

**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, 2022**

**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, 2022**

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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, 2022 and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three and nine-month periods ended September 30, 2022, 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.

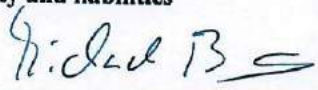
BAKER TILLY MKM & CO.
*Certified Public Accountants***Majid Muneer Alnemer**

License No. 381


Riyadh on Rabi' Al-Thani 9, 1444H
Corresponding to November 3, 2022G

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, 2022
(Saudi Riyals)

<u>Assets</u>	<u>Note</u>	<u>September 30, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Non-current assets			
Property, plant and equipment	5	1,054,718,773	1,097,782,937
Assets under construction	5	778,556,772	718,799,460
Intangible assets		20,561,891	39,107,568
Right-of-use assets		36,658,306	33,830,180
Investments in associates and joint venture	6	43,379,164	63,300,064
Deferred tax assets		17,002,660	18,929,094
Total non-current assets		1,950,877,566	1,971,749,303
Current assets			
Inventories		520,985,952	419,092,503
Trade and other receivables	7	1,107,213,184	1,016,688,920
Investments at fair value through profit or loss (FVTPL)	8	37,736,840	567,674,308
Prepaid expenses and other debit balances		161,857,523	125,955,824
Cash and cash equivalents	9	423,576,584	328,317,600
		2,251,370,083	2,457,729,155
Assets held for sale	10	2,440,730	4,595,562
Total current assets		2,253,810,813	2,462,324,717
Total assets		4,204,688,379	4,434,074,020
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		34,709,740	34,709,740
Foreign currency translation reserve		(23,735,521)	(11,914,760)
(Accumulated losses) / retained earnings		(26,096,396)	104,282,191
Equity attributable to the Shareholders of the Parent Company		1,695,562,689	1,837,762,037
Non-controlling interests		150,729,043	155,642,581
Total equity		1,846,291,732	1,993,404,618
Non-current liabilities			
Loans and borrowings – non current portion	11	402,349,350	417,124,634
Lease liabilities – non current portion		19,433,672	17,688,706
Employees' end of service benefit obligations		301,094,557	295,886,961
Deferred income		33,653,558	36,364,283
Contract liabilities	12	36,483,703	33,861,020
Total non-current liabilities		793,014,840	800,925,604
Current liabilities			
Loans and borrowings – current portion	11	803,416,823	852,748,232
Provision for financial guarantees		24,945,000	45,665,966
Lease liabilities – current portion		6,233,399	7,255,079
Zakat and income tax payable		22,769,706	28,842,314
Trade payables and other credit balances		449,374,725	461,365,242
Dividends payable		159,783,093	157,492,830
Contract liabilities	12	98,778,938	83,692,445
		1,565,301,684	1,637,062,108
Liabilities directly associated with assets classified as held for sale	10	80,123	2,681,690
Total current liabilities		1,565,381,807	1,639,743,798
Total liabilities		2,358,396,647	2,440,669,402
Total equity and liabilities		4,204,688,379	4,434,074,020


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, 2022
(Saudi Riyals)

	Note	For the three-month period ended September 30		For the nine-month period ended September 30	
		2022	2021	2022	2021
Continuing operations					
Revenues	16	357,023,441	311,355,046	1,056,976,934	1,092,118,450
Cost of revenues		(233,768,333)	(165,643,703)	(627,915,567)	(630,908,709)
Gross profit		123,255,108	145,711,343	429,061,367	461,209,741
Selling and marketing expenses		(81,472,184)	(82,172,462)	(258,769,407)	(238,499,212)
General and administrative expenses		(74,455,046)	(46,011,486)	(204,542,221)	(157,049,764)
Research and development expenses		(4,960,534)	(1,121,011)	(8,900,083)	(5,106,948)
Impairment reversal/ (loss) on trade receivables		(8,083,945)	2,284,899	(18,800)	7,867,134
Other income / (expenses)		9,666,699	(609,653)	5,280,242	7,897,760
Operating (loss) / profit		(36,049,902)	18,081,630	(37,888,902)	76,318,711
Financial guarantee expenses		-	(552,788)	-	(2,275,227)
Finance costs		(9,947,361)	(7,921,052)	(26,647,500)	(24,348,364)
Share of profit from associates and joint venture	6	5,970,576	4,667,120	16,383,363	16,618,827
Profit from investments at fair value through profit or loss		181,080	1,924,266	3,451,524	6,076,302
(Loss) / profit before zakat and income tax		(39,845,607)	16,199,176	(44,701,515)	72,390,249
Zakat and income tax		(5,994,622)	(9,966,084)	(21,301,637)	(10,698,290)
(Loss) / profit from continuing operations		(45,840,229)	6,233,092	(66,003,152)	61,691,959
Discontinued operations					
(Loss) / Profit from discontinued operations, net of zakat	10	(63,415)	159,867	(1,001,453)	(1,665,534)
(Loss) / profit for the period		(45,903,644)	6,392,959	(67,004,605)	60,026,425
Attributable to:					
Shareholders of the Parent Company		(45,053,262)	7,396,612	(58,378,587)	64,607,970
Non-controlling interests		(850,382)	(1,003,653)	(8,626,018)	(4,581,545)
		(45,903,644)	6,392,959	(67,004,605)	60,026,425
(Loss) / earning per share attributable to the Shareholders of the Parent Company					
Basic and diluted	13	(0.38)	0.06	(0.49)	0.54



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 Nine-Month Periods Ended September 30, 2022
(Saudi Riyals)

	For the three-month period ended September 30		For the nine-month period ended September 30		
	Note	2022	2021	2022	2021
(Loss) / profit for the period		(45,903,644)	6,392,959	(67,004,605)	60,026,425
Other Comprehensive (Loss) / Income items:					
<u>Items that may be reclassified to profit or loss subsequently:</u>					
Foreign currency translation differences		(3,943,002)	(8,696,135)	(11,820,761)	(8,619,000)
<u>Items that will not be reclassified to profit or loss subsequently:</u>					
Change from revaluation of the investments at FVTOCI		-	-	-	12,472,530
Other Comprehensive (Loss) / Income for the period		(3,943,002)	(8,696,135)	(11,820,761)	3,853,530
Total Comprehensive (Loss) / Income for the period		(49,846,646)	(2,303,176)	(78,825,366)	63,879,955
Attributable to:					
Shareholders of the Parent Company		(48,996,264)	(1,299,523)	(70,199,348)	68,461,500
Non-controlling interests		(850,382)	(1,003,653)	(8,626,018)	(4,581,545)
		(49,846,646)	(2,303,176)	(78,825,366)	63,879,955

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 Nine-Month Period Ended September 30, 2022

(Saudi Riyals)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings (Accumulated losses)	Total equity attributable to the shareholders	Non-controlling interests	Total equity
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	-	-	-	-	-	-	64,607,970	64,607,970	(4,581,545)	60,026,425
Other comprehensive income for the period	-	-	-	-	12,472,530	(8,619,000)	-	3,853,530	-	3,853,530
Total comprehensive income	-	-	-	-	12,472,530	(8,619,000)	64,607,970	68,461,500	(4,581,545)	63,879,955
Dividends	-	-	-	(7,947,176)	-	-	(112,052,824)	(120,000,000)	-	(120,000,000)
Disposal of investments at FVTOCI	-	-	-	-	(70,122,219)	-	70,122,219	-	-	-
Balance as at September 30, 2021	1,200,000,000	360,684,866	150,000,000	33,804,666	-	(15,225,020)	134,730,189	1,863,994,701	150,848,312	2,014,843,013
Balance as at January 1, 2022	1,200,000,000	360,684,866	150,000,000	34,709,740	-	(11,914,760)	104,282,191	1,837,762,037	155,642,581	1,993,404,618
Net loss for the period	-	-	-	-	-	-	(58,378,587)	(58,378,587)	(8,626,018)	(67,004,605)
Other comprehensive loss for the period	-	-	-	-	-	(11,820,761)	-	(11,820,761)	-	(11,820,761)
Total comprehensive loss	-	-	-	-	-	(11,820,761)	(58,378,587)	(70,199,348)	(8,626,018)	(78,825,366)
Dividends	-	-	-	-	-	-	(72,000,000)	(72,000,000)	-	(72,000,000)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	3,712,480	3,712,480
Balance as at September 30, 2022	1,200,000,000	360,684,866	150,000,000	34,709,740	-	(23,735,521)	(26,096,396)	1,695,562,689	150,729,043	1,846,291,732

Richard B.S.

Chief Financial Officer

[Signature]

Chief Executive Officer

[Signature]

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)

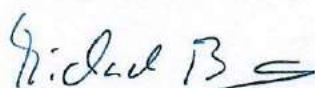
(A Saudi Joint Stock Company)

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the Nine-Month Period Ended September 30, 2022

(Saudi Riyals)

	September 30, 2022	September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Loss) / profit before zakat and income tax from continuing operations	(44,701,515)	72,390,249
Loss before zakat from discontinued operations before Zakat	(1,001,453)	(1,993,063)
	<u>(45,702,968)</u>	<u>70,397,186</u>
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	48,055,768	44,477,030
Amortization of intangible assets	18,545,282	18,909,886
Profits from investments in associates and joint venture	(16,383,363)	(16,618,827)
Provision for sales /services discounts and returns	17,709,176	34,278,438
Provision for slow-moving inventories or nearly expired	(654,435)	10,010,631
Gain from investments at fair value through profit or loss	(3,451,524)	(6,076,303)
Impairment loss / (reversal) on trade receivables	18,800	(7,867,134)
Provision for employees' end of services benefits	30,678,124	31,480,176
Provision for financial guarantees	-	2,275,227
Finance costs	26,647,500	24,402,606
	<u>75,462,360</u>	<u>205,668,916</u>
Change in working capital items:		
Inventories	(100,715,336)	2,600,905
Trade and other receivables	(90,543,064)	(187,490,860)
Prepaid expenses and other debit Balances	(35,886,773)	(31,623,625)
Trade payable and other current liabilities	(11,995,490)	50,725,623
Net cash (used in) / generated from operating activities	<u>(163,678,303)</u>	<u>39,880,959</u>
Finance costs paid	(25,229,004)	(18,594,331)
Zakat and income tax paid	(24,685,662)	(26,323,814)
Employees' end of service benefit obligations paid	(25,545,046)	(38,854,067)
Net cash used in operating activities	<u>(239,138,015)</u>	<u>(43,891,253)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net changes in property, plant, equipment and assets under construction	(69,654,743)	(59,092,454)
Net changes in intangible assets	-	(1,044,718)
Net changes in investments in associates and joint venture	36,304,263	28,183,624
Net change in investments at fair value through profit or loss	533,388,992	54,692,283
Net change in investments at fair value through OCI	-	141,463,001
Net cash generated from investing activities	<u>500,038,512</u>	<u>164,201,736</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net changes in loans and borrowings	(64,106,693)	(25,590,436)
Net changes in deferred income	(2,710,725)	(3,363,129)
Net changes in lease liabilities	(350,602)	(3,334,293)
Financial guarantees paid	(20,720,966)	(64,059,444)
Dividends paid	(69,709,737)	(117,933,067)
Net changes in non-controlling interests	(4,913,538)	(4,581,545)
Net cash used in financing activities	<u>(162,512,261)</u>	<u>(218,861,914)</u>
Net changes in cash and cash equivalents during the period	<u>98,388,236</u>	<u>(98,551,431)</u>
Foreign currency translation adjustments	(3,289,007)	11,435,404
Cash and cash equivalents at the beginning of the period	329,663,305	334,081,226
Cash and cash equivalents at the end of the period	<u>424,762,534</u>	<u>246,965,199</u>
Non-cash transactions:		
Change from revaluation of investments at FVOCI	-	12,472,530



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, 2022
(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	02/11/1415H	Riyadh
4030086146	12/09/1412H	Jeddah
2051058378	15/10/1435H	Khobar
4031222626	05/06/1440H	Makkah
4650207091	05/06/1440H	Medina

1.1 Subsidiaries

<u>Name of subsidiary</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>	
			<u>September 30, 2022</u>	<u>December 31, 2021</u>
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%	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	Pharmaceutical manufacturer	Egypt	78.51%	51.6%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	72.54%	72.54%
SPIMACO ILAJ (a)	Pharmaceutical products distributor	Turkey	100%	100%

(a) There has been no 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, 2022

(Saudi Riyals)

1. Information and Activity (Continued)

1.1 Subsidiaries (Continued)

- (b) On September 16, 2020, the shareholders 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).
- (c) On November 17, 2021, the shareholders 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) (note 10).
- (d) On August 4, 2022, SPIMACO Misr for Pharmaceutical Industries increased the paid-up share capital from 100,000 shares to 225,000 shares. The Company subscribed to the additional shares bringing the revised percentage holding to 78.51%.

1.2 Associates and joint venture

Name	Principal activities	Country of incorporation	Percentage of ownership %	
			September 30, 2022	December 31, 2021
Arabian Medical Products Manufacturing Company (ENAYAH) – Joint venture	Manufacturing of healthcare products	Saudi Arabia	51%	51%
CAD Middle East Pharmaceutical Company (CAD) – Associate (a)	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 annual consolidated financial statements for the year ended December 31, 2021. 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, 2022

(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 - 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, 2021, except for the application of the new standards that became effective on January 1, 2022. 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, 2022 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

	<u>Property, Plant and Equipment (PPE)</u>	<u>Assets under Construction (AUC)</u>
Opening balance	1,097,782,937	718,799,460
Additions for the period	4,404,925	58,939,037
Depreciation for the period	(44,455,362)	-
Disposals for the period	(269,008)	-
Foreign currency translation	(2,744,719)	818,275
Closing balance	<u>1,054,718,773</u>	<u>778,556,772</u>

6. Investments in Associates and Joint Venture

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Opening balance	63,300,064	80,409,122
Additions during the period / year	1,945,737	2,416,381
Dividends	(38,250,000)	(30,600,000)
Share of profit during the period / year	16,383,363	11,406,008
Share of OCI during the period / year	-	(331,447)
Closing balance	<u>43,379,164</u>	<u>63,300,064</u>

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6. Investments in Associates and Joint Venture (Continued)

<u>Associates and joint venture</u>	<u>Ownership percentage</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint venture	51%	43,379,164	63,300,064
Tassili Arab Pharmaceutical Company (TAPHCO) – Associate company	22%	-	-
CAD Middle East Pharmaceutical Company – Associate company	46.08%	-	-
		<u>43,379,164</u>	<u>63,300,064</u>

7. Trade and Other Receivables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Trade receivables	1,146,147,306	1,116,498,159
Less: expected credit loss	<u>(143,640,354)</u>	<u>(174,455,371)</u>
	1,002,506,952	942,042,788
Due from associates and joint venture (Note 14)	<u>104,706,232</u>	<u>74,646,132</u>
	<u>1,107,213,184</u>	<u>1,016,688,920</u>

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Opening balance	567,674,308	614,561,295
Additions during the period / year	40,000,000	145,307,718
Profit during the period / year	3,451,524	7,805,295
Disposals during the period / year	<u>(573,388,992)</u>	<u>(200,000,000)</u>
Closing balance	<u>37,736,840</u>	<u>567,674,308</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, 2022</u>	<u>December 31, 2021</u>
Total cash and cash equivalents	423,576,584	328,317,600
Cash and cash equivalents - assets held for sale (Note 10)	<u>1,185,950</u>	<u>1,345,705</u>
	<u>424,762,534</u>	<u>329,663,305</u>

10. Discontinued Operations

As disclosed in Note 1.1, the Group resolved to voluntarily liquidate Al-Watan Pharma and ANORA Trading Company on September 16, 2020 and November 17, 2021 respectively. Accordingly, the Group has not consolidated these subsidiaries in its interim condensed consolidated financial statements and classified them as discontinued operations. The results of the operations of Al-Watan Pharma and ANORA Trading Company for the current and previous period have been presented in the interim condensed consolidated statement of profit or loss as follows:

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10. Discontinued Operations (Continued)

	September 30, 2022	September 30, 2021
Revenues	195,281	2,224,274
Cost of revenues	(144,507)	(1,459,893)
Gross Profit	50,774	764,381
Selling and marketing expenses	(151,008)	(1,934,710)
General and administrative expenses	(901,219)	(768,492)
Finance costs	-	(54,242)
Loss before zakat	(1,001,453)	(1,993,063)
Zakat	-	327,529
Loss for the period from discontinued operations	(1,001,453)	(1,665,534)
Loss per share		
Basic and diluted	<u>(0.01)</u>	<u>(0.01)</u>

The following is the statement of the main classes of assets and liabilities of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") and ANORA Trading Company as discontinued operations:

	September 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	1,185,950	1,345,705
Inventories	1,225,770	1,749,448
Prepaid expenses and other debit balances	29,010	43,936
Property, plant and equipment	-	325,001
Right of use assets	-	1,131,472
Assets held for sale	<u>2,440,730</u>	<u>4,595,562</u>
Liabilities		
Accrued expenses	45,181	50,154
Zakat	-	1,435,756
Employees' end-of-service benefit obligations	34,942	109,460
Lease liabilities	-	1,086,320
Liabilities directly associated with assets classified as held for sale	<u>80,123</u>	<u>2,681,690</u>

The following is the statement of cash flows for AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") and ANORA Trading Company:

	September 30, 2022	September 30, 2021
Operating activities	(938,038)	31,703,407
Investing activities	-	(55,074)
Financing activities	-	(50,000,000)
Net changes in cash and cash equivalents during the period	<u>(938,038)</u>	<u>(18,351,667)</u>

During the current period, there was no impairment in the carrying value of the assets held for sale.

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11. Loans and Borrowings

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Islamic financing (Murabaha)	420,510,400	565,879,601
Government loans	72,500,000	116,716,213
Short-term loans	310,406,423	170,152,418
	<u>803,416,823</u>	<u>852,748,232</u>
<u>Non-Current</u>		
Islamic financing (Murabaha)	280,133,553	259,300,097
Government loans	122,215,797	157,824,537
	<u>402,349,350</u>	<u>417,124,634</u>

During the period ended September 30, 2022, the Group capitalized finance costs in the amount of SR 5.9 million (year ended December 31, 2021: SR 9.6 million).

12. Contract Liabilities

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Contract Liabilities - Current		
Sales/services discounts provision:		
Opening balance	62,608,735	65,124,139
Discounts provision against sales	163,930,019	160,044,299
Actual discounts adjustment during the period / year	(149,187,693)	(162,559,703)
Closing balance	<u>77,351,061</u>	<u>62,608,735</u>
Sales returns:		
Opening balance	21,083,710	37,198,472
Charge for the period / year	846,643	5,627,079
Adjusted during the period / year	(502,476)	(21,741,841)
Closing balance	<u>21,427,877</u>	<u>21,083,710</u>
Total Contract Liabilities -- Current	<u>98,778,938</u>	<u>83,692,445</u>
Contract liabilities - Non-Current	<u>36,483,703</u>	<u>33,861,020</u>

13. (Loss) Earnings Per Share

	<u>For the three-month period ended</u> <u>September 30</u>		<u>For the nine-month period ended</u> <u>September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
(Loss) / profit for the period	(45,053,262)	7,396,612	(58,378,587)	64,607,970
Weighted average number of ordinary shares	<u>120,000,000</u>	<u>120,000,000</u>	<u>120,000,000</u>	<u>120,000,000</u>
(Loss) / earnings per share - basic and diluted	<u>(0.38)</u>	<u>0.06</u>	<u>(0.49)</u>	<u>0.54</u>

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.

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14. 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

<u>Related party</u>	<u>Relation with the Company</u>	<u>Nature of transactions</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Arabian Medical Products Manufacturing Company (ENAYAH)	Joint Venture	Dividend	36,304,263	28,183,684
CAD Middle East Pharmaceutical Company	Associate	Expenses	8,991,651	-
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Key foreign shareholder	Dividends	14,751,704	17,089,950
		Interest paid	-	1,580,936
		Research cost	3,489,572	2,933,466
Tassili Arab Pharmaceutical Company (TAPHCO)	Associate	Sales	1,955,416	2,613,908

Balances

<u>Related party</u>	<u>Nature of balance</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Tassili Arab Pharmaceutical Company (TAPHCO)	Non-Trading	34,274,258	32,531,511
Tassili Arab Pharmaceutical Company (TAPHCO)	Trading	29,955,029	29,754,328
Arabian Medical Products Manufacturing Company (ENAYAH)	Non-Trading	21,972,367	2,847,368
CAD Middle East Pharmaceutical Company	Non-Trading	18,504,578	9,512,925
		<u>104,706,232</u>	<u>74,646,132</u>

Remuneration of key management personnel

	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Remuneration of key management personnel	<u>29,273,467</u>	<u>21,135,564</u>

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

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15. 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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15. Financial Instruments (Continued)

Financial instrument by category

September 30, 2022	Total	Financial liabilities at amortized cost	Financial assets/liabilities at FVTPL	Fair Value	Level 1	Level 2	Level 3
Financial assets							
Current:							
Investments at FVTPL	37,736,840	-	37,736,840	37,736,840	37,736,840	-	-
Trade and other receivables	1,107,213,184	1,107,213,184	-	N/A	-	-	-
Cash and cash equivalents	424,762,534	424,762,534	-	N/A	-	-	-
Total financial assets	1,569,712,558	1,531,975,718	37,736,840	37,736,840	37,736,840	-	-
Financial liabilities							
Non-current:							
Loans and borrowings	402,349,350	402,349,350	-	N/A	-	-	-
Lease liabilities	19,433,672	19,433,672	-	N/A	-	-	-
Current:							
Loans and borrowings	803,416,823	803,416,823	-	N/A	-	-	-
Trade payables	333,274,969	333,274,969	-	N/A	-	-	-
Lease liabilities	6,233,399	6,233,399	-	N/A	-	-	-
Total financial liabilities	1,564,708,213	1,564,708,213	-	-	-	-	-

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15. Financial Instruments (Continued)

Financial instrument by category (Continued)

December 31, 2021	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	567,674,308	-	567,674,308	567,674,308	567,674,308	-	-
Trade and other receivables	1,016,688,920	1,016,688,920	-	N/A	-	-	-
Cash and cash equivalents	329,663,305	329,663,305	-	N/A	-	-	-
Total financial assets	1,914,026,533	1,346,352,225	567,674,308	567,674,308	567,674,308	-	-
Financial liabilities							
Non-current:							
Loans and borrowings	417,124,634	417,124,634	-	N/A	-	-	-
Lease liabilities	17,688,706	17,688,706	-	N/A	-	-	-
Current:							
Loans and borrowings	852,748,232	852,748,232	-	N/A	-	-	-
Trade payables	303,650,697	303,650,697	-	N/A	-	-	-
Lease liabilities	7,255,079	7,255,079	-	N/A	-	-	-
Total financial liabilities	1,598,467,348	1,598,467,348	-	-	-	-	-

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16. 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. The following schedule represents the distribution of revenue by type:

Revenues

Type of revenue	For the three-month period ended		For the nine-month period ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue from sale of products	316,196,462	276,019,113	949,528,458	997,559,831
Revenue from services	40,826,979	35,335,933	107,448,476	94,558,619
	357,023,441	311,355,046	1,056,976,934	1,092,118,450
Other revenues				
Profit from investments in associates and joint venture	5,970,576	4,667,120	16,383,363	16,618,827
Profit from investment at fair value through profit or loss	181,080	1,924,266	3,451,524	6,076,302
Total revenues	6,151,656	6,591,386	19,834,887	22,695,129

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, 2022

Primary geographical markets	Sale of goods	Distribution services	Contract		Total
			manufacturing arrangements	Medical services	
Kingdom of Saudi Arabia	815,758,839	11,891,042	4,048,059	91,266,895	922,964,835
Middle East	97,328,748	-	-	-	97,328,748
Egypt	16,753,019	-	242,480	-	16,995,499
Morocco	14,392,433	-	-	-	14,392,433
Algeria	5,295,419	-	-	-	5,295,419
	949,528,458	11,891,042	4,290,539	91,266,895	1,056,976,934
Timing of revenue recognition					
At a point in time	949,528,458	11,891,042	4,290,539	-	965,710,039
Over time	-	-	-	91,266,895	91,266,895
	949,528,458	11,891,042	4,290,539	91,266,895	1,056,976,934

For the nine-month period ended September 30, 2021

Primary geographical markets	Sale of goods	Distribution services	Contract		Total
			manufacturing arrangements	Medical services	
Kingdom of Saudi Arabia	858,179,058	8,082,979	8,617,213	76,928,061	951,807,311
Middle East	100,340,140	-	-	-	100,340,140
Egypt	19,794,437	-	730,827	-	20,525,264
Morocco	14,209,613	-	199,539	-	14,409,152
Algeria	5,036,583	-	-	-	5,036,583
	997,559,831	8,082,979	9,547,579	76,928,061	1,092,118,450
Timing of revenue recognition					
At a point in time	997,559,831	8,082,979	9,547,579	-	1,015,190,389
Over time	-	-	-	76,928,061	76,928,061
	997,559,831	8,082,979	9,547,579	76,928,061	1,092,118,450

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16. Segment Information (Continued)

For three-month period ended September 30, 2022

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	263,683,405	5,522,304	2,032,570	33,201,613	304,439,892
Middle East	42,900,654	-	-	-	42,900,654
Egypt	2,927,484	-	70,492	-	2,997,976
Morocco	4,932,364	-	-	-	4,932,364
Algeria	1,752,555	-	-	-	1,752,555
	<u>316,196,462</u>	<u>5,522,304</u>	<u>2,103,062</u>	<u>33,201,613</u>	<u>357,023,441</u>
Timing of revenue recognition					
At a point in time	316,196,462	5,522,304	2,103,062	-	323,821,828
Over time	-	-	-	33,201,613	33,201,613
	<u>316,196,462</u>	<u>5,522,304</u>	<u>2,103,062</u>	<u>33,201,613</u>	<u>357,023,441</u>

For the three-month period ended September 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	223,876,650	57,056	5,832,912	28,961,638	258,728,256
Middle East	41,588,340	-	-	-	41,588,340
Egypt	3,854,924	-	484,326	-	4,339,250
Morocco	4,929,198	-	-	-	4,929,198
Algeria	1,770,002	-	-	-	1,770,002
	<u>276,019,114</u>	<u>57,056</u>	<u>6,317,238</u>	<u>28,961,638</u>	<u>311,355,046</u>
Timing of revenue recognition					
At a point in time	276,019,114	57,056	6,317,238	-	282,393,408
Over time	-	-	-	28,961,638	28,961,638
	<u>276,019,114</u>	<u>57,056</u>	<u>6,317,238</u>	<u>28,961,638</u>	<u>311,355,046</u>

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, 2022
(Saudi Riyals)

17. Contingent Liabilities and Capital Commitments

Contingent liabilities

As at September 30, 2022, the Group has letters of guarantees amounting to SR 75.1 million (December 31, 2021: SR 77.8 million).

In addition, the Group has contingent liability amounting to SR 0.9 million which have been issued on behalf of the Group in the normal course of business (December 31, 2021: SR 3.2 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 nine-month period ended September 30, 2022.

Status of zakat and income tax assessments

Late 2021, the Company received inquiries from ZATCA regarding the Group Zakat returns for the years 2019 and 2020. The Company responded to ZATCA inquiries within the deadline. The outcome of the zakat assessments on those years is still to be received and it is too early to determine the impact of any additional zakat liability that may arise as a result of the final zakat assessment. Management believes that the zakat as per the final assessment will not vary significantly from the zakat paid and reported on zakat returns previously submitted.

Capital commitments

As at September 30, 2022, the Group has capital commitments amounting to SR 31.9 million (December 31, 2021: SR 57.7 million).

18. Subsequent Events

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

19. Comparative figures

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

20. 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 9, 1444H (corresponding to November 3, 2022G).