




Awareness Material & Frequently Asked Questions

As part of the Capital Market Authority's (CMA) efforts to develop the capital market and its procedures to reduce risks related to securities transactions as well as enhance the protection of investors, and based on the Capital Market Law issued by Royal Decree Number (M/30) Dated 2/6/1424 H, the CMA Board has issued its resolution to amend the title of the Instructions and Procedures Related to Listed Companies with Accumulated Losses amounting to %50 or more of its Capital in light of the Companies Law issued by Royal Decree No. (M/3) dated 28/1/1437 H, to become the Instructions and Procedures Related to Listed Companies with Accumulated Losses amounting to %20 or more of its Capital.

The purpose of the instructions and procedures is to regulate the mechanism for dealing with companies whose shares are listed in the Exchange with accumulated losses reaching 20% or more of its capital.

The following material summarizes the instructions and procedures with tables and diagrams, in addition to frequently asked questions.

Procedures	20% or more and less than 35%	35% or more and less than 50%	50% or more
Announcement of losses	   <p>The company must immediately announce to the public when its accumulated losses reach 20% or more of its capital. The announcement should reflect the total accumulated loss, its percentage of the capital, and the main reasons that caused these losses. The Company shall be exempted from disclosing an independent declaration in the case their accumulated losses announcement is included in its preliminary or annual financial results.</p>		
Adding the flag mark	A flag will be added next to company's name on Tadawul website		
Settlement	T+2		
Treading suspension	N/A		
Company disclosure	The company must announce its accumulated losses to the public immediately after receiving the Financial Auditor's report		
Action Plan	N/A	N/A	<p>Informing the Chairman of the company first, then the chairman must inform all Board Members.</p> <p>Within 15 days, Board Members are obligated to invite all the shareholders of the EGM to convene within 45 days to decide one of the following items:</p> <ul style="list-style-type: none"> - • Capital decrease • Capital increase • Liquidation before the period specified in its statute
Announcement once losses are reduced	<ul style="list-style-type: none"> • Announcement of reducing losses to 20% or less 	<ul style="list-style-type: none"> • Announcement of reducing losses to 35% or less 	<ul style="list-style-type: none"> • Announcement of reducing losses to 50% or less

	<ul style="list-style-type: none"> Action taken to enhance company status Financial Auditor's report clarifying financial status 	<ul style="list-style-type: none"> Action taken to enhance company status Financial Auditor's report clarifying financial status 	<ul style="list-style-type: none"> Action taken to enhance company status Financial Auditor's report clarifying financial status
Delisting	N/A	N/A	<p>Liquidate the company before the period specified in its statute in case of the following: -</p> <ul style="list-style-type: none"> EGM did not convene within 45 days The EGM did not decide on a resolution The company decided to increase the capital and subscription was not completed within 90 days of the increase decision

FAQs

What is meant by accumulated losses?

“Accumulated Losses” means the aggregate of the losses of the company for all of the previous years as reflected in its balance sheet, in addition to the net losses for the current period.

How is the accumulated losses percentage calculated?

Accumulated losses percentage = Accumulated losses / Paid capital

What is the purpose of the instructions and procedures related to companies with accumulated losses of 20% or more of its capital?

The purpose of the instructions and procedures is to regulate the mechanism for dealing with companies whose shares are listed in the Exchange with accumulated losses reaching 20% or more of its capital.

Where can the list of companies with accumulated losses of 20% or more of its capital be viewed?

The list is available on the Saudi Stock Exchange’s (Tadawul) website.

How do you know if a company has accumulated losses?

By referring to its financial statements, however; if its accumulated losses reach 20% or more of its capital, the company must immediately announce this to the public. The announcement should reflect the total accumulated losses, its percentage of the capital, and the main reasons that caused these losses, followed by Tadawul’s announcement of applied procedures.

How will companies with accumulated losses appear on Tadawul’s website?

Tadawul will add a flag next to the company’s name on Tadawul’s website, to indicate that the company’s accumulated losses have reached 20% or more of its capital. The yellow flag indicates 20% to less than 35% of accumulated losses, the orange flag indicates 35% to less than 50% of accumulated losses, and the red flag indicates 50% or more of accumulated losses.

The aforementioned flags will appear in the following pages under the “Equities” tab:

- Today’s Summary.
- Market Watch Today.
- Companies with accumulated losses page.
- Company profile.

Will these procedures be applied to Numo - Parallel Market?

Yes.

How will market participants and authorized data vendors deal with companies with accumulated losses of 20% or more of its capital?

- Market participants: There will be a confirmation notification message upon order entry.
- Authorized data vendors: There will be a flag (if required) next to a company's name.

How will companies with accumulated losses of 20% or more of its capital be shown on Tadawul's daily, weekly, monthly, and annual reports?

There will be a sign for such companies in Tadawul's reports.

When are accumulated losses announced?

Upon receiving the Financial Auditor's report reflecting the company's financial status, the company is obligated to disclose to the public immediately with no further ado in a separate announcement.

What if the required disclosure coincided with the announcements of accumulated losses results?

The Company shall be exempted from disclosing an independent declaration in the case their accumulated losses announcement is included in its preliminary or annual financial results.

What if the company restored its financial status and its accumulated losses are reduced below 20% of its capital?

The company must immediately announce to the public reducing its accumulated losses to 20% or less of its capital. The announcement should reflect the steps taken by the company to restore its financial health including the external auditor's report on the company's balance sheet after restoration of its financial standing. The Saudi Stock Exchange (Tadawul) shall remove the flag signal shown beside the company's name on Tadawul's website.

What are the actions taken for companies with accumulated losses upon restoring its status?

20% or more and less than 35%: the company will announce that they have reduced their losses to 20% or less, Tadawul will remove the flag on its website.

35% or more and less than 50%: the company will announce that they have reduced their losses to 35% or less, Tadawul will remove the flag on its website.

50% or more: when the company's accumulated losses are reduced to 50% or less, Tadawul will remove the flag on its website.

What is meant by the company's operational income and positive cash flow?

Operational income refers to income from the company's main operations, while positive cash flow refers to cash flows obtained from the company's main operations.

Are companies with accumulated losses delisted from the Exchange?

Less than 50%: there will be no delisting

50% and above: the company will be delisted shall the following occur: -

- The EGM was not convened within 45 days
- The EGM did not decide on a resolution
- The company decided to increase the capital and the subscription was not completed within 90 days of the increase decision

or in case the company decides to liquidate before the period specified in its statute.