

**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 Nine-Month Periods Ended September 30, 2023**

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 Nine-Month Periods Ended September 30, 2023

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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 September 30, 2023 and the related interim condensed consolidated statements of profit or loss, and comprehensive income for the three and nine-month periods ended September 30, 2023, and the interim condensed consolidated statements of changes in equity, and cash flows for the nine-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.

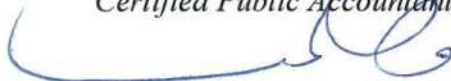
Scope of Review

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



Majid Muneer Alnemer
License No. 381

Riyadh on Rabi' Al-Thani 21, 1445H
Corresponding to November 5, 2023G



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

Interim Condensed Consolidated Statement of Financial Position
As at September 30, 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Non-Current Assets			
Property, plant, and equipment	5	1,199,119	1,040,186
Assets under construction	5	640,218	790,217
Intangible assets		9,877	15,250
Right-of-use assets		31,539	35,200
Investments in associates and joint venture	6	56,548	46,526
Deferred tax assets		34,535	23,481
Total Non-Current Assets		1,971,836	1,950,860
Current Assets			
Inventories		530,182	494,685
Trade and other receivables	7	1,206,621	833,841
Investments at fair value through profit or loss (FVTPL)	8	454	420
Prepaid expenses and other debit balances		185,186	170,341
Time deposits		100,500	45,000
Cash and cash equivalents	9	135,216	335,349
		2,158,159	1,879,636
Asset held for sale	10	1,255	1,255
Total Current Assets		2,159,414	1,880,891
TOTAL ASSETS		4,131,250	3,831,751
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1,200,000	1,200,000
Statutory reserve		360,685	360,685
General reserve		150,000	150,000
Consensual reserve		34,710	34,710
Foreign currency translation reserve		(46,734)	(26,785)
Accumulated losses		(149,215)	(179,102)
Equity attributable to the Shareholders of the Parent		1,549,446	1,539,508
Non-controlling interests		155,612	153,596
TOTAL EQUITY		1,705,058	1,693,104
LIABILITIES			
Non-current liabilities			
Loans and borrowings - non-current portion	11	649,475	379,832
Lease liabilities - non-current portion		15,981	18,806
Employees' end-of-service benefit obligations		302,253	313,238
Deferred income		38,097	35,367
Contract liabilities	12	42,876	42,581
Total Non-Current Liabilities		1,048,682	789,824
Current liabilities			
Loans and borrowings - current portion	11	433,653	676,960
Provision for financial guarantees		24,945	24,945
Lease liabilities – current portion		5,511	6,145
Zakat and income tax payable		32,560	33,136
Trade payables and other credit balances		527,490	403,452
Dividends payable		158,419	158,755
Contract liabilities	12	194,894	45,392
		1,377,472	1,348,785
Liabilities directly associated with asset classified as held for sale	10	38	38
Total Current Liabilities		1,377,510	1,348,823
TOTAL LIABILITIES		2,426,192	2,138,647
TOTAL EQUITY AND LIABILITIES		4,131,250	3,831,751



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 Nine-Month Periods Ended September 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended September 30		For the nine-month period ended September 30	
		2023	2022	2023	2022
<u>Continuing Operations</u>					
Revenues	17	381,620	357,023	1,322,445	1,056,977
Cost of revenues		(215,642)	(233,832)	(716,043)	(627,899)
Gross profit		165,978	123,191	606,402	429,078
Selling and marketing expenses		(83,821)	(77,742)	(263,302)	(255,283)
General and administrative expenses		(66,551)	(65,761)	(187,211)	(184,045)
Research and development expenses		(7,507)	(11,251)	(31,193)	(26,831)
Impairment reversal / (charge) on trade receivables	7	4,252	(8,084)	3,854	(19)
Other (expenses) / income	13	(28,947)	9,667	(40,639)	5,280
Operating (loss) / profit		(16,596)	(29,980)	87,911	(31,820)
Finance costs		(24,155)	(16,017)	(51,472)	(32,717)
Share of results of a joint venture	6	6,718	5,971	20,222	16,383
Profit from revaluation of investment at fair value through profit or loss		6	181	34	3,452
(Loss) / profit before zakat and income tax		(34,027)	(39,845)	56,695	(44,702)
Zakat and income tax		(4,373)	(5,995)	(16,326)	(21,302)
(Loss) / profit for the period from continuing operations		(38,400)	(45,840)	40,369	(66,004)
<u>Discontinued Operations</u>					
Loss from discontinued operations, net of Zakat	10	-	(63)	-	(1,001)
(Loss) / profit for the period		(38,400)	(45,903)	40,369	(67,005)
Attributable to:					
Shareholders of the Parent		(40,971)	(45,053)	36,066	(58,379)
Non-controlling interests		2,571	(850)	4,303	(8,626)
		(38,400)	(45,903)	40,369	(67,005)
(Loss) / earnings per share attributable to the Shareholders of the Parent					
Basic and diluted (SR)	14	(0.34)	(0.38)	0.30	(0.49)



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Chief Executive Officer



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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 Nine-Month Periods Ended September 30, 2023
(All amounts in thousands Saudi Riyals unless otherwise stated)


	For the three-month period ended September 30		For the nine-month period ended September 30	
	2023	2022	2023	2022
(Loss) / profit for the period	(38,400)	(45,903)	40,369	(67,005)
<u>Other Comprehensive Income Items:</u>				
Items that may be reclassified to profit or loss subsequently:				
Foreign currency translation differences	<u>(6,529)</u>	<u>(3,943)</u>	<u>(19,949)</u>	<u>(11,821)</u>
Total other comprehensive loss for the period	<u>(6,529)</u>	<u>(3,943)</u>	<u>(19,949)</u>	<u>(11,821)</u>
Total comprehensive (loss) / income for the period	<u>(44,929)</u>	<u>(49,846)</u>	<u>20,420</u>	<u>(78,826)</u>
Attributable to:				
Shareholders of the Parent	<u>(47,500)</u>	<u>(48,996)</u>	<u>16,117</u>	<u>(70,200)</u>
Non-controlling interests	<u>2,571</u>	<u>(850)</u>	<u>4,303</u>	<u>(8,626)</u>
	<u>(44,929)</u>	<u>(49,846)</u>	<u>20,420</u>	<u>(78,826)</u>



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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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 Nine-Month Period Ended September 30, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Foreign currency translation reserve	Retained earnings / (Accumulated losses)	Equity attributable to the Shareholders of the Parent	Non-controlling interests	Total equity
Balance as at January 1, 2022	1,200,000	360,685	150,000	34,710	(11,915)	104,282	1,837,762	155,643	1,993,405
Loss for the period	-	-	-	-	-	(58,379)	(58,379)	(8,626)	(67,005)
Other comprehensive loss for the period	-	-	-	-	(11,821)	-	(11,821)	-	(11,821)
Total comprehensive loss	-	-	-	-	(11,821)	(58,379)	(70,200)	(8,626)	(78,826)
Dividends	-	-	-	-	-	(72,000)	(72,000)	-	(72,000)
Changes in non-controlling interests	-	-	-	-	-	-	-	3,712	3,712
Balance as at September 30, 2022	1,200,000	360,685	150,000	34,710	(23,736)	(26,097)	1,695,562	150,729	1,846,291
Balance as at January 1, 2023	1,200,000	360,685	150,000	34,710	(26,785)	(179,102)	1,539,508	153,596	1,693,104
Profit for the period	-	-	-	-	-	36,066	36,066	4,303	40,369
Other comprehensive loss for the period	-	-	-	-	(19,949)	-	(19,949)	-	(19,949)
Total comprehensive income	-	-	-	-	(19,949)	36,066	16,117	4,303	20,420
Changes in non-controlling interests	-	-	-	-	-	-	-	(2,287)	(2,287)
Acquisition of non-controlling interest	-	-	-	-	-	(6,179)	(6,179)	-	(6,179)
Balance as at September 30, 2023	1,200,000	360,685	150,000	34,710	(46,734)	(149,215)	1,549,446	155,612	1,705,058



Chief Financial Officer



Chief Executive Officer



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

(A Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the Nine-Month Period Ended September 30, 2023

(All amounts in thousands Saudi Riyals unless otherwise stated)

	September 30, 2023	September 30, 2022
OPERATING ACTIVITIES:		
Profit / (loss) before zakat and income tax and discontinued operations	56,695	(44,702)
Loss before zakat from discontinued operations	-	(1,001)
	<u>56,695</u>	<u>(45,703)</u>
Adjustments for non-cash items:		
Depreciation of property, plant and equipment and right-of-use assets	56,161	48,056
Assets under construction written off	2,372	-
Intangible assets written off	47	-
Amortization of intangible assets	5,326	18,545
Share of results of associates and joint venture	(20,222)	(16,383)
Gain on disposal of property, plant, and equipment	(6,351)	-
Provision for sales/services discounts and returns	149,797	17,709
Provision for slow-moving inventories or nearly expired	7,236	(654)
Profit from investments at FVTPL	(34)	(3,452)
Impairment (reversal) / charge on trade receivables	(3,854)	19
Provision for employees' end-of-service benefits	38,484	30,678
Provision for employees' claims	31,195	-
Amortization of deferred income	(1,164)	-
Finance costs	51,472	26,648
	<u>367,160</u>	<u>75,463</u>
Change in working capital items:		
Inventories	(42,733)	(100,715)
Trade and other receivables	(368,918)	(90,543)
Prepaid expenses and other debit balances	(14,845)	(35,887)
Trade payable and other credit balances	92,843	(11,995)
Cash generated from / (used in) operations	33,507	(163,677)
Finance costs paid	(40,877)	(25,229)
Zakat and income tax paid	(28,344)	(24,686)
Employees' end-of-service benefit obligations paid	(49,469)	(25,545)
Net cash used in operating activities	(85,183)	(239,137)
INVESTING ACTIVITIES:		
Net changes in property, plant, equipment and assets under construction	(64,875)	(69,655)
Net changes in intangible assets and right-of-use assets	(377)	-
Net changes in investments in associates and joint venture	10,200	36,304
Net changes in investments at fair value through profit or loss	-	533,389
Additions to the time deposits	(55,500)	-
Net cash (used in) / generated from investing activities	(110,552)	500,038
FINANCING ACTIVITIES:		
Net changes in loans and borrowings	15,741	(64,107)
Net changes in deferred income	3,894	(2,711)
Net changes in lease liabilities	(3,459)	(350)
Financial guarantees paid	-	(20,721)
Dividends paid	(336)	(69,710)
Net changes in non-controlling interest	(2,287)	(4,913)
Net cash generated from / (used in) financing activities	13,553	(162,512)
Net changes in cash and cash equivalents during the period	(182,182)	98,389
Foreign currency translation adjustments	(17,951)	(3,289)
Cash and cash equivalents at the beginning of the period	335,349	329,663
Cash and cash equivalents at the end of the period	135,216	424,763


 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 Nine-Month Periods Ended September 30, 2023

1. Information and Activity

Saudi Pharmaceutical Industries and Medical Appliances Corporation (the “Company” or the “Parent Company”) is a Saudi Joint Stock 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 pharmaceutical products, medicines for human use 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:

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

1.1 Subsidiaries

Name of subsidiary	Principal activities	Country of incorporation	Percentage of ownership	
			September 30, 2023	December 31, 2022
ARAC Healthcare Company (ARAC)	Pharmaceutical products distributor	Saudi Arabia	100%	100%
Pharmaceutical Industries Company for Distribution (a)	Pharmaceutical products distributor	Saudi Arabia	100%	100%
ARACOM Medical Company AL-WATAN Arabian	Pharmaceutical products distributor	Saudi Arabia	100%	100%
Pharmaceutical Industries (b)	Pharmaceutical manufacturer	Saudi Arabia	-	100%
ANORA Trading Company (c)	Pharmacy - retail	Saudi Arabia	99%	99%
Dammam Pharmaceutical Company	Pharmaceutical manufacturer	Saudi Arabia	85%	85%
Qassim Medical Service Company	Healthcare services provider	Saudi Arabia	57.27%	57.27%
SPIMACO Saudi Foundation – Algeria	Pharmaceutical products distributor	Algeria	100%	100%
SPIMACO Misr Company for Marketing (a)	Pharmaceutical products marketing	Egypt	100%	100%
SPIMACO Misr Company for Distribution (a)	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Egypt Company	Pharmaceutical products distributor	Egypt	100%	100%
SPIMACO Misr for Pharmaceutical Industries (d)	Pharmaceutical manufacturer	Egypt	90.59%	78.51%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	72.54%	72.54%

(a) There has been no commercial activity in these subsidiaries.

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 Nine-Month Periods Ended September 30, 2023

1. Information and Activity (Continued)

1.1 Subsidiaries (Continued)

- (b) On September 16, 2020, the partners of AL-WATAN Arabian Pharmaceutical Industries (“Al-Watan Pharma”) (a subsidiary Limited Liability Company) resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. 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 and does not have capital projects. Accordingly, the Group stopped consolidating the financial statements of Al-Watan Pharma (note 10). As at October 30, 2022, the management approved the liquidation of Al-Watan Pharma. The liquidation process has been completed on September 25, 2023, with the Ministry of Commerce.
- (c) On November 17, 2021, the partners of ANORA Trading Company (a subsidiary Limited Liability Company), resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. The financial impact from the liquidation of ANORA Trading Company is immaterial as it has insignificant commercial activity and does not have financial commitments. Accordingly, the Group stopped consolidating the financial statements of ANORA Trading Company. It should be noted that ANORA Trading Company is a limited liability company, with a paid-up capital of SR 300 thousand, and it is 99% owned by ARAC Healthcare Company (a wholly owned subsidiary of SPIMACO Group).
- (d) On September 19, 2023, the Company concluded the purchase of additional shares in SPIMACO Misr for Pharmaceutical Industries for a cash consideration of SR 6.6 million bringing the revised percentage holding to 90.59%. The transaction was approved by the Board of Directors on June 28, 2021, however, the regulatory process was completed as of said date.

1.2 Associates and joint venture

Name	Principal activities	Country of incorporation	Percentage of ownership %	
			September 30, 2023	December 31, 2022
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 Chartered and Professional Accountants and should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2022. 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 Nine-Month Periods Ended September 30, 2023

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 - FVTPL;
- Murabaha loan at amortized cost;
- Government loan at amortized cost;
- Government granted land at fair value as at the date of grant;
- 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 thousands Saudi Riyals unless otherwise stated, 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; and
- 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; and
- The Group's voting rights and potential voting rights.

**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 Nine-Month Periods Ended September 30, 2023

(All amounts in thousands of Saudi Riyals unless otherwise stated)

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 judgements and estimates regarding the future. Judgments and estimates 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 judgements and estimates.

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, 2022, except for the application of the new standards that became effective on January 1, 2023. 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, 2023 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	1,040,186	790,217
Additions during the period	5,761	66,512
Transfer from assets under construction	208,719	(208,719)
Depreciation during the period	(52,649)	-
Disposals during the period	(1,047)	-
Write-offs during the period	-	(2,372)
Foreign currency translation	(1,851)	(5,420)
Closing balance	1,199,119	640,218

6. Investment in Associates and Joint Venture

	September 30, 2023	December 31, 2022
Opening balance	46,526	63,300
Dividends, net of Zakat	(10,200)	(36,304)
Share of results during the period / year	20,222	20,442
Share of OCI during the period / year	-	(912)
Closing balance	56,548	46,526

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6. Investment in Associates and Joint Venture (Continued)

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	56,548	46,526
Tassili Arab Pharmaceutical Company (TAPHCO) - Associate Company	-	-
CAD Middle East Pharmaceutical Company- Associate Company	-	-
	<u>56,548</u>	<u>46,526</u>

7. Trade and Other Receivables

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Trade receivables	1,195,134	881,371
Less: impairment provision	(94,868)	(154,005)
	<u>1,100,266</u>	<u>727,366</u>
Due from related parties (Note 15)	106,355	106,475
	<u>1,206,621</u>	<u>833,841</u>

Impairment provision movement of trade receivables:

	<u>Specific Provision</u>	<u>ECL Provision</u>	<u>Total</u>
Balance as at January 1, 2022	46,353	128,102	174,455
Impairment loss for the year	-	9,980	9,980
Written off during the year	(30,203)	(402)	(30,605)
Foreign currency translation	-	175	175
Balance as at December 31, 2022	<u>16,150</u>	<u>137,855</u>	<u>154,005</u>
Impairment reversal for the period	-	(3,854)	(3,854)
Written off during the period	-	(55,275)	(55,275)
Foreign currency translation	-	(8)	(8)
Balance as at September 30, 2023	<u>16,150</u>	<u>78,718</u>	<u>94,868</u>

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Opening balance	420	567,674
Revaluation of investment	34	3,634
Disposals during the period/year	-	(570,888)
Closing balance	<u>454</u>	<u>420</u>

9. 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>September 30, 2023</u>	<u>December 31, 2022</u>
Cash on hand	976	243
Cash at banks	99,783	212,150
Short term deposits	34,457	122,956
	<u>135,216</u>	<u>335,349</u>

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10. Assets Held for Sale/Discontinued Operations

As disclosed in Note 1.1, the Group resolved to voluntarily liquidate ANORA Trading Company on November 17, 2021. Accordingly, the Group has not consolidated the subsidiary in these financial statements and classified it as a discontinued operation. The results of the operations of ANORA Trading Company and Al-Watan Pharma for the current and previous period have been presented as follows in the interim condensed consolidated statement of profit or loss:

	September 30, 2023	September 30, 2022
Revenues	-	195
Cost of revenues	-	(145)
Gross Profit	-	50
Selling and marketing expenses	-	(151)
General and administrative expenses	-	(900)
Loss before zakat	-	(1,001)
Zakat	-	-
Net loss for the period from discontinued operations	-	(1,001)
Loss per share - Basic and diluted (SR)	-	(0.01)

The following is the statement of the main classes of assets and liabilities of ANORA Trading Company as a discontinued operation:

	September 30, 2023	December 31, 2022
Assets		
Inventories	1,226	1,226
Prepaid expenses and other debit balances	29	29
Assets from discontinued operations	1,255	1,255
Liabilities		
Accrued expenses and other liabilities	38	38
Liabilities from discontinued operations	38	38

The following is the statement of cash flows for ANORA Trading Company and Al-Watan Pharma:

	September 30, 2023	September 30, 2022
Operating activities	-	(938)
Investing activities	-	-
Financing activities	-	-
Net changes in cash and cash equivalents during the period	-	(938)

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

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11. Loans and Borrowings

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
<u>Current</u>		
Islamic financing	324,118	400,000
Government loans	96,912	79,637
Short-term loans	12,623	197,323
	<u>433,653</u>	<u>676,960</u>
<u>Non-Current</u>		
Islamic financing	572,956	245,856
Government loans	76,519	133,976
	<u>649,475</u>	<u>379,832</u>

During the period ended September 30, 2023, the Group capitalized financing costs amounting to SR 3.82 million (year ended December 31, 2022: SR 7.6 million).

12. Contract Liabilities

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Contract Liabilities - Current		
Sales/services discounts provision:		
Opening balance	25,909	62,609
Discounts provision against sales	176,738	213,069
Actual discounts adjustment during the period/year	(31,012)	(249,769)
Closing balance	<u>171,635</u>	<u>25,909</u>
Sales returns:		
Opening balance	19,483	21,084
Charge for the period/year	4,014	515
Adjusted during the period/year	(238)	(2,116)
Closing balance	<u>23,259</u>	<u>19,483</u>
Contract liabilities - Current	<u>194,894</u>	<u>45,392</u>
Contract liabilities - Non-current	<u>42,876</u>	<u>42,581</u>

13. Other (expenses) / income

	<u>For the three-month period ended September 30</u>		<u>For the nine-month period ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Terminated employees' legal claims (a)	(31,195)	-	(31,195)	-
Amortization of deferred income	388	388	1,164	1,164
Currency valuation (loss) / gain	(3,397)	9,844	(13,703)	471
Others	5,257	(565)	3,095	3,645
	<u>(28,947)</u>	<u>9,667</u>	<u>(40,639)</u>	<u>5,280</u>

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13. Other (expenses) / income (Continued)

- (a) During the period, certain claims have been filed by terminated employees and the Group is working with external legal counsels to assess the validity and potential liabilities associated with these claims. Based on the opinion of the Group's legal advisors, provisions have been made in the financial statements to account for the potential liabilities arising from these labor law claims. These provisions are subject to reassessment as new information becomes available or as the legal proceedings progress. Furthermore, some of these claims have been decided against the Group by Labor Law Court, and the associated costs have been recorded in the profit or loss statement. These costs represent the actual financial impact of the resolved claims. The Group has taken steps to ensure that the financial statements accurately reflect the potential impact on its financial position, results of operations, and cash flows. Also refer to contingent liabilities note 18.

14. (Loss) / Earnings Per Share

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2023	2022	2023	2022
(Loss) / profit for the period	(40,971)	(45,053)	36,066	(58,379)
Weighted average number of ordinary shares	120,000,000	120,000,000	120,000,000	120,000,000
(Loss) / earnings per share – basic and diluted (SR)	(0.34)	(0.38)	0.30	(0.49)

There is no dilutive effect on the basic (loss) / earnings per share of the Company.

Basic (loss) / earnings per share has been calculated by dividing the (loss) / 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 ventures, 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 are conditions approved either by the Company or its Board of Directors.

Transactions

Related party	Relation with the Company	Nature of transactions	September 30, 2023	September 30, 2022
Arabian Medical Products Manufacturing Company (ENAYAH)	Joint Venture	Dividends	10,200	36,304
CAD Middle East Pharmaceutical Company	Associate	Expenses Purchases	13,692 4,359	8,992 -
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Key foreign shareholder	Dividends Research cost	640 -	14,752 3,490
Tassili Arab Pharmaceutical Company (TAPHCO)	Associate	Sales	3,869	1,955

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15. Transactions and Balances with Related Parties (Continued)

Balances

<u>Related party</u>	<u>Nature of balance</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Tassili Arab Pharmaceutical Company (TAPHCO)	Non-commercial	32,593	34,293
Tassili Arab Pharmaceutical Company (TAPHCO)	Commercial	34,954	31,538
Arabian Medical Products Manufacturing Company (ENAYAH)	Non-commercial	12,927	21,972
CAD Middle East Pharmaceutical Company	Non-commercial	25,881	18,672
		<u>106,355</u>	<u>106,475</u>

Remuneration of key management personnel

	<u>September 30, 2023</u>	<u>September 30, 2022</u>
Remuneration of key management personnel	<u>28,006</u>	<u>29,273</u>

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

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.

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16. Financial Instruments (Continued)

For assets and liabilities that are recognized 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

September 30, 2023	Total	Financial assets/ liabilities at amortized cost	Financial assets/liabilities at FVTPL	Fair Value	Level 1	Level 2	Level 3
Financial assets							
Current:							
Investments at FVTPL	454	-	454	454	-	454	-
Trade and other receivables	1,206,621	1,206,621	-	N/A	-	-	-
Time deposits	100,500	100,500	-	N/A	-	-	-
Cash and cash equivalents	135,216	135,216	-	N/A	-	-	-
Total financial assets	1,442,791	1,442,337	454	454	-	454	-
Financial liabilities							
Non-current:							
Loans and borrowings	649,475	649,475	-	N/A	-	-	-
Lease liabilities	15,981	15,981	-	N/A	-	-	-
Current:							
Loans and borrowings	433,653	433,653	-	N/A	-	-	-
Trade payables	298,733	298,733	-	N/A	-	-	-
Lease liabilities	5,511	5,511	-	N/A	-	-	-
Total financial liabilities	1,403,353	1,403,353	-	N/A	-	-	-

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16. Financial Instruments (Continued)

Financial instrument by category (Continued)

<u>December 31, 2022</u>	<u>Total</u>	<u>Financial assets/liabilities at amortized cost</u>	<u>Financial assets/liabilities at FVTPL</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets							
Current:							
Investments at FVTPL	420	-	420	420	-	420	-
Trade and other receivables	833,841	833,841	-	N/A	-	-	-
Time deposits	45,000	45,000	-	N/A	-	-	-
Cash and cash equivalents	335,349	335,349	-	N/A	-	-	-
Total financial assets	1,214,610	1,214,190	420	420	-	420	-
Financial liabilities							
Non-current:							
Loans and borrowings	379,832	379,832	-	N/A	-	-	-
Lease liabilities	18,806	18,806	-	N/A	-	-	-
Current:							
Loans and borrowings	676,960	676,960	-	N/A	-	-	-
Trade payables	223,006	223,006	-	N/A	-	-	-
Lease liabilities	6,145	6,145	-	N/A	-	-	-
Total financial liabilities	1,304,749	1,304,749	-	N/A	-	-	-

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17. Segment Information

The Group's principal business activities involve the manufacturing of pharmaceutical products under SPIMACO and its subsidiaries' brand names. The trading and distribution segment involves sales, marketing, and distribution of pharmaceutical, veterinary, medical equipment, and cosmetics products. Healthcare services represent maintaining and operating a secondary care hospital. Other include strategic investment in a joint venture as well as discontinued operations which involve entities under liquidation and currently have no operations.

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 September 30		For the nine-month period ended September 30	
	2023	2022	2023	2022
Revenue from sale of products	343,627	316,196	1,199,323	949,529
Revenue from services	37,993	40,827	123,122	107,448
	381,620	357,023	1,322,445	1,056,977
Other revenues				
Share of results of a joint venture	6,718	5,971	20,222	16,383
Profit from revaluation of investment at FVTPL	6	181	34	3,452
Total revenues	388,344	363,175	1,342,701	1,076,812

Selected financial information as at September 30, 2023, and September 30, 2022, and for the period then ended, categorized by these business segments, is as follows:

September 30, 2023:

	<u>Pharmaceutical Manufacturing</u>	<u>Trading & Distribution Services</u>	<u>Healthcare Services</u>	<u>Other</u>	<u>Total</u>
Revenues	1,084,343	119,436	118,666	-	1,322,445
Depreciation and amortization	(55,684)	(1,679)	(4,124)	-	(61,487)
Share of results of a joint venture	-	-	-	20,222	20,222
Profit / (loss) for the period	70,333	(48,625)	18,661	-	40,369
Profit / (loss) attributable to Shareholders of the Parent	74,011	(48,625)	10,680	-	36,066
Total Assets	3,355,935	484,136	289,924	1,255	4,131,250
Total Liabilities	2,036,765	321,077	68,312	38	2,426,192

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17. Segment Information (Continued)

September 30, 2022:

	<u>Pharmaceutical Manufacturing</u>	<u>Trading & Distribution Services</u>	<u>Healthcare Services</u>	<u>Other</u>	<u>Total</u>
Revenues	897,830	67,880	91,267	-	1,056,977
Depreciation and amortization	(61,335)	(1,525)	(3,741)	-	(66,601)
Share of results of a joint venture	-	-	-	16,383	16,383
(Loss) / profit for the period	(69,847)	(1,891)	5,734	(1,001)	(67,005)
(Loss) / profit attributable to Shareholders of the Parent	(58,778)	(1,891)	3,281	(991)	(58,379)
Total Assets	3,045,350	858,631	298,266	2,441	4,204,688
Total Liabilities	2,030,703	264,147	63,467	80	2,358,397

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 nine-month period ended September 30, 2023

Primary geographical markets	<u>Pharmaceutical Manufacturing</u>	<u>Trading & Distribution Services</u>	<u>Healthcare Services</u>	<u>Other</u>	<u>Total</u>
Kingdom of Saudi Arabia	952,937	108,498	118,666	-	1,180,101
Middle East	112,725	-	-	-	112,725
Egypt	1,529	4,410	-	-	5,939
Morocco	17,152	-	-	-	17,152
Algeria	-	6,528	-	-	6,528
	1,084,343	119,436	118,666	-	1,322,445
Timing of revenue recognition					
At a point in time	1,084,343	119,436	14,157	-	1,217,936
Over time	-	-	104,509	-	104,509
	1,084,343	119,436	118,666	-	1,322,445

For the nine-month period ended September 30, 2022

Primary geographical markets	<u>Pharmaceutical Manufacturing</u>	<u>Trading & Distribution Services</u>	<u>Healthcare Services</u>	<u>Other</u>	<u>Total</u>
Kingdom of Saudi Arabia	782,500	49,198	91,267	-	922,965
Middle East	97,329	-	-	-	97,329
Egypt	3,608	13,387	-	-	16,995
Morocco	14,393	-	-	-	14,393
Algeria	-	5,295	-	-	5,295
	897,830	67,880	91,267	-	1,056,977
Timing of revenue recognition					
At a point in time	897,830	67,880	-	-	965,710
Over time	-	-	91,267	-	91,267
	897,830	67,880	91,267	-	1,056,977

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18. Contingent Liabilities and Capital Commitments

Contingent liabilities

As at September 30, 2023, the Group has letters of guarantee amounting to SR 181.7 million (December 31, 2022: SR 87.3 million).

In addition, the Group has contingent liability amounting to SR 17.4 million which has been issued on behalf of the Group in the normal course of business (December 31, 2022: SR 6.8 million).

Legal Contingencies

Terminated Employees' Legal Cases

As mentioned in note 13(a), certain claims have been filed by terminated employees during the period and the Group is working with external legal counsels to assess the validity and potential liabilities associated with these claims. Due to the inherent uncertainty of litigation, the financial impact on the Group cannot be reliably estimated at this stage. It is important to note that the ultimate resolution of these legal cases, including potential settlements, judgments, or dismissals, may have a material impact on the Group's financial position, results of operations, and cash flows in future reporting periods. The Group will provide updates as significant developments occur or when more information becomes available.

Other Legal Contingencies

Also, during its normal business operations, some cases arise against the Group 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 three and nine-month periods ended September 30, 2023.

Status of zakat and income tax assessments

The Company submitted the zakat returns to ZATCA and obtained zakat certificate up to year 2022.

The zakat and income tax returns for the fiscal years 2019 and 2020 are currently under audit by ZATCA and the final Tax/Zakat assessment is yet to be issued at the date of these interim condensed consolidated financial statements.

All subsidiaries are filing zakat and/or income tax returns regularly as per their country of incorporation regulations and no dispute requires any additional provisions.

Capital commitments

As at September 30, 2023, the Group has capital commitments amounting to SR 136.5 million (December 31, 2022: SR 83.6 million).

19. Subsequent Events

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

20. Comparative figures

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

21. 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 Rabi' Al-Thani 21, 1445H (corresponding to November 5, 2023G)