

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL
APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)**
(A Saudi Joint Stock Company)

**Interim Condensed Consolidated Financial Statements (Unaudited)
and Independent Auditor's Review Report
For the Three and Six-Month Periods Ended June 30, 2021**

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Financial Statements (Unaudited)
and Independent Auditor's Review Report
For the Three and Six-Month Periods Ended June 30, 2021

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**Independent Auditor's Review Report on the
Interim Condensed Consolidated Financial Statements**

To the Shareholders**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)**

(A Saudi Joint Stock Company)

Riyadh - Kingdom of Saudi Arabia

Introduction

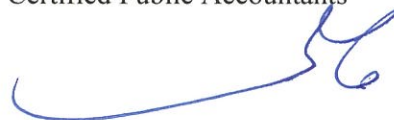
We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) (the "Company") and its subsidiaries collectively referred to as the ("Group") as at June 30, 2021 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three and six-month periods ended June 30, 2021, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (2410), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of the interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Baker Tilly MKM & Co.
Certified Public Accountants**Majed Moneer AlNemer**
(Certified Public Accountant - License No. 381)Riyadh on Muharram 3, 1443H
Corresponding to August 11, 2021G

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Statement of Financial Position
As at June 30, 2021
(Saudi Riyals)

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	5	1,117,983,616	1,138,663,891
Assets under construction	5	715,315,597	692,066,130
Intangible assets		51,498,227	63,257,900
Right-of-use assets		21,541,660	16,337,884
Investments in associates and joint venture	6	64,177,205	80,409,122
Deferred tax assets		18,441,324	17,503,656
Total non-current assets		1,988,957,629	2,008,238,583
Current assets			
Inventories		396,931,248	458,060,227
Trade and other receivables	7	1,249,476,113	1,015,854,118
Investments at fair value through OCI (FVTOCI)	8	-	128,990,471
Investments at fair value through profit or loss (FVTPL)	9	644,021,048	614,561,295
Prepaid expenses and other debit balances		131,703,950	123,004,616
Cash and cash equivalents	10	189,456,016	331,073,337
Total current assets		2,611,588,375	2,671,544,064
Assets from discontinued operations	11	1,185,950	3,007,889
Total assets		4,601,731,954	4,682,790,536
Equity and Liabilities			
Equity			
Share capital		1,200,000,000	1,200,000,000
Statutory reserve		360,684,866	360,684,866
General reserve		150,000,000	150,000,000
Consensual reserve		33,804,666	41,751,842
Fair value reserve	8	-	57,649,689
Foreign currency translation reserve		(6,528,885)	(6,606,020)
Retained earnings		127,333,577	112,052,824
Equity attributable to the Shareholders of the Parent Company		1,865,294,224	1,915,533,201
Non-controlling interests		151,851,965	155,429,857
Total equity		2,017,146,189	2,070,963,058
Non-current liabilities			
Loans and borrowing	12	561,292,562	649,071,182
Lease liabilities		16,549,626	12,712,912
Employees' end of service benefit obligations		314,670,263	310,678,933
Deferred income		40,173,437	40,114,187
Contract liabilities	13	37,030,364	27,576,174
Total non-current liabilities		969,716,252	1,040,153,388
Current liabilities			
Loans and borrowing	12	745,317,203	686,534,743
Provision for financial guarantees		109,953,622	108,231,183
Lease liabilities		3,295,883	3,315,437
Zakat and income tax payable		19,112,692	39,657,892
Trade payables and other current liabilities		455,497,657	471,825,928
Dividends payable		157,608,932	155,603,299
Contract liabilities	13	123,841,524	102,322,611
Total current liabilities		1,614,627,513	1,567,491,093
Liabilities from discontinued operations	11	242,000	4,182,997
Total liabilities		2,584,585,765	2,611,827,478
Total equity and liabilities		4,601,731,954	4,682,790,536


Chief Financial Officer



Chief Executive Officer


Authorized Board Member

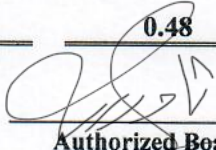
The accompanying notes form an integral part of these interim condensed consolidated financial statements

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Statement of Profit or Loss (Unaudited)
For the Three and Six-Month Periods Ended June 30, 2021
(Saudi Riyals)

	Note	For the three-month period ended June 30		For the six-month period ended June 30	
		2021	2020	2021	2020
Revenues	17	326,680,765	328,137,850	782,326,730	803,859,598
Cost of revenues		(157,919,174)	(175,726,831)	(466,471,048)	(454,646,590)
Gross profit		168,761,591	152,411,019	315,855,682	349,213,008
Selling and marketing expenses		(82,544,418)	(82,839,410)	(158,132,094)	(158,577,919)
General and administrative expenses		(62,644,481)	(48,857,281)	(111,310,837)	(102,879,819)
Research and development expenses		(2,433,741)	(2,123,218)	(3,985,937)	(3,927,729)
Impairment reversal/ (loss) on trade receivables		2,408,297	(3,849,783)	5,582,235	(13,567,336)
Other income		7,464,775	6,451,372	8,507,413	4,640,392
Operating profit		31,012,023	21,192,699	56,516,462	74,900,597
Financial guarantee expenses		(179,124)	-	(1,722,439)	-
Finance costs		(10,171,138)	(9,350,590)	(16,475,956)	(17,130,706)
Dividends income from investees		-	7,002,450	-	7,002,450
Profit from investment in associates and joint venture	6	6,085,807	14,900,356	11,951,707	19,696,539
Profit from investment at fair value through profit or loss		2,133,652	108,348	4,152,036	251,243
Profit before zakat, income tax and discontinued operations		28,881,220	33,853,263	54,421,810	84,720,123
Zakat and income tax		78,073	(7,934,293)	(732,206)	(15,554,111)
Net profit for the period before discontinued operations		28,959,293	25,918,970	53,689,604	69,166,012
Discontinued operations					
Income /(loss) from discontinued operations		218,840	(24,874)	(56,138)	(1,440,232)
Net profit for the period		29,178,133	25,894,096	53,633,466	67,725,780
Attributable to:					
Shareholders of the Parent Company		31,065,378	24,978,652	57,211,358	70,578,985
Non-controlling interests		(1,887,245)	915,444	(3,577,892)	(2,853,205)
		29,178,133	25,894,096	53,633,466	67,725,780
Earning per share attributable to the Shareholders of the Parent Company					
Basic and diluted	14	0.26	0.21	0.48	0.59


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes form an integral part of these interim condensed consolidated financial statements

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the Three and Six-Month Periods Ended June 30, 2021
(Saudi Riyals)

	For the three-month period ended June 30		For the six-month period ended June 30		
	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net profit for the period		29,178,133	25,894,096	53,633,466	67,725,780
Other Comprehensive Income /(Loss) items:					
Items that may be reclassified to profit or loss subsequently:					
Foreign currency translation differences		(355,427)	1,073,559	77,135	3,687,975
Items that will not be reclassified to profit or loss subsequently:					
Change from revaluation of the investments at FVTOCI	8	-	105,421,902	12,472,530	(166,932,806)
Net Other Comprehensive Income /(Loss) for the period		(355,427)	106,495,461	12,549,665	(163,244,831)
Net Comprehensive Income / (Loss) for the period		28,822,706	132,389,557	66,183,131	(95,519,051)
Attributable to:					
Shareholders of the Parent Company		30,709,951	131,474,113	69,761,023	(92,665,846)
Non-controlling interests		(1,887,245)	915,444	(3,577,892)	(2,853,205)
		28,822,706	132,389,557	66,183,131	(95,519,051)



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes form an integral part of these interim condensed consolidated financial statements

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)

(A Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

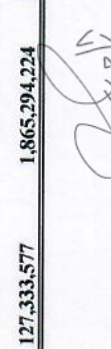
For the Six-Month Period Ended June 30, 2021

(Saudi Riyals)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Fair value reserve	Foreign currency translation reserve	(Accumulated losses) Retained earnings	Total equity attributable to the Shareholders	Non-controlling interests	Total equity
Balance as at January 1, 2020	1,200,000,000	360,684,866	150,000,000	96,274,794	443,132,021	(20,554,196)	(285,996,185)	1,943,541,300	170,585,695	2,114,126,995
Net profit for the period	-	-	-	-	-	-	70,578,985	70,578,985	(2,853,205)	67,725,780
Other comprehensive loss for the period	-	-	-	-	(166,932,806)	3,687,975	-	(163,244,831)	-	(163,244,831)
Total comprehensive loss	-	-	-	-	(166,932,806)	3,687,975	70,867,032	(92,665,846)	(2,853,205)	(95,519,051)
Dividends	-	-	-	(60,000,000)	-	-	-	(60,000,000)	-	(60,000,000)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	6,295,792	6,295,792
Balance as at June 30, 2020	1,200,000,000	360,684,866	150,000,000	36,274,794	276,199,215	(16,866,221)	(215,417,200)	1,790,875,454	174,028,282	1,964,903,736
Balance as at January 1, 2021	1,200,000,000	360,684,866	150,000,000	41,751,842	57,649,689	(6,606,020)	112,052,824	1,915,533,201	155,429,857	2,070,963,058
Net profit for the period	-	-	-	-	-	-	57,211,358	57,211,358	(3,577,892)	53,633,466
Other comprehensive income for the period	-	-	-	-	12,472,530	77,135	-	12,549,665	-	12,549,665
Total comprehensive income	-	-	-	-	12,472,530	77,135	57,211,358	69,761,023	(3,577,892)	66,183,131
Dividends	-	-	-	(7,947,176)	-	-	(112,052,824)	(120,000,000)	-	(120,000,000)
Disposal of investments at FV/TOCI	-	-	-	-	(70,122,219)	-	70,122,219	-	-	-
Balance as at June 30, 2021	1,200,000,000	360,684,866	150,000,000	33,804,666	-	(6,528,885)	127,333,577	1,865,294,224	151,851,965	2,017,146,189

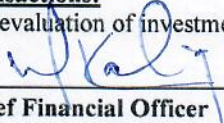

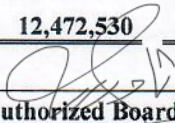

Chief Financial Officer


Chief Executive Officer


Authorized Board Member

The accompanying notes form an integral part of these interim condensed consolidated financial statements

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)
Interim Condensed Consolidated Statement of Cash Flows (Unaudited)
For the Six-Month Period Ended June 30, 2021
(Saudi Riyals)

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before zakat, income tax and discontinued operations	54,421,810	84,720,123
Loss from discontinued operations before Zakat	<u>(383,667)</u>	<u>(1,429,451)</u>
	54,038,143	83,290,672
Adjustments:		
Depreciation of property, plant and equipment and right-of-use assets	32,258,897	29,343,472
Amortization of intangible assets	12,623,999	14,342,677
Profit from investments in associates and joint venture	(11,951,707)	(19,696,539)
Loss on disposal of property, plant and equipment	-	759,214
Provision for sales / services discounts and returns	30,973,103	13,656,775
Provision for slow-moving inventories or nearly expired	19,575,212	6,277,726
Profit from investments at fair value through profit or loss	(4,152,036)	(251,242)
Impairment (reversal) loss on trade receivables	(5,582,235)	13,567,336
Provision for employees' end of services benefits	21,092,054	21,766,679
Provision for financial guarantees	1,722,439	-
Finance costs	16,475,956	16,759,259
Dividends income from investees	-	(7,002,450)
	<u>167,073,825</u>	<u>172,813,579</u>
Change in working capital items:		
Inventories	41,553,767	(69,677,966)
Trade and other receivables	(228,039,760)	(259,782,144)
Prepaid expenses and other debit balances	(8,699,334)	(3,318,250)
Trade payable and other current liabilities	(14,072,293)	144,927,838
Net cash used in operating activities	<u>(42,183,795)</u>	<u>(15,036,943)</u>
Finance costs paid	(11,805,000)	(15,285,807)
Zakat and income tax paid	(26,187,025)	(1,559,536)
Employees' end of service benefit obligations paid	(19,262,661)	(33,532,375)
Net cash used in operating activities	<u>(99,438,481)</u>	<u>(65,414,661)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net changes in property, plant, equipment and assets under construction	(32,206,114)	(85,114,346)
Net changes in intangible assets	(864,658)	(1,900,282)
Net changes in investments in associates and joint venture	28,183,624	23,158,920
Net changes in investments at fair value through OCI	141,463,001	-
Net changes in investments at fair value through profit or loss	(25,307,717)	-
Net cash generated from (used in) investing activities	<u>111,268,136</u>	<u>(63,855,708)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net changes in loans and borrowings	(28,996,160)	112,165,030
Net changes in deferred income	59,250	(1,057,814)
Net changes in lease liabilities	(3,416,758)	(1,388,854)
Dividends paid	(117,994,367)	(58,417,692)
Net changes in non-controlling interests	(3,577,892)	6,295,792
Net cash (used in) generated from financing activities	<u>(153,925,927)</u>	<u>57,596,462</u>
Net changes in cash and cash equivalents during the period	<u>(142,096,272)</u>	<u>(71,673,907)</u>
Foreign currency translation adjustments	(1,342,988)	3,303,319
Cash and cash equivalents at the beginning of the period	334,081,226	378,972,848
Cash and cash equivalents at the end of the period	<u>190,641,966</u>	<u>310,602,260</u>
Non-cash transactions:		
Change from revaluation of investments at FVOCI	<u>12,472,530</u>	<u>166,932,806</u>
 Chief Financial Officer	 Chief Executive Officer	 Authorized Board Member

The accompanying notes form an integral part of these interim condensed consolidated financial statements

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)**

(A Saudi Joint Stock Company)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the Three and Six-Month Periods Ended June 30, 2021

(Saudi Riyals)

1. Information and Activity

Saudi Pharmaceutical Industries and Medical Appliances Corporation is a Saudi Joint Stock Company (the “Company” or the “Parent Company”), registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1131006650 dated Rajab 6, 1406H corresponding to March 16, 1986G and formed according to the Ministerial Resolution No. 884 dated Jumada Al-Awwal 10, 1406H corresponding to January 21, 1986G. These interim condensed consolidated financial statements (“financial statements”) comprise of the Parent Company and its subsidiaries (together referred to as the “Group”).

The Company’s head office is in Buraidah city, King Abdul Aziz Road, Industrial City of Al-Qassim.

The Group is primarily involved in manufacturing of basic chemical substances and products, medicines for human use including cosmetics, pharmaceutical production and wholesale and retail of medicines and related products, development and marketing of medical and pharmaceutical products, research and development in medical science activities, operating and maintaining the healthcare facilities and any investments in related industries, inside and outside the Kingdom of Saudi Arabia.

The Company operates through the following branches in the Kingdom of Saudi Arabia:

<u>Commercial Registration No.</u>	<u>Date of registration</u>	<u>City</u>
1010134224	02/11/1415 H	Riyadh
4030086146	12/09/1412 H	Jeddah
2051058378	15/10/1435 H	Khobar
4031222626	05/06/1440 H	Makkah
4650207091	05/06/1440 H	Medina

1.1 Subsidiaries

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>	
			<u>June 30, 2021</u>	<u>December 31, 2020</u>
ARAC Healthcare Company (ARAC)	Pharmaceutical products distributor	Saudi Arabia	100%	100%
Pharmaceutical Industries Company for Distribution (*)	Pharmaceutical products distributor	Saudi Arabia	100%	100%
ARACOM Medical Company	Pharmaceutical products distributor	Saudi Arabia	100%	100%
AL-WATAN Arabian Pharmaceutical Industries (**)	Pharmaceutical manufacturer	Saudi Arabia	100%	100%
ANORA Trading Company	Pharmacy - retail	Saudi Arabia	99%	99%
Dammam Pharmaceutical Company	Pharmaceutical manufacturer	Saudi Arabia	85%	85%
Qassim Medical Service Company	Healthcare services provider	Saudi Arabia	57.2%	57.2%
SPIMACO Saudi Foundation – Algeria	Pharmaceutical products distributor	Algeria	100%	100%
SPIMACO Misr Company for Marketing (*)	Pharmaceutical products marketing	Egypt	100%	100%
SPIMACO Misr Company for Distribution (*)	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Egypt Company	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Misr for Pharmaceutical industries	Pharmaceutical manufacturer	Egypt	51.6%	51.6%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	70.6%	70.6%
SPIMACO ILAJ (*)	Pharmaceutical products distributor	Turkey	100%	100%

(*) These subsidiaries have not conducted yet any operations.

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)

(A Saudi Joint Stock Company)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the Three and Six-Month Periods Ended June 30, 2021

(Saudi Riyals)

1. Information and Activity (Continued)

1.1 Subsidiaries (Continued)

(**) The Saudi Pharmaceutical Industries and Medical Appliances Corporation, in accordance with the partners' decision that took place on September 16, 2020 resolved to voluntarily liquidate AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") (a subsidiary Limited Liability Company), and appointed a legal liquidator for the Company in accordance with the Article 205 of the Saudi Company's laws and granted him all the necessary powers to complete the liquidation process. It was previously announced on Tadawul website on Rajab 5, 1439H corresponding to March 22, 2018 that the share capital of Watan Pharma will be increased from SR 100 million to SR 150 million for the purpose of increasing the company's activities and joining of a third partner. However, the procedures for increasing the share capital in the Ministry of Commerce were not completed due to the inability to completely provide the regulatory documents related to joining of the third partner. SPIMACO will produce some of the subsidiary's products from the Company's factory in Al Qassim and there is no financial impact from the liquidation of Al-Watan Pharma since the subsidiary did not start its commercial activity, does not have capital projects, and its financial results for the previous years have been reflected in the consolidated financial statements of the Group. Accordingly, the Group stopped consolidating the financial statements of Al-Watan Pharma.

1.2 Associates and joint venture

Name	Principal activities	Country of incorporation	Percentage of ownership %	
			June 30, 2021	December 31, 2020
Arabian Medical Products Manufacturing Company (ENAYAH) – Joint venture	Manufacturing of healthcare products	Saudi Arabia	51%	51%
CAD Middle East Pharmaceutical Company (CAD) – Associate	Active Pharmaceutical Ingredients manufacturing	Saudi Arabia	46.08%	46.08%
Tassili Arab Pharmaceutical Company (TAPHCO) – Associate	Pharmaceutical manufacturer	Algeria	22%	22%

2. Statement of compliance with IFRS

These interim condensed consolidated financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS 34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020. These interim condensed consolidated financial statements do not include all the information and disclosures required in a full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards. Specific accounting policies and explanatory disclosures have been included in order to explain the significant events and transactions behind the changes in the Group's financial position and financial performance since the preparation of the prior year consolidated financial statements.

The period is considered to be an integral part of the full fiscal year; still, the results of operations for the interim periods may not be a fair indication of the results for the full-year operations.

**SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)**

(A Saudi Joint Stock Company)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the Three and Six-Month Periods Ended June 30, 2021

(Saudi Riyals)

3. Basis of Preparation

3.1 Overall considerations

These interim condensed consolidated financial statements have been prepared using the measurement bases specified by IFRSs for each type of assets, liabilities, income and expense. The measurement bases are further fully described in the accounting policies.

The principal accounting policies adopted in the preparation of these interim condensed consolidated financial statements have been consistently applied to all the years presented unless otherwise stated. The preparation of these interim condensed consolidated financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing these interim condensed consolidated financial statements and their effect are disclosed in note (3.4).

These interim condensed consolidated financial statements have been prepared on the historical cost basis, except for the following:

- Trade receivables at amortized cost;
- Financial instruments - FVTOCI;
- Financial instruments - FVTPL;
- Murabaha loan at amortized cost;
- Government loan at amortized cost;
- Government granted land at fair value;
- Defined benefits plan is measured at the present value of future obligations using the Projected Unit Credit method; and
- Investment in associates and joint ventures using the equity method accounting

Furthermore, these interim condensed consolidated financial statements are prepared using the accrual basis of accounting and the going concern basis.

3.2 Presentation and functional currency

The interim condensed consolidated financial statements are presented in Saudi Riyal, which is the Group's functional and presentation currency.

3.3 Basis of interim condensed consolidation of financial statements

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

Specifically, the Group controls an investee if, and only if, the Group has:

- Control over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its direct involvement and relationship with the investee;
- The ability to use its power over the investee to affect its returns.

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

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

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3. Basis of Preparation (Continued)

3.3 Basis of interim condensed consolidation of financial statements (Continued).

Income and each component of Other Comprehensive Income (OCI) are attributed to the equity of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Inter-Group assets, liabilities, equity components, revenues, expenses and cash flows resulting from transactions between Group companies are fully eliminated upon consolidating the interim condensed consolidated financial statements.

3.4 Use of judgment and estimates

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The significant estimates made by the Group for managing the Group's accounting policies and the primary sources of estimating the unreliability the same in the last annual financial statements.

4. Significant Accounting Policies

The accounting policies and calculation methods applied in preparing the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the application of the new standards that became effective on January 1, 2021. The Group did not early adopt any other standard, interpretation or amendment issued but not yet effective.

New Standards, Amendment to Standards and Interpretations

There are no new standards issued; however, there are number of amendments to standards which are effective from January 1, 2021 and have been explained in Group's annual consolidated financial statements, but they do not have a material effect on the Group's interim condensed consolidated financial statements.

5. Property, Plant and Equipment and Assets Under Construction

	Property, Plant and Equipment (PPE)	Assets under Construction (AUC)
Opening balance	1,138,663,891	692,066,130
Additions for the period	4,009,411	29,388,244
Depreciation for the period	(30,228,755)	-
Disposals for the period	(1,022,684)	-
Write-offs for the period	-	(168,856)
Transfer from AUC to PPE	6,472,927	(6,472,927)
Foreign currency translation	88,826	503,006
Closing balance	1,117,983,616	715,315,597

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6. Investments in Associates and Joint Venture

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Opening balance	80,409,122	74,203,001
Additions during the period / year	-	2,129,982
Dividends	(28,183,624)	(33,586,443)
Share of profit during the period / year	11,951,707	38,212,917
Share of OCI during the period / year	-	(550,335)
Closing balance	64,177,205	80,409,122

Associates and joint venture	Ownership percentage	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	51%	64,177,205	80,409,122
Tassili Arab Pharmaceutical Company (TAPHCO) Associate company	22%	-	-
CAD Middle East Pharmaceutical Company- Associate company	46.08%	-	-
		64,177,205	80,409,122

7. Trade and Other Receivables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Trade receivables	1,342,965,269	1,142,747,011
Less: Expected credit losses	(182,512,963)	(188,310,642)
	1,160,452,306	954,436,369
Due from associates and joint venture (Note 15)	89,023,807	61,417,749
	1,249,476,113	1,015,854,118

8. Investments at Fair Value Through Other Comprehensive Income (FVTOCI)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Opening balance	128,990,471	816,244,163
Changes in fair value during the period / year	12,472,530	(385,679,425)
Disposals during the period / year	(141,463,001)	(301,574,267)
Closing balance	-	128,990,471

Portfolio of equity investments at fair value through other comprehensive income

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Cost		
National Industrialization Company	-	71,340,782
Arabian Industrial Fibers Company (IBN RUSHD)	-	-
	-	71,340,782
Fair value reserve	-	57,649,689
	-	128,990,471

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9. Investments at Fair Value Through Profit or Loss (FVTPL)

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Opening balance	614,561,295	27,832,013
Additions during the period / year	145,307,717	593,211,092
Profit for the period / year	4,152,036	3,518,190
Disposals during the period / year	<u>(120,000,000)</u>	<u>(10,000,000)</u>
Closing balance	<u>644,021,048</u>	<u>614,561,295</u>

10. Cash and Cash equivalents

For the purposes of preparing the interim condensed consolidated statement of cash flows, total cash and cash equivalents consist of the following:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Total cash and cash equivalents	189,456,016	331,073,337
Cash and cash equivalents from discontinued operations	1,185,950	3,007,889
	<u>190,641,966</u>	<u>334,081,226</u>

11. Discontinued Operations

As disclosed in Note 1.1, the Group resolved, on September 16, 2020, to liquidate Al-Watan Pharma. Accordingly, the Group has not reflected this subsidiary in its interim condensed consolidated financial statements and classified it as discontinued operations in the previous period. The results of the operations of Al-Watan Pharma for the current and previous period have been presented in the interim condensed consolidated statement of profit or loss as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
General and administrative expenses	(383,667)	(1,549,656)
Operating loss	(383,667)	(1,549,656)
Term deposit income	-	120,205
Loss before zakat	(383,667)	(1,429,451)
Zakat	327,529	(10,781)
Net loss for the period from discontinued operations	<u>(56,138)</u>	<u>(1,440,232)</u>

The following is the statement of the main classes of assets and liabilities of Al-Watan Pharma as discontinued operations:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Assets		
Cash and cash equivalents	1,185,950	3,007,889
Assets from discontinued operations	1,185,950	3,007,889
Liabilities		
Accrued expenses	242,000	161,219
Zakat provision	-	1,859,842
Employees' end of service benefits	-	2,161,936
Liabilities from discontinued operations	242,000	4,182,997

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11. Discontinued Operations (Continued)

The following is the statement of cash flows for Al-Watan Pharma:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Operating activities	<u>(256,420)</u>	<u>(1,821,143)</u>
Net changes in cash and cash equivalents during the period	<u>(256,420)</u>	<u>(1,821,143)</u>
Earnings per share		
Basic and diluted	<u>(0.01)</u>	<u>(0.14)</u>

During the current period, there was no impairment in the carrying value of the assets directly related to the discontinued operations.

12. Loans and Borrowings

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
<u>Current</u>		
Islamic financing (Murabaha)	486,786,203	467,632,992
Government loans	<u>258,531,000</u>	<u>218,901,751</u>
	<u>745,317,203</u>	<u>686,534,743</u>
<u>Non-Current</u>		
Islamic financing (Murabaha)	378,738,261	399,259,720
Government Loans	<u>182,554,301</u>	<u>249,811,462</u>
	<u>561,292,562</u>	<u>649,071,182</u>

During the period ended June 30, 2021, the Group capitalized financing costs in the amount of SR 4.99 million (year ended December 31, 2020: SR 10.4 million).

13. Contract Liabilities

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
Current contract liabilities		
Sales / Services Discounts:		
Opening balance	65,124,139	42,309,045
Provision for sales/services discounts	75,239,537	164,121,913
Actual discounts adjustment during the period / year	<u>(63,783,354)</u>	<u>(141,306,819)</u>
Closing balance	<u>76,580,322</u>	<u>65,124,139</u>
Sales returns:		
Opening balance	37,198,472	46,508,981
Charge / (reversal) for the period / year	<u>10,062,730</u>	<u>(9,310,509)</u>
Closing balance	<u>47,261,202</u>	<u>37,198,472</u>
Total Contract liabilities - Current	<u>123,841,524</u>	<u>102,322,611</u>
Contract liabilities - Non-current	<u>37,030,364</u>	<u>27,576,174</u>

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14. Earnings Per Share

	For the three-month period ended June 30		For the six-month period ended June 30	
	2021	2020	2021	2020
Profit for the period	31,065,378	24,978,652	57,211,358	70,578,985
Weighted average number of ordinary shares	120,000,000	120,000,000	120,000,000	120,000,000
Earnings per share - basic and diluted	0.26	0.21	0.48	0.59

There is no dilutive effect on the basic earnings per share of the Company.

Basic earnings per share have been calculated by dividing the profit attributable to the Shareholders of the Company over the weighted average number of outstanding ordinary shares during the period.

15. Transactions and Balances with Related Parties

Related parties include associates and joint venture, other related companies, and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Related parties' transactions are carried out on an arm's length basis and conditions approved either by the Company or its Board of Directors.

Transactions

Related party	Relation with the Company	Nature of transactions	June 30, 2021	June 30, 2020
Arabian Medical Products Manufacturing Company (ENAYAH)	Joint Venture	Dividend	28,183,624	23,158,920
CAD Middle East Pharmaceutical Company	Associate	Investment /Finance	-	1,954,716
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Key foreign shareholder	Dividends paid	21,373,506	12,293,087
		Research cost	1,406,081	607,559
Tassili Arab Pharmaceutical Company (TAPHCO)	Associate	Sales	-	439,591

Balances

Related party	Nature of balance	June 30, 2021	December 31, 2020
Tassili Arab Pharmaceutical Company (TAPHCO)	Non-Trading	32,524,867	32,537,825
Tassili Arab Pharmaceutical Company (TAPHCO)	Commercial	25,517,729	26,082,337
Arabian Medical Products Manufacturing Company (ENAYAH)	Non-Trading	30,848,711	2,665,087
CAD Middle East Pharmaceutical Company	Non-Trading	132,500	132,500
		89,023,807	61,417,749

Remuneration of key management personnel

	June 30, 2021	June 30, 2020
Remuneration of key management personnel	15,333,687	17,614,451

Compensation of key management personnel consists of salaries, benefits, end of service benefits and other provisions.

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16. Financial Instruments

The Group measures financial instruments, such as investments in equity securities at fair value at the interim condensed consolidated financial statement date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must have access to the principal or the most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the in the interim condensed consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. External valuers are involved in the valuation of significant assets. The involvement of external valuers is decided by the Group after discussion with the Group's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with its external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing with the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics, and risks of the assets or liabilities and the level of the fair value hierarchy, as explained above.

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16. Financial Instruments (Continued)

Financial instrument by category

June 30, 2021	Total	Financial assets/ liabilities at amortized cost	Financial assets at FVTOCI	Financial assets/liabilities at FVTPL	Fair Value	Level 1	Level 2	Level 3
Financial assets								
Current:								
Investments at FVTPL	644,021,048	-	-	644,021,048	644,021,048	644,021,048	-	-
Trade and other receivables	1,249,476,113	1,249,476,113	-	-	N/A	-	-	-
Other assets	13,663,463	13,663,463	-	-	N/A	-	-	-
Cash and cash equivalents	190,641,966	190,641,966	-	-	N/A	-	-	-
Total financial assets	2,097,802,590	1,453,781,542	-	644,021,048	644,021,048	644,021,048	-	-
Financial liabilities								
Non-current:								
Loans and borrowing	561,292,562	561,292,562	-	-	N/A	-	-	-
Lease liabilities	16,549,626	16,549,626	-	-	N/A	-	-	-
Current:								
Loans and borrowing	745,317,203	745,317,203	-	-	N/A	-	-	-
Trade payables	355,140,399	355,140,399	-	-	N/A	-	-	-
Lease liabilities	3,295,883	3,295,883	-	-	N/A	-	-	-
Total financial liabilities	1,681,595,673	1,681,595,673	-	-	-	-	-	-

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16. Financial Instruments (Continued)

Financial instrument by category (Continued)

December 31, 2020	Total	Financial assets/liabilities at amortized cost	Financial assets at FVTOCI	Financial assets/liabilities at FVTPL	Fair value	Level 1	Level 2	Level 3
Financial assets								
Current:								
Investments at FVTOCI	128,990,471	-	128,990,471	-	128,990,471	128,990,471	-	-
Investments at FVTPL	614,561,295	-	-	614,561,295	614,561,295	614,561,295	-	-
Trade and other receivables	1,015,854,118	1,015,854,118	-	-	N/A	-	-	-
Other assets	12,117,471	12,117,471	-	-	N/A	-	-	-
Cash and cash equivalents	334,081,226	334,081,226	-	-	N/A	-	-	-
Total financial assets	2,105,604,581	1,362,052,815	128,990,471	614,561,295	743,551,766	743,551,766	-	-
Financial liabilities								
Non-current:								
Loans and borrowings	649,071,182	649,071,182	-	-	N/A	-	-	-
Lease liability	12,712,912	12,712,912	-	-	N/A	-	-	-
Current:								
Loans and borrowings	686,534,743	686,534,743	-	-	N/A	-	-	-
Trade payables	345,985,940	345,985,940	-	-	N/A	-	-	-
Lease liability	3,315,437	3,315,437	-	-	N/A	-	-	-
Total financial liabilities	1,697,620,214	1,697,620,214	-	-	-	-	-	-

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17. Segment Information

The Board of Directors reviews the operating results of the business separately to make decisions about resource allocation and performance assessment. Transactions between the operating segments are on terms approved by the management.

Revenues

Type of revenue	For the three-month period ended		For the six-month period ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenue from sale of products	290,020,983	295,049,330	723,104,044	744,703,478
Revenue from services	36,659,782	33,088,520	59,222,686	59,156,120
	326,680,765	328,137,850	782,326,730	803,859,598
Other revenues				
Dividend income from investees	-	7,002,450	-	7,002,450
Profit/(loss) from investments in associates and joint venture	6,085,807	14,900,356	11,951,707	19,696,539
Profit from investment at fair value through profit or loss	2,133,652	108,348	4,152,036	251,243
Total revenues	334,900,224	350,149,004	798,430,473	830,809,830

The following table shows the disaggregation of revenues by the primary geographical markets and based on the Group's four strategic divisions, which are its reportable segments.

For the six-month period ended June 30, 2021

Primary geographical markets	Sale of goods	Distribution services	Contract		Total
			manufacturing arrangements	Medical services	
Kingdom of Saudi Arabia	635,865,736	8,025,924	2,784,301	47,966,421	694,642,382
Middle East	58,751,800	-	-	-	58,751,800
Egypt	15,939,513	-	246,501	-	16,186,014
Morocco	9,280,415	-	199,539	-	9,479,954
Algeria	3,266,580	-	-	-	3,266,580
	723,104,044	8,025,924	3,230,341	47,966,421	782,326,730
Timing of revenue recognition					
At a point in time	723,104,044	8,025,924	3,230,341	-	734,360,309
Over time	-	-	-	47,966,421	47,966,421
	723,104,044	8,025,924	3,230,341	47,966,421	782,326,730

For the six-month period ended June 30, 2020

Primary geographical markets	Sale of goods	Distribution services	Contract		Total
			manufacturing arrangements	Medical services	
Kingdom of Saudi Arabia	642,130,880	6,672,440	2,712,127	49,708,096	701,223,543
Middle East	89,242,865	-	-	-	89,242,865
Egypt	6,580,075	-	42,732	-	6,622,807
Morocco	5,102,322	-	20,725	-	5,123,047
Algeria	1,647,336	-	-	-	1,647,336
	744,703,478	6,672,440	2,775,584	49,708,096	803,859,598
Timing of revenue recognition					
At a point in time	744,703,478	6,672,440	2,775,584	-	754,151,502
Over time	-	-	-	49,708,096	49,708,096
	744,703,478	6,672,440	2,775,584	49,708,096	803,859,598

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17. Segment Information (Continued)

For the three-month period ended June 30, 2021

Primary geographical markets	<u>Sale of goods</u>	<u>Distribution services</u>	<u>Contract manufacturing arrangements</u>	<u>Medical services</u>	<u>Total</u>
Kingdom of Saudi Arabia	247,398,164	6,641,524	2,633,523	27,042,780	283,715,991
Middle East	29,747,991	-	-	-	29,747,991
Egypt	8,204,405	-	168,839	-	8,373,244
Morocco	2,601,884	-	173,116	-	2,775,000
Algeria	2,068,539	-	-	-	2,068,539
	<u>290,020,983</u>	<u>6,641,524</u>	<u>2,975,478</u>	<u>27,042,780</u>	<u>326,680,765</u>
Timing of revenue recognition					
At a point in time	290,020,983	6,641,524	2,975,478	-	299,637,985
Over time	-	-	-	27,042,780	27,042,780
	<u>290,020,983</u>	<u>6,641,524</u>	<u>2,975,478</u>	<u>27,042,780</u>	<u>326,680,765</u>

For the three-month period ended June 30, 2020

Primary geographical markets	<u>Sale of goods</u>	<u>Distribution services</u>	<u>Contract manufacturing arrangements</u>	<u>Medical services</u>	<u>Total</u>
Kingdom of Saudi Arabia	223,886,461	5,124,247	626,883	27,316,560	256,954,151
Middle East	65,529,649	-	-	-	65,529,649
Egypt	3,168,334	-	105	-	3,168,439
Morocco	1,919,328	-	20,725	-	1,940,053
Algeria	545,558	-	-	-	545,558
	<u>295,049,330</u>	<u>5,124,247</u>	<u>647,713</u>	<u>27,316,560</u>	<u>328,137,850</u>
Timing of revenue recognition					
At a point in time	295,049,330	5,124,247	647,713	-	300,821,290
Over time	-	-	-	27,316,560	27,316,560
	<u>295,049,330</u>	<u>5,124,247</u>	<u>647,713</u>	<u>27,316,560</u>	<u>328,137,850</u>

18. Contingent Liabilities and Capital Commitments

Contingent liabilities

As at June 30, 2021, the Group has letters of guarantees amounting to SR 69.2 million (December 31, 2020: SR 79.7 million).

In addition, the Group has contingent liability amounting to SR 3.8 million which have been issued on behalf of the Group in the normal course of business (December 31, 2020: SR 0.6 million).

During its normal business operations, some cases may arise against the Company and some of the Group's subsidiaries, and are currently being defended, but the ultimate outcome of these cases cannot be currently determined with certainty. The management believes that the results of these cases will not have a material impact on the Group's interim condensed consolidated financial statements for the six-month period ended June 30, 2021.

Capital commitments

As at June 30, 2021, the Group has capital commitments amounting to SR 55.4 million (December 31, 2020: SR 76.9 million).

19. Subsequent Events

There are no subsequent events that require disclosure or amendment to the accompanying interim financial statements.

20. Important matters during the period and the financial and operational risks related to them

The emerging pandemic of the Coronavirus (COVID-19) continues to evolve and spread. The management of the Company has been monitoring the consequences of (COVID-19) and believe that there is no significant impact needed to reflect in the interim condensed consolidated financial statements for the six-months ended June 30, 2021.

21. Comparative figures

Certain comparative figures have been reclassified to comply with the current period presentation of these interim condensed consolidated financial statements.

22. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been approved by the Group's Board of Directors on Muharram 3, 1443 H (corresponding to August 11, 2021).