilities. Below we list some of the practices that the Company adopted during the year 2023G:

- Supporting the objectives of the Kingdom's vision of nationalizing jobs.
- Women are a strength in our work.
- Encouraging and supporting the development of Saudi university students.
- Strengthening organizational capabilities by implementing a human resources management and development strategy.
- Occupational safety and health are our priorities.
- Enhancing the role of the Company's senior management in disseminating the culture of safety.
- Supporting blood donation campaigns.
- Raising awareness and promoting health culture among our employees.
- Training and development of employees
- Equal opportunities
- Promoting social and economic development
- Privacy and data security
- Localization (Nationalization)



Supporting the objectives of the Kingdom's vision of nationalizing jobs

We have taken important steps in recruiting distinguished Saudis and professionals, which are consistent with the strategies and principles of the Kingdom's Vision 2030 and the National Transformation Program 2020. The most important step in that direction is the qualification and recruitment of 53 employees in various fields.



Women are a strength in our work

We paid special attention to employing Saudi women in the workplace by developing and planning their career path and promoting an institutional culture that supports their work and the activities they undertake.



Encouraging and supporting the development of Saudi university students

In partnership with the Human Resources Development Fund in the Kingdom of Saudi Arabia and universities, the Company hosted a group of Saudi male and female university students with the aim of developing their competencies through professional training and providing them with practical work experience.



Strengthening organizational capabilities by implementing a human resources management and development strategy

Given the challenges facing the markets, our attention remains focused on continuing excellence, as we have taken constructive steps in reorganizing the Company by continuing efforts and continuing to work to improve performance, operational efficiency, and systematically control costs.



Occupational safety and health are our priorities.

Our ambition at the Company has always been for our workplace to be accident-free. by maintaining an exemplary safety record. We have continued to implement strict measures and procedures to ensure that no harm occurs to our employees in our premises.



Enhancing the role of the Company's senior management in disseminating the culture of safety

The Company pays great attention to the active role that senior management plays with our employees and workforce. Regular periodic visits are made by senior management to our facilities and operational sites to review the progress of work and the application of safety standards in these sites.



Raising awareness and promoting health culture among our employees

The Company is keen to conduct specialized awareness campaigns to enhance the health culture of its employees and their families, aiming to raise awareness of the importance of maintaining a healthy, balanced lifestyle.



Equal opportunities

Avalon Pharma is keen to adhere to the principle of equal opportunities in its work channels, by giving the opportunity to both genders according to the required qualifications and specializations, while implementing an advanced policy aimed at enhancing diversity, with the percentage of female employees increasing at a high rate compared to previous years.



Supporting blood donation campaigns

The Company has organized blood donation campaigns (on an annual basis), which will be held annually, with the participation of its employees, as part of the Company's efforts to maintain the provision of blood units to be ready for those who deserve them in the health conditions of patients in need of blood.

- 1 A blood donation campaign was arranged to coincide with World Blood Donor Day, which falls on June 14, in cooperation with the Blood Bank at King Fahad Medical City.
- 2 A blood donation vehicle was sent for 3 days, May 14-15-16, 2023.
- 3 Campaign participants were given certificates of thanks from the Company as motivation, and encouragement to participate.
- 4 30 donors from Avalon Pharma participated.



Training and development of employees

The company seeks to implement an integrated strategy to develop and enhance the capabilities of its employees in various work segments, by adopting many programs to hone expertise and talents and qualify and train employees, in addition to holding various courses in multiple specializations, in addition to holding specific seminars. At the same time, the company is keen to manage talent and develop them professionally by defining a career path with its specific benefits and roles for each employee in the company, to ensure that each of them has a sustainable professional development plan. The procedures require the Human Resources Department to develop a succession plan in order to mitigate the effects of employees' professional development, as they develop professionally while performing their roles and tasks in the company.



Promoting social and economic development

The Company has continued to develop an advanced methodology in attracting specialized competencies, experiences, and qualifications in the cosmetic health sector, which in turn will support the adoption of a long-term approach aimed at attracting talent from fresh graduates. While Avalon Pharma has always committed to participating in the process of societal and economic development on an ongoing basis, it has worked to employ approximately about (52) individuals annually, which has led to the creation of more job opportunities for Saudi young talent.



Privacy and data security

Avalon Pharma is keen to adopt and implement the latest software, applications and procedures specialized in protecting and securing personal information for all employees in the Company in their various job roles, and all external stakeholders, including suppliers, contractors, and others, in a way that ensures the preservation of their privacy and protection of their personal data, in an effective and responsible manner.



Localization (Nationalization)

The Company continues to employ promising national talents, in response to the "Nitaqat" program launched by the Ministry of Labor, and based on our belief that investing in national talent can achieve the highest levels of creativity in work and thoughtful insight by empowering creative young Saudi talents and giving them full opportunity to develop their skills. The Company's employment rates were increased by attracting young Saudi talent to rely on them in the long and short term and develop plans to train them and develop their skills that the labor market needs, in addition to continuing to cooperate with the Resource Development Fund initiative to attract job seekers and train them on "Taqqat" skills and labor market requirements. The Company has been classified on the medium green range, as it has been able to achieve a localization rate of 33%.



Third Corporate Governance

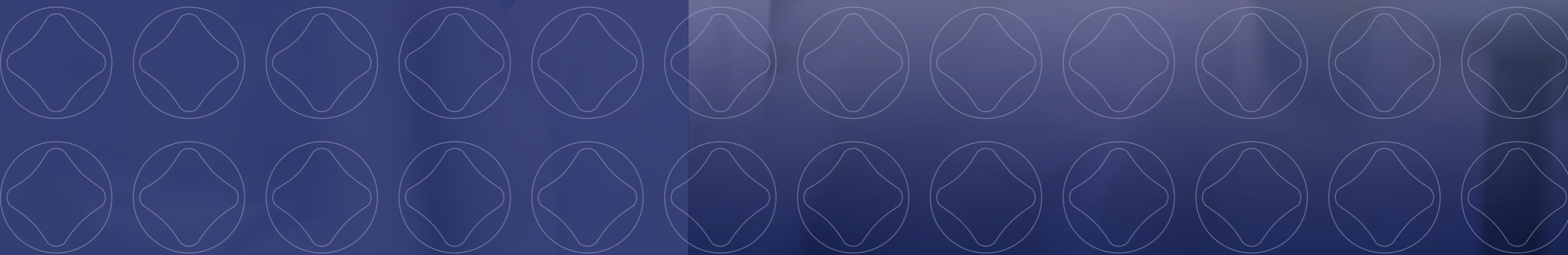
Avalon Pharma implements integrated governance being the cornerstone for developing its work, which contributes to clarifying the logical foundations and procedures for making objective and rational decisions related to its work, in an effort to achieve its desired strategic goals, in accordance with the employees responsibilities and rights and the nature and form of communication relationships among them, in a way that enhances justice, transparency, integrity and accountability to achieve credibility in the work environment, which develops trust towards the Company and within it.

Implementing the Corporate Governance principles protects the interests of the Company's members and assets and achieves alignment between strategic and operational responsibilities in an organized, well-thought, effective, and sound manner. This will help to achieve goals and make decisions in the best available ways based on commitment to the Company's strategic plan, standards, laws, regulations and bylaws, in addition to distributing powers, responsibilities and tasks in accordance with the desired roles and objectives, enhancing standards of transparency, trust and credibility in the work environment, and building bridges of correct and effective relationships among all levels of work on the basis of integration and partnership. The Company's vision calls for providing real opportunities in society which we consider crucial to achieving comprehensive development, improving the quality of life for individuals, and having great importance in several aspects, the most important of which are:



10

Business Continuity and Risk management



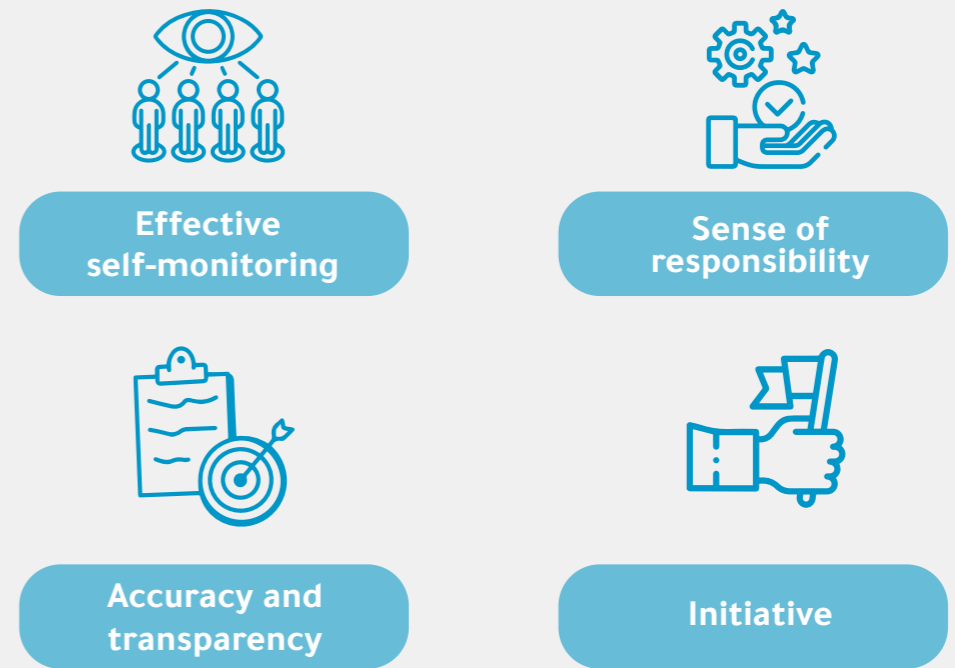
Quality and Safety Management

The Company is enhancing its capabilities in managing security and safety in its various work environments and service facilities. The company is also making unremitting efforts to provide a safe and healthy professional environment for its employees. It is committed to implementing an advanced occupational safety management system with the aim of providing a safe and healthy environment for its subordinates. We apply the highest safety performance standards and indicators to set occupational safety standards to measure the extent of commitment of all employees in the Company's various work sectors, which include implementing training on emergency evacuation plans, first aid, availability of fire and alarm systems, safety of transportation in company vehicles, etc. The Company's safety department provides training and monitoring services, along with setting procedures to ensure the implementation of an effective safety system by an experienced work team in the field of security services, supported by the latest relevant equipment and systems. The Company has obtained several quality certificates (ISO), including the following:



Risk Management

The Board of Directors of Avalon Pharma is adopting deliberate procedures to address various risks that could hinder the Company's operational and production performance. The Board endeavors to enhance the culture of awareness of the responsibilities of all relevant parties in the Company, so that they become fully informed and aware of their responsibilities. Meanwhile, the Company continues to work on enhancing the effectiveness of internal control and implementing corporate governance controls in accordance with the highest standards of transparency. The Company's risk management policy is based on each of the following aspects:



In an effort to achieve the highest possible efficiency in addressing risks, striking a balance between achieving objectives and preserving value and sustainability, the Company adopts the following mechanism:

- 01** Defining and identifying the potential risks that the Company may face, including all types of risks, such as financial, operational, and environmental risks, and others.
- 02** Risk assessment by measuring the impact of risks and the probability of their occurrence. The risks are then classified according to the priority level into high, medium, or low.
- 03** Developing and implementing risk management strategies, which include determining appropriate control procedures to mitigate the impact of risks and reduce likelihood of their occurrence and allocating the necessary resources to implement these strategies.



Risk Factors

1. Risks related to the Company's activity and operations

- Risks related to non-compliance with the Companies Law and the Company's bylaws
- Risks related to the issuance of the new Companies Law
- Risks related to the lack of experience in managing listed joint stock companies
- Risks related to non-compliance with the Capital Market Law and its Implementing Regulations
- Risks of management decisions
- Risks related to employee errors or misconduct
- Risks of difficulty in recruiting people with experience in the health sector
- Credit related risks
- Risks related to credit facilities and financing agreements
- Risks related to Liquidity
- Risks related to the availability of financing in the future
- Risks related to the Company's reliance on its shareholders to obtain financing
- Risks related to the Company's payables
- Risks related to the occurrence of natural disasters
- Risks related to operation and unexpected business cessation
- Risks related to inventory
- Risks related to storage
- Risks related to the breakdown of machinery and equipment, the mechanism of use, and manufacturing defects
- Risks of rising energy and water prices
- Risks related to health and safety policies

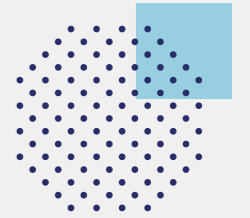


- Risks related to non-issuance or non-renewal of licenses, permits and regulatory certificates
- Risks related to potential legal Zakat entitlements and additional claims
- Risks related to reliance on major suppliers
- Risks related to relying on distributors outside the Kingdom
- Risks related to standardizing the purchase of medicines, devices and medical supplies
- Risks related to the volume of Government spending on the health sector
- Risks related to non-compliance with the standards of the Food and Drug Authority and other regulatory bodies
- Risks related to the withdrawal of the Company's products from the market
- Risks related to the pricing policy of pharmaceutical products
- Risks related to currency exchange rate fluctuations
- Risks related to the concentration of the Company's revenues
- Risks related to Customer concentration
- Risks related to protecting trademarks and property rights
- Risks related to lawsuits and fines
- Risks related to the adequacy of insurance coverage
- Risks related to transactions with related parties
- Risks related to the inability to implement the Company's strategic plan
- Risks related to business expansion outside the Kingdom
- Risks related to operational costs and expenses
- Risks related to operating systems and information technology
- Risks related to Saudization requirements

- Risks related to Government fees applied to non-Saudi employees
- Risks related to reliance on non-Saudi employees
- Risks related to reliance on key employees
- Risks related to existing and future sales contracts and their implementation
- Risks related to potential liabilities
- Risks related to the Coronavirus (Covid-19) pandemic
- Risks related to Privatization of the Health Sector
- Risks related to research, development and new products
- Risks related to lease contracts
- Risks related to the NUPCO's tender
- Risks related to the agreement to develop commercial and marketing work and raise the level of service with Al-Dawaa Medical Services Company
- Risks related to the lack of signed contracts
- Risks related to not documenting employees' employment contracts electronically
- Risks related to acquisitions, mergers or investment in the future

2. Risks related to the market and sector in which the Company operates

- Risks related to the Kingdom's economic performance
- Risks related to political and economic instability in the Middle East region
- Risks related to the competitive environment
- Risks of growth opportunities
- Risks related to non-compliance with current regulations and laws and/or the issuance of new regulations and laws
- Risks related to value added tax



- Risks related to fluctuations in supply and demand
- Risks related to withdrawing licenses
- Risks related to interest rate fluctuations
- Risks related to changing the mechanism for calculating Zakat and income tax
- Risks related to the imposition of new fees or taxes
- Risks related to adapting to customer requirements
- Risks related to keeping pace with developments in the health sector

3. Risks related to the Offering Shares

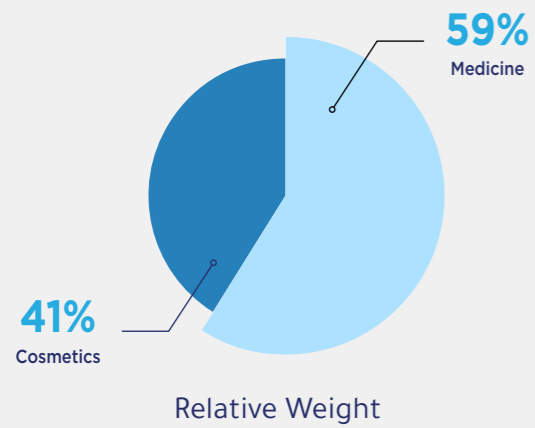
- Risks related to actual control by selling shareholders
- Risks related to the liquidity of the Offering Shares
- Risks related to the lack of a previous market for the Company's shares and the fluctuation of the share price
- Risks related to non-distribution of dividends
- Risks related to selling or offering additional shares in the future
- Risks related to selling a large number of shares in the market after the Offering process
- Risks related to the inability of non-qualified foreign investors to acquire shares directly
- Risks related to fluctuations in the price of shares after the Offering

11

Financial Performance



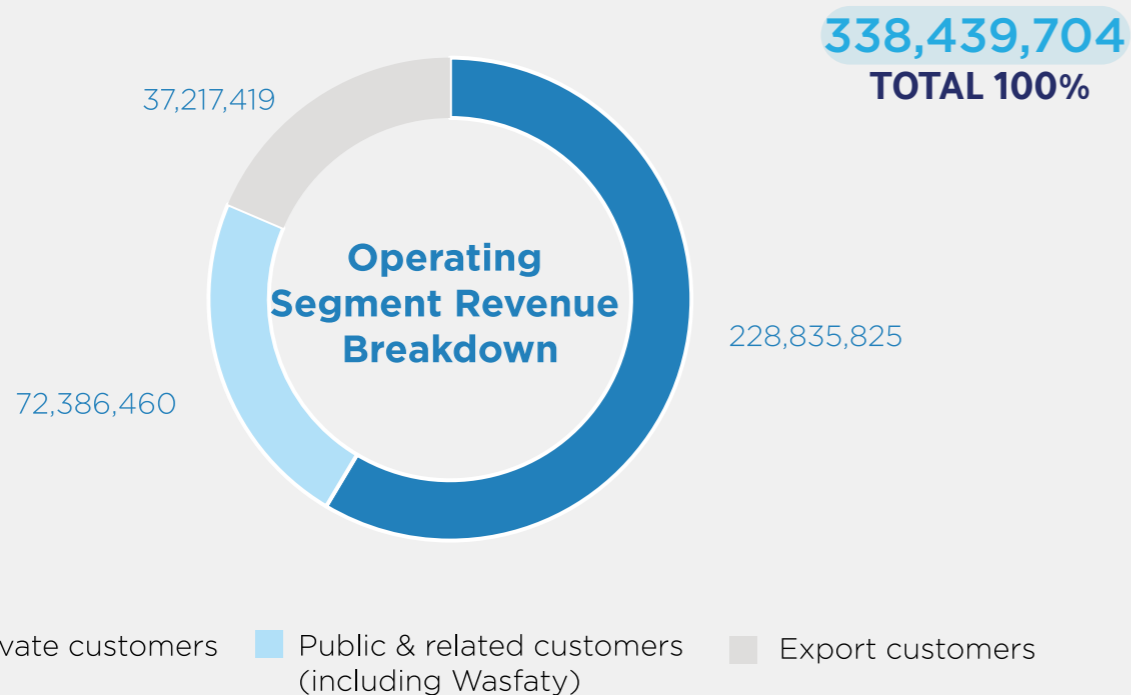
Main activities of the Company and their revenues



Item	2023G (SAR'Million)	Relative Weight
Medicine	198.418	59%
Cosmetics	140.021	41%
Total	338.440	100%

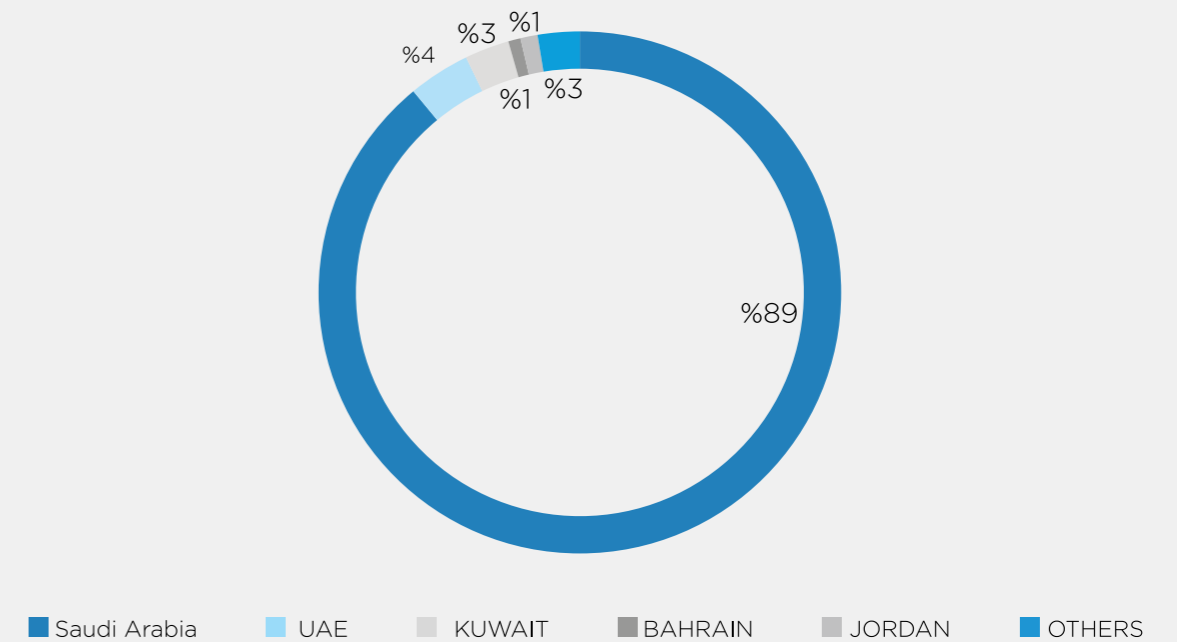
Geographic analysis of the total revenues of the Company and its subsidiaries

The company's revenue is distributed under three operating segments: Private, Public (including sales through Wasfaty), and Export.



The geographical allocation of the company's revenue is depicted in the subsequent chart.

Revenue Distribution by Geography



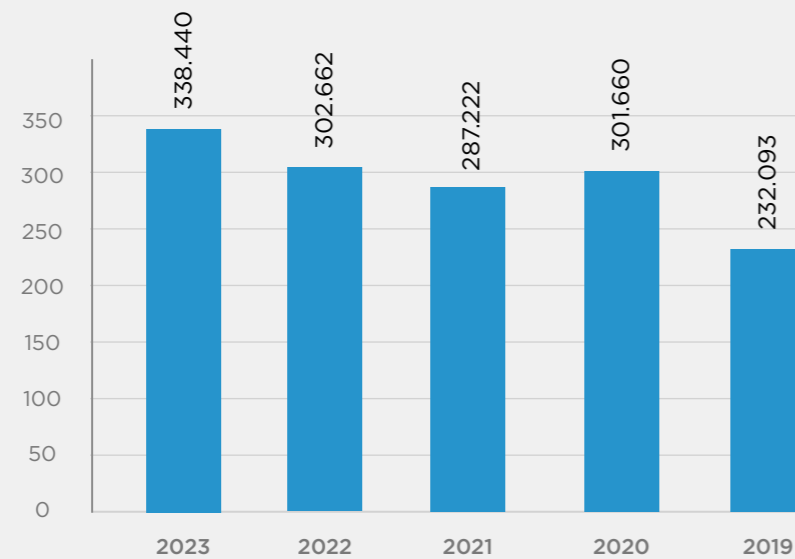
Statement of assets, liabilities, and shareholders' equity for the last five fiscal years (SAR'Million)

Statement	2023	2022	2021	2020	2019	Change between 2022-2023
Current assets	277.645	292.515	269.366	225.199	191.275	(14.870)
Non-current assets	167.254	150.736	147.562	145.434	92.012	16.518
Total assets	444.899	443.251	416.928	370.633	283.287	1.647
Current liabilities	113.235	132.391	117.390	84.765	53.666	(19.156)
Non-current liabilities	25.264	30.587	32.456	33.439	12.232	(5.323)
Total liabilities	138.499	162.978	149.847	118.204	65.898	(24.478)
Paid-up Capital	200.000	200.000	60.000	60.000	60.000	.000
Statutory reserves and retained earnings	106.400	80.274	207.081	192.429	157.388	26.126
Total equity	306.400	280.274	267.081	252.429	217.388	26.126

Statement of income for the last five fiscal years (SAR'Million)

Statement	2023	2022	2021	2020	2019	Change between 2022-2023
Revenue	338.440	302.662	287.222	301.660	232.093	35.777
Cost of revenue	-131.070	-118.371	-112.644	-125.282	-84.966	-12.699
Gross profit	207.370	184.291	174.578	176.378	147.127	23.079
Net profit	65.827	59.452	66.283	72.813	54.045	6.376

Revenue



Change between 2022-2023

Gross profit

23.079

Net profit

6.376

Material differences in operating results from the results of the previous year (SAR'Million)

Statement	2023	Value	2022	Value	Value	Percentage of Change
Revenue	338.44	100.0%	302.66	100.0%	35.78	11.8%
Cost of revenue	-131.07	-38.7%	-118.37	-39.1%	-12.7	10.7%
Gross profit	207.37	61.3%	184.29	60.9%	23.08	12.5%
Selling and Distribution expenses	-80.62	-23.8%	-70.42	-23.3%	-10.2	14.5%
General and administrative expenses	-49.57	-14.6%	-43.4	-14.3%	-6.17	14.2%
Total SG&A expenses	-130.19	-38.5%	-113.82	-37.6%	-16.37	14.4%
Reversal/(impairment) loss on trade receivable	1.51	0.4%	-13	0.0%	1.64	-1258.4%
Other (expenses)/ income	-.43	-0.1%	.17	0.1%	-.6	-356.3%
Operating profit	78.25	23.1%	70.5	23.3%	7.75	11.0%
Finance costs	-6.81	-2.0%	-5.48	-1.8%	-1.33	24.3%
Profit before zakat	71.44	21.1%	65.02	21.5%	6.42	9.9%
Zakat expense	-5.61	-1.7%	-5.57	-1.8%	-.04	0.7%
Profit for the year	65.83	19.5%	59.45	19.6%	6.38	10.7%
Net profit Margin	19.5%		19.6%			

20
23

Profit for the year

65.83

Loans and Murabaha transactions (SAR'000)

Creditor	Loan Term	Original Loan Amount	Beginning Balance as of 01 January 2023	Additions during the year	Repayments during the year	Ending Balance as of 31 December 2023
Arab National Bank	Short term (1Year)	30,000,000	11,716,000	11,096,920	7,203,920	15,609,000
Al-Bilad Bank	Short term (1Year)	25,000,000	1,579,279		1,579,279	
Banque Saudi Fransi	Short term (1Year)	92,429,000.00	41,989,599	131,184,911	155,757,744	17,416,766
	Long term (3 Years)		15,844,840		6,337,936	9,506,904
The Saudi Investment Bank	Short term (1Year)	45,481,000.00	13,845,209	21,851,445	28,449,774	7,246,879
Saudi National Bank	Short term (1Year)	30,000,000.00		10,000,000		10,000,000
Total		222,910,000.00	84,974,927	174,133,276	199,328,653	59,779,549

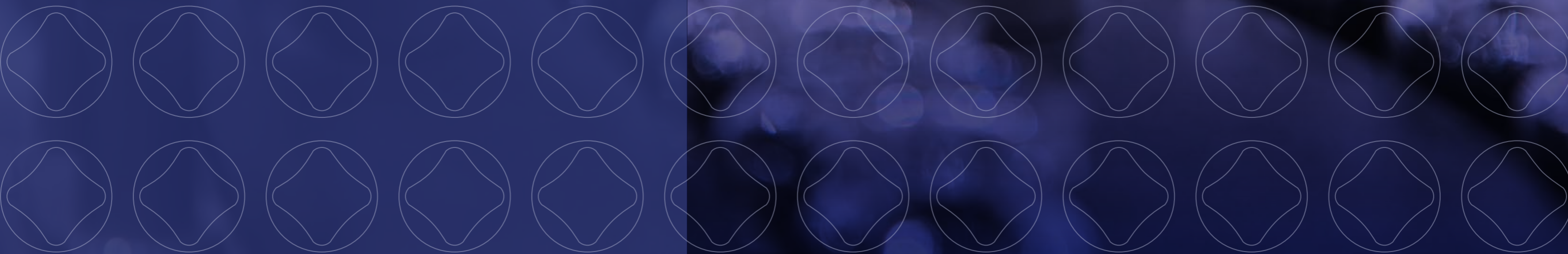
Regulatory payments to government agencies (SAR'000)

Statement Paid	Paid	Due and not paid until the end of the annual financial period	Brief description of it
Zakat	0.00	5,610	
Value added tax	0.00	(1396)	VAT refundable
General Organization for Social Insurance	2,611	0.00	All social insurance bills for the year 2023
Visa and passport costs	94	0.00	
Labor office fees	1,521	0.00	
SFDA Fees	1,438		
Total	5,664		



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**Governance
and
Compliance**



Avalon Pharma is committed to applying the highest standards and best professional practices in governance, adopting, and disseminating a culture of commitment to the highest levels of integrity and honesty in all its professional practices. The Company is also working to integrate the concepts of disclosure and transparency into all its events and activities in various main streams of work. The Company emphasizes its compliance with all laws, regulations and instructions issued by the competent authorities related to its business, a matter that preserves its reputation and credibility, and enhances the confidence of shareholders and partners in its successful approach in accordance with the standards of efficiency, quality, and mastery. We note here that a report has been prepared and published in accordance with the Corporate Governance Regulations issued by the Capital Market Authority, in its latest amended version.

Governance practices framework

Avalon Pharma endeavors to implement the principle of governance within an integrated professional framework, in accordance with the best practices followed by listed companies and based on a general framework for comprehensive governance as follows:

- 01 Protecting the rights of the Company's shareholders in a way that ensures their and the Company's best interests.
- 02 Protecting the rights of stakeholders and providing stability and functional sustainability through the Company's good financial performance.
- 03 Providing accurate and comprehensive timely disclosures to the Company's shareholders, related parties, and relevant regulatory authorities.
- 04 Identifying, reporting, disclosing, and dealing with cases of conflict of interest that may arise between the Company and its stakeholders, which may negatively affect the interests of the Company and its shareholders.
- 05 Enabling employees to report any concerns or incorrect behavior observed within the Company by providing an objective, confidential and independent reporting and investigation mechanism until appropriate corrective action is taken.
- 06 Regulating transactions with related parties, whether between the Company and its employees, or between the Company and members of its Board of Directors, executive management, subsidiaries, or other related parties.
- 07 Aligning the Company's values and strategy with social and economic needs, by ensuring that responsible and ethical practices are applied in all company activities while continuing to provide the necessary support to the community.
- 08 Establishing reliable communication channels with investors to enhance the Company's position in the market and attract shareholders and investments.

Pillars of governance implementation



Transparency

The Board of Directors must explain to shareholders the reasons for making key decisions



Responsibility

Each member of the Board of Directors is responsible for carrying out his duties with the highest professionalism.



Accountability

Board members must be accountable to shareholders for mistakes committed (if any).



Justice

All shareholders are equal before members of the Board of Directors and senior management.

Board of Directors

The Board of Directors is appointed by the shareholders. The Board has the broadest powers to manage the Company, direct its business to achieve its objectives, and set plans, policies, strategies, and main objectives for the Company, taking into account long-term interest of shareholders.



Responsibilities and Competencies of the Board of Directors

With due consideration of the powers assigned to the General Assembly, the Board of Directors shall have the broadest powers necessary to manage the Company in a manner that achieves its objectives, establish its policies, determine its investments, supervise its business and finances, and manage its affairs inside and outside the Kingdom. The Board also has - but is not limited to - the right to sign all types of contracts, documents, instruments, and agreements, including but not limited to the contracts of incorporation of companies in which the Company participates, with all their amendments, annexes, and amendment decisions, and to sign the agreements and instruments before the Notary and official bodies. The tasks and specializations of the Board of Directors include the following:

- 1. The duties and powers of the Council stipulated in the Companies Law and the Company's Bylaws.**
- 2. Developing plans, policies, strategies, and main objectives of the Company and supervising their implementation and reviewing them periodically through:**
 - Developing, reviewing, and directing the Company's comprehensive strategy, main business plans, and risk management policies and procedures.
 - Determining the Company's optimal capital structure, strategies, and financial objectives, and approving all types of estimated budgets.
 - Supervising the Company's main capital expenditures and owning and disposing of assets.
 - Setting performance goals and monitoring implementation and overall performance in the Company.
 - Periodically reviewing and approving the Company's organizational and functional structures.
 - Verifying the availability of human and financial resources necessary to achieve the Company's goals and main plans.
- 3. Establishing systems and controls for internal control and general supervision thereof, through:**
 - Developing a written policy to address cases of actual and potential conflicts of interest for members of the Board of Directors, Executive Management, and shareholders, including misuse of the Company's assets and facilities, and misconduct resulting from dealings with related parties.
 - Ensuring the soundness of financial and accounting systems, including systems related to preparing financial reports.

- Ensuring the implementation of appropriate control systems to measure and manage risks, by developing a general vision of the risks that the Company may face, creating an environment familiar with the culture of risk management at the Company level, and presenting it transparently with stakeholders and parties related to the Company, to annually review the effectiveness of the Company's internal control procedures

- 4.** Preparing clear and specific policies, standards, and procedures for membership in the Board of Directors that do not conflict with the mandatory provisions in the organizational regulations and putting them into effect after their approval by the General Assembly.
- 5.** Establishing policies and procedures that ensure the Company's compliance with laws and regulations and its commitment to disclosing essential information to shareholders and stakeholders and verifying the executive management's compliance with them.
- 6.** Supervising the Company's financial management, its cash flows, and its financial and credit relationships with others.
- 7.** Proposing to the extraordinary general assembly what it deems appropriate regarding increasing or reducing the Company's capital, or in the event of the Company's dissolution before the period specified in the Company's bylaws or deciding its continuation.
- 8.** Propose to the Ordinary General Assembly what it deems appropriate regarding the use of the Company's reserves if they are not allocated for a specific purpose in the Company's bylaws, or in the event of the formation of additional financial reserves or provisions for the Company.
- 9.** Preparing the Company's initial and annual financial statements and approving them before their publication.
- 10.** Preparing the Board of Directors' report and approving it before its publication.
- 11.** Ensuring the accuracy and integrity of the data and information that must be disclosed in accordance with applicable disclosure and transparency policies and systems.
- 12.** Establishing effective communication channels that allow shareholders to review aspects of the Company's various activities and any fundamental developments continuously and periodically.

- 13.** Forming specialized committees emanating from it through decisions specifying the duration of the committee, its powers and responsibilities, and how the Board will monitor it, provided that the formation decision includes naming the members and specifying their tasks, rights and duties, along with an evaluation of the performance and work of these committees and their members.
- 14.** Determining the types of remunerations granted to the Company's employees, such as fixed remunerations, performance-related remunerations, and remunerations in the form of shares, in a manner that does not conflict with the implementing regulations of the Companies' Law for listed joint-stock companies.
- 15.** Establishing the values and standards that govern work in the Company.

Composition of the Board of Directors

The Middle East Pharmaceutical Industries Company is managed by a Board of Directors consisting of (5) five members elected by the Ordinary General Assembly of Shareholders for a period not exceeding (4) four years. Board members may be re-elected. With the exception of this, the transformational general assembly held on 09/09/1443H (corresponding to 10/04/2022G) appointed the first Board of Directors for a period of (4) four years from the date of issuance of the Ministerial Resolution announcing the Company's transformation into a joint stock company. The Board of Directors holds (4) meetings at least annually.

5

Members

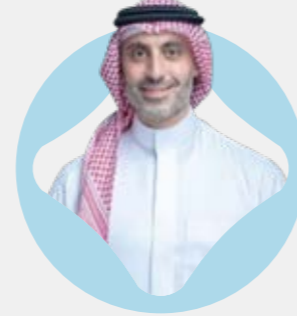
Members of the Board of Directors

The Company is managed by a Board of Directors consisting of (5) five members, (3) three of whom are independent and (2) two are non-independent. The following table shows the members of the Board of Directors of the Middle East Pharmaceutical Industries Company:



Ahmad Shafer Al-Tabbaa

Chairman of Board of Directors
Non-executive



Hisham Mohammed Attar

Deputy Chairman of the Board
Independent



Mohammed Maher Al-Ghannam

Member of the Board of Directors and Managing Director
Executive



Faisal Suleiman Al-Jamaan

Member of the Board of Directors
Independent



Omar Mohammed Al-Jaroudi

Member of the Board of Directors
Independent

Board meetings during the year 2023G

Member Name	Position	First meeting	Second meeting	Third meeting	Fourth meeting	Percentage of Total attendance
		31/05/2023	09/08/2023	09/11/2023	20/12/2023	
Ahmad Shafer Al-Tabbaa	Chairman of Board of Directors	✓	✓	✓	✓	100%
Hisham Mohammed Attar	Deputy Chairman of the Board	---	---	✓	✓	50%
Yousef Talal Zahid	Deputy Chairman of the Board	Did not Attend	Did not Attend	---	---	0%
Mohammed Maher Al-Ghannam	Member of the Board of Directors and Managing Director	✓	✓	✓	✓	100%
Faisal Suleiman Al-Jamaan	Member of the Board of Directors	✓	✓	✓	✓	100%
Omar Mohammed Al-Jaroudi	Member of the Board of Directors	✓	✓	✓	✓	100%

Note: Mr. Yousef Zahid resigned on 10/09/2023

The Extraordinary General Assembly held on 28/02/1445H (corresponding to 13/09/2023G) approved the appointment of Board Member Mr. Hisham Attar starting from 27/02/1445H (corresponding to 12/09/2023G) until the end date of the current period.

Biographies of Members of the Board of Directors

Ahmad Shafer Al-Tabbaa

Chairman of the Board of Directors

Academic qualifications

- A bachelor's degree in economics from the American University in Washington State, USA, in 1994

Current Positions

- Chairman of the Board of Directors of Avalon Pharma since 2022G.
- Deputy Chairman of the Board of Directors of the Jordanian Saudi E-Commerce Company in Jordan since 2006G, a limited liability company working in online retail.

Previous Positions and practical Experience

- Chairman of the Board of Directors of the Riyadh Renewable Energy Company in the city of Riyadh from 2017G to 2021G, which is a limited liability company working in the field of providing renewable energy.
- Founder and Chairman of the Board of Directors of the Middle East Distribution Company in Riyadh from 2000G to 2018G, which is a limited liability company working in the field of distributing health products and medicines.
- Founder and Chairman of the Board of Directors of the First Pharmaceutical Company in Riyadh from 2003G to 2005G, which is a limited liability company working in the field of investing in and operating pharmacies.
- Founder and Chairman of the Board of Directors of the Middle East Machinery Company in Riyadh from 1998G to 2000G, which is a limited liability company working in the field of manufacturing and packaging of the pharmaceutical, food and water industries.

Hisham Mohammed Attar

Deputy Chairman of the Board of Directors

Academic qualifications

- He holds a bachelor's degree in business economics and public and private sector organizations from Brown University in Rhode Island, USA, in 2004G

Current Positions and practical Experience

- Deputy Chairman of the Board of Directors of Avalon Pharma since 2022G
- Deputy Chairman of the Board of Directors of the Jordanian Saudi E-Commerce Company in Jordan since 2006G, a limited liability company working in online retail.
- Founder and partner in Thara Al-Mustaqbal Investment Company in Riyadh since 2022G, which works in the field of chemical materials and waste management.
- General partner and member of the Executive Committee of KC AGRO in Romania since 2013G, which works in the field of agriculture and agricultural land operation.
- Founder and partner of Arena Group Company in Jeddah since 2012G, which works in the field of fitness centers.
- Founder and partner of Al-Farabi Medical Company in Riyadh since 2010G, which works in the field of providing medical services.
- Member of the Investment Committee of the Saudi Technical Development and Investment Company «Taqnia» in the city of Riyadh since 2022G, and it works in the field of information technology.
- Member of the Compliance Committee at the Arab Bank in Jordan since 2018G.
- Member of the Strategy Committee at the Arab Bank in Jordan since 2018G.
- Chairman of the Nominations and Remuneration Committee at the Saudi Jordanian Investment Fund Company in Jordan since 2017G.
- Managing Director of the Saudi Technical Development and Investment Company «Taqnia» in the city of Riyadh since 2022G, which is a limited liability company working in the field of information technology.
- Member of the Board of Directors of Tejoori Company in Riyadh since 2022G, which is a closed joint stock company working in the field of providing information management and digital archiving services.
- Member of the Board of Directors of the Arab Bank in Jordan since 2018G, which is a joint stock company working in the field of providing financial and banking services.
- Chairman of the Board of Directors of the Saudi Jordanian Investment Fund Company in Jordan since 2017G, which is a joint stock company working in the field of multiple investments.
- Member of the Board of Directors of KC AGRO in Romania since 2013G, which is a limited liability company working in the field of agriculture and agricultural land operation.

Previous Positions

- Senior advisor to the Deputy Governor and Head of the Identity Department in the Middle East and North Africa region at the Public Investment Fund in Riyadh from 2021G to 2022G, and he works in the field of multiple investments.
- Senior Executive Director in the Local Partnership Department at the Public Investment Fund in Riyadh from 2019G to 2021G, and he works in the field of multiple investments.
- Senior Vice President of the Saudi Equity Department at the Public Investment Fund in Riyadh from 2016G to 2019G, and he works in the field of multiple investments.
- President of Amwal Al-Khaleej Investment Company in Riyadh during the year 2016G, which works in the field of providing financial services.
- Vice President at Amwal Al Khaleej Investment Company in Riyadh during 2015G, which works in the field of providing financial services.
- Executive Vice President of the Sports Clubs Company in Riyadh from 2013G to 2015G, which works in the field of sports and sports equipment.
- Vice President at Amwal Al Khaleej Investment Company in Riyadh from 2008G to 2013G, which works in the field of providing financial services.
- Senior deputy in Assets and Liabilities Management at the National Saudi Bank in Jeddah from 2006G to 2008G, and it works in the field of providing financial and banking services.
- Marketing Officer for Investments and Derivatives Sales at the National Bank of Saudi Arabia in Jeddah from 2004G to 2006G. It works in the field of providing financial and banking services.

Mohammed Maher Al-Ghannam

Managing Director and CEO

Academic qualifications

- He holds a master's degree in business administration from Central California University in California, USA, in 2018G.
- He holds a bachelor's degree in business administration from Damascus University in Syria in 2009G.

Current Positions

- Managing Director and CEO of the Middle East Pharmaceutical Industries Company in Riyadh since 2022G.

Previous Positions and practical Experience

- CEO of the Middle East Pharmaceutical Industries Company in Riyadh from 2018G to 2022G.
- Director of Operations at the Middle East Pharmaceutical Industries Company in Riyadh from 2016G to 2018G.
- Director of Human Resources and Logistics Services at the Middle East Pharmaceutical Industries Company in Riyadh from 2006G to 2015G.
- Director of Purchasing and Logistics Services at the Middle East Pharmaceutical Industries Company in Riyadh from 2000G to 2006G.

Faisal Suleiman Al-Jamaan

Member of the Board of Directors

Academic qualifications

- He holds a bachelor's degree in computer technology from Brunel University in the United Kingdom in 1978G

Current Positions

- Member of the Board of Directors at the Middle East Pharmaceutical Industries Company in Riyadh since 2022G.
- Member of the Board of Directors of Al-Esayi Motors Company in Riyadh since 2020G, which is a closed joint stock company working in the field of selling cars
- Chairman of the Audit Committee at Al-Esayi Motors Company in Riyadh since 2020G
- Chairman of the Audit Committee at the Arab Tile Company in Riyadh since 2019G.
- Member of the Board of Directors of the Arab Tile Company in Riyadh since 2019G, which is a closed joint stock company working in the field of manufacturing tiles and building supplies
- CEO of Tawkelat Financing Company in Riyadh since 2017G.
- Chairman of the Board of Directors of the Comprehensive Marketing Company in Riyadh since 2007G, which is a limited liability company working in the field of marketing services for health products and medicines



Faisal Suleiman Al-Jamaan

Member of the Board of Directors

Previous Positions and practical Experience

- CEO of United Motors Company in Riyadh from 2000G to 2017G.
- General Manager at Al-Ahlia Advanced Systems Company Limited in Riyadh from 1999 to 2000G.
- General Manager at the United Arab Motors Company in Riyadh from 1996 to 1999G.
- General Manager at Integrated Systems Company in Riyadh from 1993 to 1996G.
- General Manager at the Saudi Electronic Systems Company in Riyadh from 1979G to 1993G.
- Programming analyst at Grand Metropolitan Systems in the United Kingdom from 1978G to 1979G.
- Research assistant at the University of London in the United Kingdom in 1976G.
- Programmer at ABC Business Press in the United Kingdom in 1974G.

Omar Mohammed Al-Jaroudi

Member of the Board of Directors

Academic qualifications

- He holds a master's degree in economics from Syracuse University in New York State, USA, in 1984G.
- He holds a Bachelor's degree in Business Administration from the American University of Beirut in Lebanon in 1983G.
- He holds a Certificate in Securities Dealing (CME1) from the Financial Academy in Riyadh in 2013G.

Current Positions

- Member of the Board of Directors at Gulf Finance Company in Riyadh from 2019G to 2023G, which is a closed joint stock company working in the field of finance.
- Member of the Board of Directors of Shuaa Wadi Al-Huda Real Estate Fund in Riyadh from 2016G to 2023G, which is a real estate fund managed by Shuaa Capital Saudi Arabia, a closed joint stock company working in the field of providing financial services under the supervision of the Capital Market Authority
- Member of the Board of Directors at the Middle East Pharmaceutical Industries Company in Riyadh since 2022G.
- Member of the Board of Directors of Al-Esayi Motors Company in Riyadh since 2020G, a closed joint stock company working in the field of selling cars.
- Chairman of the Audit Committee at Al-Esayi Motors Company in Riyadh since 2020G.
- Chairman of the Audit Committee at the Arab Tile Company in Riyadh since 2019G.
- Member of the Board of Directors of the Arab Tile Company in Riyadh since 2019G, a closed joint stock company working in the field of manufacturing tiles and building supplies.
- CEO of Tawkelat Finance Company in Riyadh since 2017G.
- Chairman of the Board of Directors of the Comprehensive Marketing Company in Riyadh since 2007G, a limited liability company working in the field of marketing services for health products and medicines.
- Member of the Board of Directors of Yamam Al-Mustaqbal Company in Riyadh since 2021G, which is a limited liability company working in the field of real estate development.

Omar Mohammed Al-Jaroudi

Member of the Board of Directors

Current Positions

- Member of the Board of Directors of Acacia Real Estate Development Company in Lebanon since 2015G, which is a limited liability company working in the field of real estate development.
- Member of the Board of Directors of Al Bani Real Estate Development Company in Riyadh since 2013G, which is a limited liability company working in the field of real estate development.
- Member of the Board of Directors of United Shareholders Company in Lebanon since 2010G, which is a limited liability company operating in the field of financial services.
- Member of the Board of Directors of Quintillion Hotels UK (Home House) in the United Kingdom since 2009G, which is a limited liability company working in the field of hotel services.

Previous Positions and practical Experience

- Member of the Board of Directors of Hotel Funds at Shuaa Capital Saudi Arabia in Riyadh from 2010G to 2023G, which is a closed joint stock company working in the field of providing financial services under the supervision of the Capital Market Authority.
- Member of the Board of Directors of Shuaa Capital Saudi Arabia in Riyadh from 2008G to 2023G, which is a closed joint stock company operating in the field of providing financial services under the supervision of the Capital Market Authority.
- Director of the Investment Banking Department at Audi Saradar Investment Bank in Lebanon from 2005G to 2007G.
- Senior Director of Business Development at Audi Saradar Investment Bank in Lebanon from 2000G to 2005G.
- Senior Director of Business Development at Lebanon Invest in Lebanon from 1995G to 2000G.
- Director of the Brokerage Department at the Banque Saudi Fransi in Jeddah from 1991G to 1994G.
- Director of the International Brokerage Department at the Banque Saudi Fransi in Riyadh from 1989G to 1991G.
- Director of the Investment Consulting Department at the Banque Saudi Fransi in Jeddah during the year 1988G.
- Assistant Portfolio Manager at Banque Saudi Fransi in Jeddah from 1987G to 1988G.
- Credit officer at the Saudi Fransi Bank in Riyadh from 1984G to 1987G

A statement of the names of companies inside or outside the Kingdom in which the members of the company's board of directors are current and previous members of its boards of directors or its managers

Ahmad Shafer Al-Tabbaa Chairman of Board of Directors	
Current companies that have a board of directors or managers	Inside or outside the Kingdom
Deputy Chairman of the Board of Directors of the Jordanian Saudi E-Commerce Company in Jordan since 2006G, which is a limited liability company working in online retail.	Outside the kingdom
Previous companies that have a board of directors or managers	Inside or outside the Kingdom
Founder and Chairman of the Board of Directors of the First Pharmaceutical Company in Riyadh from 2003G to 2005G, which is a limited liability company working in the field of investing in and operating pharmacies.	Inside the Kingdom
Founder and Chairman of the Board of Directors of the Middle East Machinery Company in Riyadh from 1998G to 2000G, which is a limited liability company working in the field of manufacturing and packaging of the pharmaceutical, food and water industries	Inside the Kingdom

Hisham Mohammed Attar Deputy Chairman of the Board of Directors	
Current companies that have a board of directors or managers	Inside or outside the Kingdom
Senior advisor to the Deputy Governor and Head of the Identity Department in the Middle East and North Africa region at the Public Investment Fund in Riyadh from 2021G to 2022G, and he works in the field of multiple investments	Inside the Kingdom
Managing Director of the Saudi Technical Development and Investment Company «Taqnia» in Riyadh since 2022G, which is a limited liability company working in the field of information technology	Inside the Kingdom
Senior Executive Director in the Local Partnership Department at the Public Investment Fund in Riyadh from 2019G to 2021G, and he works in the field of multiple investments	Inside the Kingdom
Member of the Board of Directors of Tejoori Company in Riyadh since 2022G, which is a closed joint stock company working in the field of providing information management and digital archiving services	Inside the Kingdom
President of Amwal Al-Khaleej Investment Company in Riyadh during the year 2016G, which works in the field of providing financial services	Inside the Kingdom

Hisham Mohammed Attar Deputy Chairman of the Board of Directors	
Previous companies that have a board of directors or managers	Inside or outside the Kingdom
Chairman of the Board of Directors of the Saudi Jordanian Investment Fund Company in Jordan since 2017G, which is a joint stock company working in the field of multiple investments	Outside the kingdom
Member of the Board of Directors of KC AGRO in Romania since 2013G, which is a limited liability company working in the field of agriculture and agricultural land operation	Outside the kingdom

Mohammed Maher Al-Ghannam Member of the Board of Directors and Managing Director	
N/A	

Faisal Suleiman Al-Jamaan Member of the Board of Directors	
Current companies that have a board of directors or managers	Inside or outside the Kingdom
Member of the Board of Directors of Al-Esayi Motors Company in Riyadh since 2020G, which is a closed joint stock company working in the field of selling cars	Inside the Kingdom
Member of the Board of Directors of the Arab Tile Company in Riyadh since 2019G, which is a closed joint stock company working in the field of manufacturing tiles and building supplies	Inside the Kingdom
CEO of Tawkelat Financing Company in Riyadh since 2017G	Inside the Kingdom
Chairman of the Board of Directors of the Comprehensive Marketing Company in Riyadh since 2007G, which is a limited liability company working in the field of marketing services for health products and medicines	Inside the Kingdom
working in the field of manufacturing tiles and building supplies	Inside the Kingdom
Member of the Board of Directors of Tawkelat Financing Company in Riyadh since 2007G, which is a closed joint stock company working in the field of finance	Inside the Kingdom

Faisal Suleiman Al-Jamaan	
Member of the Board of Directors	
Previous companies that have a board of directors or managers	Inside or outside the Kingdom
CEO of United Motors Company in Riyadh from 2000G to 2017G	Inside the Kingdom
General Manager at Al-Ahlia Advanced Systems Company Limited in Riyadh from 1999 to 2000G	Inside the Kingdom
General Manager at the United Arab Motors Company in Riyadh from 1996 to 1999G	Inside the Kingdom
General Manager at Integrated Systems Company in Riyadh from 1993 to 1996G	Inside the Kingdom
General Manager at the Saudi Electronic Systems Company in Riyadh from 1979G to 1993G	Inside the Kingdom

Omar Mohammed Al-Jaroudi	
Member of the Board of Directors	
Current companies that have a board of directors or managers	Inside or outside the Kingdom
Member of the Board of Directors at Gulf Finance Company in Riyadh from 2019G to 2023G, which is a closed joint stock company working in the field of finance	Inside the Kingdom
Member of the Board of Directors of Shuaa Wadi Al-Huda Real Estate Fund in Riyadh from 2016G to 2023G, which is a real estate fund managed by Shuaa Capital Saudi Arabia, a closed joint stock company working in the field of providing financial services under the supervision of the Capital Market Authority	Inside the Kingdom
Member of the Board of Directors of Hotel Funds at Shuaa Capital Saudi Arabia in Riyadh from 2010G to 2023G, which is a closed joint stock company working in the field of providing financial services under the supervision of the Capital Market Authority.	Inside the Kingdom
Member of the Board of Directors of Shuaa Capital Saudi Arabia in Riyadh from 2008G to 2023G, which is a closed joint stock company operating in the field of providing financial services under the supervision of the Capital Market Authority	Inside the Kingdom
CEO and Vice President of Asset Management at Shuaa Capital Saudi Arabia in Riyadh since 2008G	Inside the Kingdom
Previous companies that have a board of directors or managers	Inside or outside the Kingdom
N/A	

Measures taken by the Board of Directors to inform its members - especially non-executives - of shareholders' proposals and observations regarding the Company and its performance

The Investor Relations Unit, which is considered the link between the Board of Directors and the shareholders. The Company's governance regulations also included the work procedures of the Board of Directors, which gave special attention to hearing and responding to shareholders' proposals and inquiries through the email

[\(investor.relations@avalon.com.sa\)](mailto:investor.relations@avalon.com.sa)

Methods relied upon by the Board of Directors to evaluate its performance and the performance of its committees and members, and the external party that carried out the assessment and its relationship with the Company.

The Board of Directors conducts an assessment for its overall performance and the performance of the Company's committees through a questionnaire submitted to the Nominations and Remuneration Committee. The Company will appoint an external party to carry out assessment tasks in the future whenever the need arises.

Board of Directors Committees



Audit Committee

The Audit Committee was formed in accordance with Article (51) Fifty-One of the Corporate Governance Regulations issued by the Capital Market Authority. The Ordinary General Assembly approved in its meeting held on 15/11/1443H (corresponding to 14/06/2022G) the formation of the Audit Committee. The term of the Audit Committee begins from the beginning of the Board of Directors' session and ends with the end of the Board of Directors' Term. The Extraordinary General Assembly, in its meeting held on 26/11/1444H (corresponding to 15/06/2023G), also approved its updated work its updated charter, which defines its tasks, procedures, and members' compensation

Responsibilities of the Audit Committee:

The Audit Committee is responsible for monitoring and ensuring the integrity and accuracy of the company's financial reports, statements, and internal control systems. The committee's specific tasks include:



Financial Reports

- Studying the Company's interim and annual financial statements before presenting them to the Board of Directors and expressing an opinion and recommendation regarding them, to ensure their integrity, fairness, and transparency.
- Reviewing and Expressing opinion the content of the Board's annual report and Financial Statements to ensure it effectively communicates the outcomes of the company's activities in a comprehensible manner and provides shareholders with the necessary information to evaluate the company's performance, business model, and strategy.
- Studying any Significant or unusual issues included in the financial reports.
- Thoroughly examining any concerns raised by the company's Chief Financial Officer or their equivalent, Compliance Officer, or external auditors.
- Verifying accounting estimates on the Material Matters contained in the financial reports.
- Reviewing the accounting policies adopted by the company and providing opinion and recommendations to the Board of Directors regarding them.



Internal Audit

- Studying and reviewing the Company's internal control, financial and risk management systems.
- Studying and reviewing internal audit reports and follow up on the implementation of corrective Actions for the observations contained therein.
- Monitoring and supervising the performance and activities of the internal auditor and the Internal Audit Department in the Company to ensure the availability and effectiveness of resources in carrying out their duties.
- Recommending to the Board of Directors the appointment of Internal Audit Manager unit or department or the internal auditor and proposing his remuneration.



External Auditors

- Recommending to the Board of Directors Appointment of external Auditors ,the nomination, dismissal, and determination of fees for External auditors, and evaluating their performance after verifying their independence, reviewing their scope of work, and contractual terms.
- Verifying the independence, objectivity and fairness of the External Auditors, and the effectiveness of the audit work, taking into account the relevant rules and standards.
- Reviewing the Company's External Auditors plan and work, verifying that he does not provide technical, administrative, or consulting work beyond the scope of audit work, and expressing opinions on this matter.
- Responding to inquiries from the company's External auditors.
- Studying the auditor's report and his Observations on the financial statements and following up on the actions taken regarding them.



Compliance assurance

- Reviewing the results of the regulatory reports and verifying the company's actions taken in response
- Verifying the Company's compliance with relevant laws, regulations, policies, and instructions.
- Reviewing the contracts and transactions proposed to be conducted by the Company with related parties and providing opinions to the Board of Directors.
- Reporting any issues deemed necessary for action to the Board of Directors and making recommendations for the necessary actions to be taken.

Results of the annual audit of the effectiveness of the Company's internal control procedures, and the Audit Committee's opinion on the adequacy of the Company's internal control system

Internal audit provides assurance and advisory services independently and objectively for the to add value, enhance operations, and achieving the Company's objectives. Internal audit helps the Company to achieve its goals by adopting a systematic approach to evaluate and improve the effectiveness of risk management and internal control. During the year 2023G, internal audit carried out several audits in accordance with the audit plan approved by the Audit Committee to provide of giving the necessary assurances regarding the effectiveness and efficiency of the Company's internal control and risk management. It also contributes to reviewing the interim and annual financial statements. The results of the audits indicate the reasonableness of the efficiency and effectiveness of the internal control system in several aspects, with some observations that call for improvement and development of the relevant internal control tools.

The Audit Committee's recommendation regarding the need to appoint an internal auditor in the Company if it does not exist

During the year 2023, the Audit Committee recommended the necessity of appointing a manager for Internal Audit function, and accordingly, a manager of internal audit was appointed in March 2023G.

Members of the Audit Committee

The Audit Committee consists of (3) three members as shown in the following table:

Name	Position	Capacity
Faisal Suleiman Al-Jamaan	Chairman of the Audit Committee	Independent
Omar Mohammed Al-Jaroudi	Member of the Audit Committee	Independent
Yanal Muwaffaq Al-Saudi*	Member of the Audit Committee from outside the board	Independent

(*) The Extraordinary General Assembly held on 13/08/1444H (corresponding to 05/03/2023G) approved the appointment of a member of the Audit Committee, Mr. Yanal Al-Saudi, starting from 28/07/1444H (corresponding to 19/02/2023G) until the end of the committee's current term of work.

Audit Committee Meetings

Meeting Number	Position	First meeting	Second meeting	Third meeting	Fourth meeting	Fifth meeting
		20/07/1444H (corresponding to 11/02/2023G)	26/08/1444H (corresponding to 19/03/2023G)	20/10/1444H (corresponding to 11/05/2023G)	29/10/1444H (corresponding to 20/05/2023G)	05/11/1444H (corresponding to 25/05/2023G)
Faisal Suleiman Al-Jamaan	Chairman of the Audit Committee	✓	✓	✓	✓	✓
Omar Mohammed Al-Jaroudi	Member of the Audit Committee	✓	✓	✓	✓	✓
Yanal Muwaffaq Al-Saudi	Member of the Audit Committee from outside the board	✓	✓	✓	✓	✓
Percentage Total attendance		100%	100%	100%	100%	100%

Meeting Number	Position	Sixth meeting	Seventh meeting	Eighth meeting	Ninth meeting
		08/01/1445H (corresponding to 26/07/2023G)	17/04/1445H (corresponding to 01/11/2023G)	18/04/1445H (corresponding to 02/11/2023G)	05/06/1445H (corresponding to 18/12/2023G)
Faisal Suleiman Al-Jamaan	Chairman of the Audit Committee	✓	✓	✓	✓
Omar Mohammed Al-Jaroudi	Member of the Audit Committee	✓	✓	✓	✓
Yanal Muwaffaq Al-Saudi	Member of the Audit Committee from outside the board	✓	✓	✓	✓
Percentage Total attendance		100%	100%	100%	100%

Biographies of Members of the Audit Committee

Faisal Suleiman Al-Jamaan

Chairman of the Audit Committee

Please review the biographies of Board members above.

Omar Mohammed Al-Jaroudi

Audit Committee member

Please review the biographies of Board members above.

Yanal Muwaffaq Al-Saudi

Member of the Audit Committee from outside the board

Academic qualifications

- Bachelor's degree in business administration from the University of Oklahoma in Oklahoma, USA, in 1985G.
- He holds a Certified Public Accountant (CPA) certificate from the Board of Accountants in the State of Alaska, USA, in 1992G.
- Harvard Business School - Strategic Management Course - USA, in 2014G.
- Northwestern University - Leadership Development Program - USA, in 2008G.

Current Positions

- Member of Nomination & Remuneration Committee and Audit Committee at Avalon Pharma (Pharmaceuticals / Private Company) since 2022G.
- Chairman of the Audit Committee at Rafal Real Estate Development Company in Riyadh since 2022G.
- Member of the Audit Committee of the Saudi Reinsurance Company in Riyadh since 2023G.
- Chairman of the Audit Committee of Wataniya Financing Company (Financing / SAMA Regulated) since 2023G.

Previous Positions and Practical experiences:

- Executive audit manager at Ernst & Young & Partners in Riyadh from 2002G to 2022G.
- Director responsible for the Audit Services Department - Riyadh at Ernst & Young & Partners in Riyadh from 2013G to 2017G.
- Member of the Partners Advisory Board - Europe and the Middle East region at Ernst & Young & Partners in Riyadh from 2014G to 2018G.
- Director responsible for the Independence Department (Risk Management) - Middle East and North Africa region at Ernst & Young & Partners in Riyadh from 2013G to 2016G.
- Chief auditor at Arthur Anderson & Partners in Jordan from 1996G to 2001G.
- Auditor at Arthur Anderson & Co. in Jordan from 1989G to 1995G.

Memberships on other Boards of Directors:

- Member of Board of Directors and Chairman of Governance Committee Jordan Government Investment Company (Investments / Government Owned) since 2023G.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee was appointed pursuant to a decision of the Board of Directors at its meeting held on 28/07/1444H (corresponding to 19/02/2023G) and their membership term is for (3) three years or the duration of the Board of Directors' term or the remainder of it, whichever is shorter. The Ordinary General Assembly approved at its meeting held on 28/02/1445H (corresponding to 13/09/2023G), the updated work regulations of the Nominations and Remuneration Committee, which determine its tasks, work controls, and remuneration for its members.

The Nominations and Remuneration Committee is responsible for supervising and recommending to the Board of Directors nominations for Board membership in accordance with the approved policies and standards and developing clear policies for compensation and remunerations for members of the Board of Directors, the emerging committees, and senior executives, and reviewing them periodically. The Committee's tasks include the following:

- 1- Recommending to the Board of Directors to nominate and re-nominate members in accordance with approved policies and standards.
- 2- Proposing clear policies and standards for membership in the Board of Directors and executive management.
- 3- Preparing a clear policy for the remuneration of members of the Board of Directors and the committees emanating from the Board and Executive Management and submitting it to the Board of Directors for consideration in preparation for its approval by the General Assembly, provided that this policy takes into account following standards related to performance, disclosing them, and verifying their implementation.
- 4- Periodically reviewing the remunerations policy and evaluating its effectiveness in achieving the desired goals.
- 5- Recommending to the Board of Directors the remuneration of members of the Board of Directors, its committees, and the Company's senior executives in accordance with the approved policy.
- 6- Preparing a description of the capabilities and qualifications required for membership in the Board of Directors and filling executive management positions.
- 7- Determining the time that a member must devote to the work of the Board of Directors.
- 8- Annual review of the necessary skills or experience needed for membership in the Board of Directors and executive management functions.
- 9- Reviewing the structure of the Board of Directors and Executive Management and making recommendations regarding changes that can be made.
- 10- Verifying on an annual basis the independence of the independent members, and the absence of any conflict of interest if the member holds a membership in the board of directors of another company.
- 11- Developing job descriptions for executive members, non-executive members, independent members and senior executives.

Members of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee consists of (3) three members as shown in the following table:

Name	Position	Capacity
Omar Mohammed Al-Jaroudi	Chairman of the Nominations and Remuneration Committee	Independent
Ahmad Shafer Al-Tabbaa	Member of the Nominations and Remuneration Committee	Non-Executive
Yanal Muwaffaq of Al-Saudi	Member of the Nominations and Remuneration Committee from outside the board	Independent

Nominations and Remuneration Committee meetings

Member Name	Position	First meeting	Second meeting	Third meeting	Fourth meeting	Percentage of Total attendance
		31/05/2023	09/08/2023	09/11/2023	20/12/2023	
Omar Mohammed Al-Jaroudi	Chairman of the Nominations and Remuneration Committee	✓	✓	✓	✓	100%
Ahmad Shafer Al-Tabbaa	Member of the Nominations and Remuneration Committee	✓	✓	✓	✓	100%
Yanal Muwaffaq of Al-Saudi	Member of the Nominations and Remuneration Committee from outside the board	✓	✓	✓	✓	100%

Biographies of members of the Nominations and Remuneration Committee

Omar Mohammed Al-Jaroudi

Chairman of the Nominations and Remuneration Committee

Please review the biographies of Board members above.

Ahmad Shafer Al-Tabbaa

Member of the Nominations and Remuneration Committee

Please review the biographies of Board members above.

Yanal Muwaffaq Al-Saudi

Member of the Nominations and Remuneration Committee from outside the board

Please review the biographies of Board members above.



Executive Management

The Middle East Pharmaceutical Industries Company has several main departments that work to manage and develop the Company's business, each according to its role. Each department must implement the duties and tasks that fall under its responsibility to activate the Company's overall performance and achieve the Company's vision, mission, goals, and strategies in the short and long term.

Members of the Executive Management

Mohammed Maher Al Ghannam

CEO and Managing Director

Academic Qualification

- Master's degree in business administration from Central California University in California, USA, in 2018G.
- Bachelor's degree in business administration from Damascus University in Syria in 2009G.

Current Positions

- Managing Director and CEO of the Middle East Pharmaceutical Industries Company in Riyadh since 2022G.

Previous Position and Practical Experience

- CEO of the Middle East Pharmaceutical Industries Company in Riyadh from 2018G to 2022G.
- Director of Operations at the Middle East Pharmaceutical Industries Company in Riyadh from 2016G to 2018G.
- Director of Human Resources and Logistics Services at the Middle East Pharmaceutical Industries Company in Riyadh from 2006G to 2015G.
- Director of Purchasing and Logistics Services at the Middle East Pharmaceutical Industries Company in Riyadh from 2000G to 2006G.

Bander Mohammed Al-Rasheed

Executive VP - Finance & Corporate Development

Academic Qualification

- A degree in economics and real estate finance - London School of Economics and Political Science, in 2020
- A Master's degree in Finance - George Washington University, in the United States of America in 2009-2010.
- Bachelor's degree in Business Administration in 1998-2002

Current Positions

- Avalon Pharma
 - Executive Vice President for Finance and Institutional Development | October 2023G - until now,

Previous Position and Practical Experience

- Ministry of Municipality, Rural Affairs and Housing
 - Director General of Asset Privatization at the Ministry of Municipal, Rural Affairs and Housing | Riyadh, Kingdom of Saudi Arabia | January 2021G - until July 2023G
- Riyadh Renewable Energy Company
 - Founding Partner | Riyadh, Kingdom of Saudi Arabia | 2016G - 2021G
- SNB
 - Deputy Head of the Specialized Finance Division | Riyadh, Kingdom of Saudi Arabia | 2014G - 2016G
 - Head of Banking Strategy, Corporate Sector | Jeddah, Kingdom of Saudi Arabia | 2013G - 2014G
 - Senior Banking Officer, Corporate Sector | Riyadh, Kingdom of Saudi Arabia | 2011G - 2013G
- Murjan Stanley
 - Senior Financial Analyst | Riyadh, Kingdom of Saudi Arabia | 2007G - 2009G
- Ernst & Young
 - Senior Consultant, Business Risk Services | Jeddah, Saudi Arabia | January 2003G - January 2007G
- Boards and committees
 - Founding Board Member: Amanat Al-Ahsa Company Establishing governance, processes, strategic direction and operating model.
 - Member of the Board of Directors: Al-Ahsa Municipality Company: strategic oversight, investment plan, operating plan
 - Member of the Subcommittee on Finance: Innovative Investment and Financing Products
 - National Competitiveness Center - Facilitation Committee Member of the Subcommittee on Infrastructure, Transport and Logistics Improving competitiveness, improving private sector participation.

Rasheed Abdulaziz Al Rasheed

Chief Operating Officer

Academic Qualification

- Bachelor's degree in Pharmacy from King Saud University

Current Positions

- Chief Operating Officer

Previous Position and Practical Experience

- MSD Medical Representative (August 2001 - March 2003)
- Technical Director and Government Sales Manager (April 2003 - January 2011)
- Technical Executive Director (January 2011 - January 2016)
- Technical and Manufacturing Executive Director, (January 2016 - June 2023)

Hamoud Desan Al-Anazi

Chief Administrative Officer

Academic Qualification

- Master's degree in business administration from BUCKINGHAMSHIRE NEW UNIVERSITY

Current Positions

- Chief Administrative Officer

Previous Position and Practical Experience

- Board Member of Siraj Al Middle Trading Company from 1-1-2012 to 1-1-2017
- Public Relations Manager at Avalon Pharma from 2011 until 2014
- Admin. Manager at Avalon Pharma from 2011 until 2019
- Director of Human Resources and Administrative Affairs at Avalon Pharma from 2019 until 2023
- Board Member of Reem Al Wasat Commercial Services Company from 15-3-2015 to 10-06-2023



Fayez Basem Awadeh	Chief Marketing Officer
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Academic Qualification

- MBA IN BUSINESS ADMINISTRATION -MARKETING AND FINANCE

Current Positions

- CHIEF MARKETING OFFICER

Previous Position and Practical Experience

- Regional Marketing Manager : Novartis consumer Health
- Regional Category manager : Novartis consumer health
- Regional marketing head : GSK
- Regional marketing head MENAP : Johnson & Johnson

Mohammed Ibrahim Salama	Chief Commercial Officer
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Academic Qualification

- Executive Master of Business Administration from Harriot Watt University - United Kingdom 2018
- Master of Business Administration from the American University - AUC - Cairo 2011
- Bachelor of Dental Medicine and Surgery from Ain Shams University 2006

Current Positions

- Chief Commercial Officer

Previous Position and Practical Experience

- Director of Abbott Global Sales from 2007 to 2011
- General Manager of Sales, Novartis Consumer Health in the United Arab Emirates from 2011 to 2013
- General Manager of Sales for GSK Consumer Health in the UAE from 2013 to 2015
- Regional Manager of L'Oreal in the Gulf region from 2015 to 2018
- General Manager of L'Oreal in Saudi Arabia from 2018 to 2020
- Regional Manager of the Johnson & Johnson Consumer Health Pharmacy Division in the Middle East, Africa and Turkey regions from 2020 to 2022
- Vice President for Sales at Avalon Pharma from July 2022 to December 2022

Wael Madbouly Hassanein	Manager of Internal Audit
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Academic Qualification

- Bachelor's degree in accounting from Cairo University in Egypt in 2005.
- Certified Internal Auditor "CIA" certificate from the Institute of Internal Auditors in the United States of America, 2020.
- Certified Management Accountant (CMA) certificate from the Institute of Management Accountants in the United States of America in 2013.

Current Positions

- Manager of Internal Audit at the Middle East Pharmaceutical Industries Company since 2023G.

Previous Position and Practical Experience

- Director of Internal Audit at the Saudi Manpower Solutions Company in Riyadh from 2022G to 2023G.
- Director of Internal Audit at Al-Jazeera Support Services Company in Al-Khobar from 2019G to 2022G.
- Supervisor of the internal audit sector at Al-Kifah Holding Company in Al-Khobar from 2014G to 2018G.
- Senior Manager of Auditors at Mazars Accounting Auditing Office in Cairo, Egypt from 2009G to 2014G.
- Auditor at Dr. Raouf Auditing and Tax Company in Cairo, Egypt from 2007G to 200G.
- Auditor at IBSF, Orascom Group in Cairo, Egypt, from 2005 to 2007.

Mohammed Marzouq Al-Moaiteq	Manager of Compliance
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Academic Qualification

- Post-bachelor high diploma, governance and internal audit specialist, King Saud University
- Bachelor's degree from King Abdulaziz University

Current Positions

- Compliance Manager

Previous Position and Practical Experience

- Conformity and Compliance Manager at Alinma Investment Company from 2014 to May 2023
- International Brokerage at Al Rajhi Capital from 2013 to 2014
- Investment operations at Fransab Capital from 2008 to 2013



Remuneration for members of the Board of Directors, Committees, and Executive Management

Based on the stipulation of Article (90) of the Corporate Governance Regulations, the Company's Board of Directors is committed to the following:

- 1- The remuneration must be fair and proportionate to the member's skills and specializations and the work and responsibilities that he performs. It may vary from one member to another based on the member's experience, tasks assigned to him by the Board, the number of sessions he attends, and any other considerations that are in the interest of the Company.
- 2- The remuneration may be a specific amount, an attendance allowance for sessions, or in-kind benefits. Two or more of these benefits may be combined. In all cases, the total of the financial or in-kind remuneration and benefits received by a member of the Board of Directors shall not exceed (500,000) five hundred thousand riyals annually in accordance with the controls set by the competent regulatory authorities.
- 3- The remuneration must be consistent with the Company's strategy and objectives.
- 4- The remuneration should be provided for the purpose of urging Board members to make the Company successful and develop it in the long term, such as linking the variable part of the remuneration to long-term performance.
- 5- The remuneration must be consistent with the size, nature of work and profitability of the Company, taking into account the level of risks surrounding the Company.
- 6- The practices of other companies shall be considered in determining remuneration, while avoiding what may result in an unjustified increase in remuneration and compensation.
- 7- The remuneration must aim to attract professional competencies and maintain their motivation, without exaggerating the amount of the remuneration.
- 8- The remuneration for independent Board members should not be a percentage of the profits achieved by the Company or be based directly or indirectly on the Company's profitability.
- 9- The remuneration is due to a member of the Board of Directors or a member of the committee at the end of each fiscal year.
- 10- A member of the Board of Directors may be granted a remuneration in exchange for his membership in the Audit Committee, or in exchange for any work or additional executive, technical, administrative, or advisory positions assigned to him by the Company, in addition to the remuneration he receives in his capacity as a member of the Board of Directors and any other committees.
- 11- The remuneration is calculated until the date of membership expiration, and if it is decided to terminate the member's directorship due to his failure to attend three consecutive meetings without a legitimate excuse or for emergency reasons, the member's remuneration is calculated based on the last meeting the member attended before terminating his membership



Remuneration policy for members of the Board of Directors, committees, and executive management

Board members' remuneration

01 Remuneration for members of the Board of Directors (non-independent):

Remuneration for executive and non-executive members of the Board of Directors is paid based on the Company's annual net profit, excluding capital gains and profits resulting from financial operations, according to the following:

A due remuneration of (250,000) Saudi riyals will be paid to the Chairman of the Board of Directors and (200,000) Saudi riyals to the remaining members of the Board.

02 Allowances:

An attendance allowance for meetings in the amount of (SAR 5,000) is paid as an attendance allowance to a member of the Board who is not an employee of the Company for each meeting.

03 In the event of the resignation or appointment of a member during the fiscal year, the amount of the remuneration is calculated in proportion to the period of his work in the Board.

Remuneration and allowances for members of committees affiliated with the Board of Directors

01 Audit Committee Remuneration:

Disbursement of (SAR 100,000) as an annual basic remuneration to the Chairman of the Committee, (SAR 100,000) to a member of the Committee who is not a member of the Board of Directors.

02 Remuneration and Nominations Committee remuneration:

Disbursement of (SAR 100,000) as an annual basic remuneration to a committee member.

03 Allowances:

An attendance allowance for meetings in the amount of (SAR 5000) is paid to a committee member who is not an employee of the Company for each meeting.

04 In the event of a member resigning or being appointed during the fiscal year, the amount of the remuneration is calculated in proportion to his period of work on the committee.

Company's Management Remuneration

An annual remuneration is paid to the Company's management based on criteria linked to achieving performance indicators, annual evaluation results, and the results of achieving goals.

Relationship between the Remuneration granted and the applicable Remuneration Policy

The remuneration granted is consistent with the approved remuneration policies. The principles and standards related to calculating and entitlement to remunerations have been taken into account.



Board members' remuneration

Statement of what the Board members received in their capacity as workers or managers, or what they received in exchange for technical, administrative, or consulting work:

Member Name	Fixed Remuneration					Variable Remuneration				End-of-Service	Total summation	Expense allowance
	Specific Amount	Allowance for Attending	Total for Attending Committees Meetings	In-Kind Benefits	Remunerations for Technical, Managerial and Consultative Work	Remunerations of the Chairman, Managing Director or Secretary, if a member	Total	Percentage of Profits	Periodic Remuneration			
First: Independent Members												
Hisham Mohammed Attar	100,000	10,000	0									
Faisal Suleiman Al-Jamaan	20,000	2,000	45,000									
Omar Mohammed Al-Jaroudi	20,000	20,000	65,000									
Total	500,000	50,000	110,000									
Second: Non-Executive Members												
Ahmad Shaher Al-Tabbaa	250,000	20,000	2,000									
Total	250,000	20,000	20,000									
Third: Executive members												
Mohammed Maher Al Gannam	200,000											
Grand Total	950,000	70,000	130,000									

Statement of Remuneration for Senior Executives:

	Variable Remuneration			Fixed Remuneration					End-of-service award	Total remunerations for Board executive, if any	Aggregate Amount	
	Salaries	Allowances	In-Kind Benefits	Periodic Remuneration	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares				
Remuneration and compensations granted to the top five executives, including the CEO and CFO	5,761,868	2,995,976	-	8,757,843	-	3,462,208	-	-	3,462,208	554,670	-	12,774,721

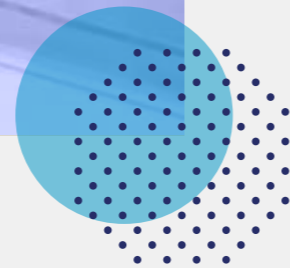
Statement of Remuneration for Members of Board Committees:

Member Name	Fixed Remuneration Except attendance allowance	Attendance of Meetings Allowance	Total
Members of the audit committee			
Faisal Suleiman Al-Jamaan	100,000 SAR	45,000 SAR	145,000
Omar Mohammed Al-Jaroudi	100,000 SAR	45,000 SAR	145,000
Yanal Muwaffaq Al-Saudi	100,000 SAR	45,000 SAR	145,000
Total	300,000 SAR	135,000 SAR	435,000
Members of the Nominations and Remuneration Committee			
Omar Mohammed Al-Jaroudi	100,000 SAR	20,000 SAR	120,000
Ahmad Shafer Al-Tabbaa	100,000 SAR	20,000 SAR	120,000
Yanal Muwaffaq Al-Saudi	100,000 SAR	20,000 SAR	120,000
Total	300,000 SAR	60,000 SAR	360,000

Description of the Company's policy for distributing dividends

The Company's annual net profits are distributed as follows:

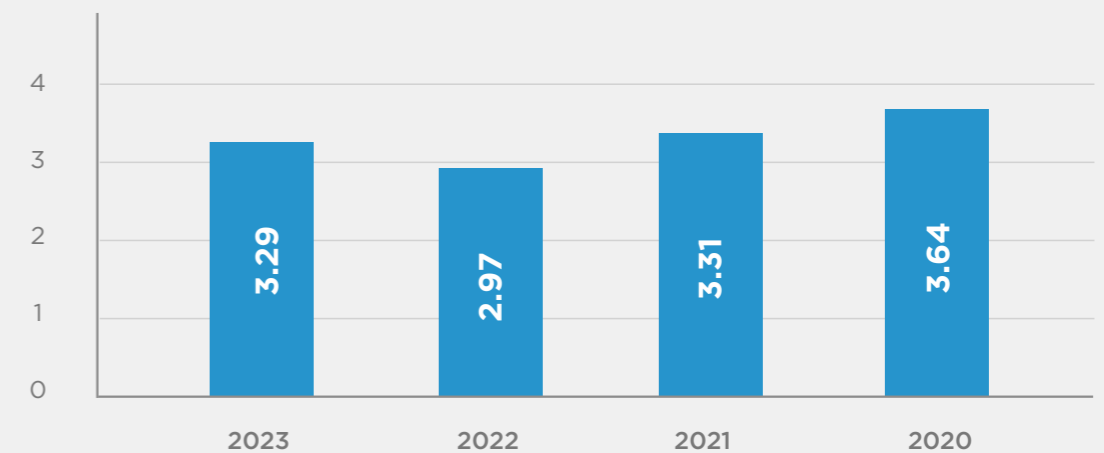
- The Ordinary General Assembly may, based on the proposal of the Board of Directors, set aside a percentage of the net profits to form a consensual reserve and allocate it to the purposes determined by the Assembly. Making Board members, Board committees Chairmen, executive management, and auditors available to shareholders in the General Assembly.
- The Ordinary General Assembly may decide to form 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 deduct amounts from the net profits to establish social institutions for the Company's employees or to assist existing ones.
- The Company's cash position and capital adequacy ratio rates are reviewed, and if they are adequate; from the remainder, a first payment is then distributed to shareholders, up to a maximum of 5% of the paid-up capital.
- The Board of Directors distributes interim dividends during the year, according to the Company's results, the balance of retained earnings, the liquidity position and the requirements of future cash flows, after obtaining the authorization of the General Assembly annually.
- Shareholders approve the dividends distributed in accordance with Paragraph (4) of the Article of Association after presenting them to the assembly by the Board of Directors at the General Assembly meeting.



Percentages of profits distributed to shareholders during the various periods of the fiscal year, in addition to the percentage of profits proposed to be distributed at the end of the fiscal year and total of these profits.

	Fiscal year ending on 31 December 2023 (SAR)	Fiscal year ending on 31 December 2022 (SAR)	Fiscal year ending on 31 December 2021 (SAR)	Fiscal year ending on 31 December 2020 (SAR)
Net profit for the year/period	65,827,349	59,451,749	66,283,077	72,812,893
Earnings per share	3.29	2.97	3.31	3.64
Declared dividends	36,000,000	36,347,454	37,200,000	36,260,000
Dividends paid	36,000,000	36,347,454	37,200,000	36,260,000
Total retained earnings	107,813,903	79,379,813	202,220,693	173,137,616
Percentage of declared profits to net profit for the year/period	54.68%	61.14%	56.12%	49.80%

 **Earnings per share (EPS)**
in SAR per share



General Assembly Meetings

Avalon Pharma held (5) meetings of the general assembly of shareholders during fiscal year 2023. Below is a statement of the dates of the meeting, names of the members of the Board of Directors who attended these meetings.

S/N	Date	Assembly type (Ordinary/ Extraordinary)	Statement of the presence of members of the Board of Directors
1	17/01/2023	Extraordinary	Ahmad Shafer Al-Tabbaa Faisal Suleiman Al-Jamaan
2	05/03/2023	Extraordinary	Ahmad Shafer Al-Tabbaa Faisal Suleiman Al-Jamaan
3	10/05/2023	Ordinary	Ahmad Shafer Al-Tabbaa Faisal Suleiman Al-Jamaan
4	15/06/2023	Extraordinary	Ahmad Shafer Al-Tabbaa Faisal Suleiman Al-Jamaan
5	23/09/2023	Extraordinary	Ahmad Shafer Al-Tabbaa Faisal Suleiman Al-Jamaan

A statement of the business or contracts to which the Company is a party with related parties and in which, or in which there is or there was an interest for a member of the Company's Board of Directors, its senior executives, or any person related to any of them, which include the names of those involved in the business or contracts, and the nature, conditions, duration, and amounts of these businesses or contracts.

Related Party	Type of Relationship	Related Party	Relationship Status	Transaction Amount	Transaction Period
Faisal Shafer Tabbaa Company	Legal Services	Mr. Faisal Shafer Tabbaa	Kinship of a Board Member	150,000	One Year

Company's requests for shareholder register

Not applicable, as the company was not listed in 2023. It was listed on 27 February 2024.

Penalties and fines imposed on the Company

Penalties and Fines	Reasons and Violations	The party that imposed the violation	Treatment methods and how to avoid them in future
Financial	Traffic Violations	Ministry of Interior - Traffic Department	Following Regulatory Requirements
Financial	Dealy in Implementing the regulations	Ministry of Transportation	Following Regulatory Requirements





Implemented provisions of the Corporate Governance Regulations and non-implemented provisions and the reasons for that

The company also applies all the provisions of the Corporate Governance Regulations issued by the Capital Market Authority, with the exception of the provisions set out below.

Article/ paragraph number	Paragraph Status	Article text Provision	Reasons for non-application
Article Seven/ Paragraph D	Guiding	The company is to appoints an officer responsible for tasks related to shareholders' relations in the company in order to achieve effective and fair communication between the company and shareholders.	This has not been approved and is still under study
Article Seven/ Paragraph D	Guiding	Training	A plan is being prepared and implemented in 2024
Article Thirty Seven	Guiding	Evaluation / Assessment	This has not been approved and is still under study
Article Thirty Nine	Guiding	Formation of a risk management committee	This has not been approved and is still under study
Article Sixty Seven	Guiding	Organizing the relationship with stakeholders	This has not been approved and is still under study
Article Eighty	Guiding	Motivating employees	This has not been approved and is still under study
Article Eighty Two	Guiding	Social Responsibility	This has not been approved and is still under study
Article Eighty five	Guiding	Social work initiatives	This has not been approved and is still under study
Article Ninety Two	Guiding	Formation of the Corporate Governance Committee	This has not been approved and is still under study



Board Declarations

- 1- The Board declares that the Company's records of accounts have been prepared correctly.
- 2- The Board declares that the internal control system was prepared on sound foundations and implemented effectively.
- 3- The Board declares that there is no doubt about the Company's ability to continue as a going concern.
- 4- There is no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, which include appointing the Company's auditor and determining his fees for the fiscal year of 2023G.
- 5- The Company's consolidated financial statements were prepared during the fiscal year of 2023G in accordance with the standards approved by SOCPA..
- 6- There are no shares and debt instruments issued for each subsidiary.
- 7- The Company has no interest in the class of shares with the right to vote belonging to persons (except members of the Company's Board of Directors, senior executives and their relatives) who informed the Company of those rights in accordance with Article Eighty-Five of the Rules on the Offer of Securities and Continuing Obligations and any change in those rights during the last fiscal year.
- 8- The Company does not have any categories or numbers of any transferable debt instruments, any contractual securities, subscription rights memorandums, or similar rights issued or granted by the Company during the fiscal year, along with an explanation of any compensation the Company received in return for that.
- 9- The Company does not have any transfer or subscription rights under transferable debt instruments, contractual securities, subscription rights memorandums, or similar rights issued or granted by the Company.
- 10- There are no recoveries, purchases, or cancellations by the Company or the subsidiary of any redeemable debt instruments
- 11- There are no arrangements or agreements under which a member of the Board of Directors or a senior executive waived any salaries or remuneration.
- 12- There are no arrangements or agreements under which any of the Company's shareholders waived their rights to profits
- 13- There are no investments or reserves established for the benefit of the Company's employees
- 14- The Board of Directors did not issue any recommendation to change the auditor before the end of his appointed term.
- 15- The Company declares that there are no competing businesses for the Company or any of the branches of activity that it practices and which any member of the Board of Directors practices.
- 16- The Company declares that there are no treasury shares held

A description of the Company's important plans and decisions (including structural changes in the Company, expansion of its business, or cessation of its operations) and Prospects of the Company's business.

To enhance its leading position in the Saudi market, Avalon Pharma is implementing its development strategy with the aim of maximizing its revenues from its current portfolio of projects, in addition to diversifying it and launching new brands in attractive and fast-growing sectors with limited competition in the market, while the Company aims to expand its footprint and geographical presence by entering new markets outside the Kingdom of Saudi Arabia.





Middle East Pharmaceutical Industries Co.

Annual Report 2023

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