



Annual Report  
**2023**

Accelerating  
Transformation.

Pioneering  
Innovation.

**Driving  
Impact.**





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# At a Glance

During 2023, SPIMACO focused on transformation and innovation to deliver impact and lay the foundation for sustainable growth moving forward.

Financial Highlights	Operational Highlights
<b>Revenue</b> SAR 1,653 m +16.3% YoY	<b>Units Produced</b> +2.2 bn
<b>Gross Profit</b> SAR 708 m +24.9% YoY	<b>Products Launched in the KSA</b> 8
<b>EBITDA</b> SAR 168 m	<b>SKUs Registered in the KSA</b> 13
<b>Net Loss</b> SAR 3 m	<b>KSA Private Market Share</b> 7.4% <sup>1</sup>

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<sup>1</sup> IQVIA: Based on the Moving Annual Total (MAT) for the period from January 2023 to December 2023



# Accelerating Transformation. Pioneering Innovation. Driving Impact.

SPIMACO has embarked on its new 5-year strategy to become the Saudi National Champion for integrated pharmaceuticals and a key government partner to achieve the healthcare goals of Vision 2030. With a new leadership team in 2023, we launched several new products, increased our operational efficiency, and achieved double-digit revenue growth.

## Accelerating Transformation

This year, we strengthened our core operations, significantly reducing costs and improving productivity. Efficiency and production volume grew, supporting enhanced value creation across our operational footprint. We ambitiously pursued inorganic growth, establishing new partnerships and investments to expand our geographic reach and access new technologies.

## Pioneering Innovation

SPIMACO amplified its investment in innovation, enhancing scientific and product development capabilities and accelerating time to market. We revamped our product pipeline, adding more specialty and differentiated products to our portfolio, introducing the first localized Biosimilar Product. We have an active pipeline of high-value pharmaceuticals under development and are pioneering the establishment of a high-security plant for High Potent products.

## Delivering Impact

SPIMACO supports the Kingdom to achieve its Vision 2030, as a key driver of the Healthcare Transformation Strategy and National Biotech Strategy. We provide comprehensive and integrated pharmaceutical solutions that boost the economy, secure the drug supply chain, and improve public health.

Our commitment to our people was evident this year, as we continued to promote employee development and training through the establishment of SPIMACO Academy. We also strengthened our governance and risk management, and improved sustainability initiatives to support our environment and our community, helping to create a better future for all our stakeholders.



# Year in Review

During a year of continued growth, diversification, and innovation, SPIMACO successfully launched its new strategy and delivered a wide range of outstanding achievements, positioning the Company for further growth and value creation moving forward.

Date	Title	Description
<b>February</b>	Launch of revamped 5-year strategy at Virtual Capital Markets Day	SPIMACO aims for 13-15% CAGR in revenue growth and a 15-17% EBITDA margin by 2027. The strategy involves enhancing the business model with a focus on fueling and growing the organic business through portfolio optimization and diversification. Additionally, pursuing new growth opportunities through acquisitions and business development is planned, with the ultimate goal of establishing SPIMACO as the Saudi National Champion in pharmaceutical manufacturing and a regional leader in the MENA markets.
<b>March</b>	'7th Best Professional Development Environment in Saudi Arabia' on LinkedIn list 2023	SPIMACO ranked seventh in LinkedIn's high-profile list of best work environments for professional development in Saudi Arabia in 2023.
<b>April</b>	Digital transformation with Google Cloud	SPIMACO underwent a major digital transformation by moving its SAP ERP workloads to Google Cloud. The shift aims to position the business for growth, accelerate digital transformation, and meet regulatory requirements.
<b>May</b>	Sponsoring 'Crossroads to the Future 2023', a Vision 2030 initiative for human capability development	SPIMACO proudly sponsored 'Crossroads to the Future 2023', supporting pharmacy graduates and contributing to Vision 2030's initiatives for human capability development and health sector transformation.

<b>June</b>	SPIMACO launches share buyback program under its long-term incentive plan	SPIMACO recommended to its Extraordinary General Assembly the buyback of a maximum of 815,000 Company shares to be held as Treasury shares. The purpose is to allocate these shares under a long-term incentive scheme for eligible employees (this was later approved by the EGM in November 2023).
	New Sharia-compliant credit facility with Banque Saudi Fransi	SPIMACO signed a Sharia-compliant SAR 300m credit facility agreement with Banque Saudi Fransi for long-term balance sheet restructuring.
<b>July</b>	ENAYAH becomes sole manufacturer of high-efficiency N95 masks in Saudi Arabia	SPIMACO's associate, ENAYAH, localized the production of high efficiency N95 masks through its agreement with the National Unified Procurement Company (NUPCO), to become the sole manufacturer in Saudi Arabia.
<b>September</b>	New IR website launched	SPIMACO introduced an upgraded, modern Investor Relations website. Designed for a global audience, the platform emphasizes transparency and offers comprehensive financial information, shareholder data, press releases, and more.
	Manufacture of first Biosimilar Product 'Enoxaparin' in Saudi Arabia	SPIMACO launched the first locally manufactured batch of Enoxaparin to be fully manufactured in the Kingdom, the GCC's initial Biosimilar Product, after completing technology transfer and localization.
<b>October</b>	Appointment of new CEO	SPIMACO announced the appointment of Mr. Jerome Cabannes as the Acting CEO.
<b>November</b>	Dammam Pharmaceutical Company teams up with MSD to produce Type 2 Diabetes medication in the Kingdom	SPIMACO's subsidiary, Dammam Pharmaceutical Company, partnered with MSD to manufacture Type 2 Diabetes medication in the Kingdom, aiming to meet local demand and become the first factory in the MENA region for such medicines, with plans for regional exports.
	Appointment of new Chairman of the Board	SPIMACO announced the appointment of Dr. Ahmed Hamdan Aljedai as the new Chairman of the Board, effective as of 9 November, 2023.



	Acquisition in Swiss Osmopharm and partial exit from SPIMACO Misr for Pharmaceutical Industries	SPIMACO signed sale and purchase agreements (SPAs) to acquire a 68% stake in Swiss-based Osmopharm and to divest 76.4% equity in Egypt-based SPIMACO Misr for Pharmaceutical Industries through a share swap and a cash payment deal.
<b>December</b>	Acquisition of remaining shares of Dammam Pharmaceutical Company	SPIMACO acquired an additional 15% stake of Dammam Pharmaceutical Company, its 85% owned subsidiary, and consolidated 20% from ARAC Healthcare Company, achieving 100% ownership of Dammam Pharmaceutical Company.
	Strategic partnership with CanSinoBio to enhance access to innovative vaccines	SPIMACO and CanSino Biologics inked a strategic deal for innovative vaccines, in line with Saudi Vision 2030, encompassing marketing, research, development, and localization in the Kingdom and regional markets.
	SPIMACO and Sinopharm partnership boosts Saudi biopharmaceutical access	SPIMACO partners with Sinopharm International in a landmark agreement to boost biopharmaceutical and API access in the Saudi market.





# Who We Are





## About SPIMACO

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO) is the leading vertically integrated generics pharmaceutical manufacturer in Saudi Arabia. With a regional presence that spans 16 countries, we operate in synergy with our subsidiaries (collectively "SPIMACO" OR "the Group"), specializing in the development, manufacturing, and marketing of finished dosage forms of high-quality, affordable medicines spanning a diverse range of therapeutic areas.

Since being founded in 1986, the Group has established unparalleled leadership and experience in Saudi Arabia's private market, boasting a market share of 7.4%<sup>2</sup> as of the end of 2023. This achievement is grounded in our unmatched asset base in Saudi Arabia and across the MENA region, coupled with strategic partnerships with global, regional, and local stakeholders.

In February 2023, SPIMACO unveiled a renewed 5-year strategy, aspiring to be the Saudi National Champion in pharmaceutical manufacturing. The strategy hinges on 2 main growth drivers: enhancing the organic business through portfolio optimization and diversification and exploring new growth avenues via acquisitions and business development.

Throughout the year, SPIMACO initiated bold transformative measures, led by our new global management team, aiming to revitalize the business model to align with market trends and demand. This reinforces our commitment to facilitating access to medicines and enhancing healthcare for patients across the Kingdom and beyond.

Our state-of-the-art manufacturing operations span 5 countries, with a total capacity of over 2 billion units per year. This includes our Saudi Qassim plant, with a production facility size of 34,000 sqm and a capacity of 1.8 billion units, complemented by a High Potent facility of 3,200 sqm and a capacity of 275 million units, expected to come online in 2024. This is complemented by the Dammam Pharmaceutical Company plant, with a production facility of 2,300 sqm and a capacity of 180 million units, in addition to our facilities in Egypt, Morocco, and Algeria (minority stake).

In line with our revamped strategy, we achieved a pivotal portfolio diversification milestone in 2023, with the introduction of Endosa, the first Biosimilar Product produced in an integrated manner in the GCC by a national pharmaceutical company. This

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<sup>2</sup> IQVIA: Moving Annual Total (MAT) for the period from January 2023 to December 2023



accomplishment underscores our dedication to advancing the localization of crucial medicines and new technologies within the Kingdom.

Our value offering is further complemented by a large and experienced sales force of over 400 professionals serving the Kingdom and the region complemented by an extensive distribution network and last-mile reach within the Kingdom and across our 9 regional export markets.

The Group has been listed on the Saudi Exchange (Tadawul) since 1993 and is part of the Saudi Companies in MSCI World Small Capital Index and the FTSE Saudi Arabia Small Cap Index.



## Our Journey

### 1986

- Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO) was established

### 1988

- First strategic alliance agreement signed with International SmithKline Beecham (GlaxoSmithKline)

### 1990

- First product manufactured at SPIMACO facility
- First agreement concluded to manufacture Pfizer products at SPIMACO facility
- First contract signed with the Ministry of Health covering SPIMACO's first 6 products

### 1993

- Listed on the Saudi Stock Exchange
- The Group began exporting its products to overseas markets, a first for the Saudi pharmaceutical industry

### 1997

- Became the first Saudi pharmaceutical group to obtain ISO: 9001 certification

### 1998

- Inaugurated the drug development center at the Group's factory in Qassim

### 2016

- Manufactured Hepatitis C drug from the active ingredient to the production and packaging process

### 2018

- Introduced the Group's automated warehouse, the first of its kind for a pharmaceutical company in the Middle East

### 2021

- Registered with the SFDA the first Biosimilar Product in the KSA

### 2022

- Inauguration of High Potent and Oncology Manufacturing facility in Qassim

### 2023

- Launched the first Saudi localized Biosimilar Product, Endosa



## Our Regional Footprint

SPIMACO owns and operates a growing portfolio of large-scale, state-of-the-art pharmaceutical manufacturing facilities that provide high-quality, affordable products to millions of people in Saudi Arabia and across the MENA region each year.

Strategically situated in Saudi Arabi and 3 other countries, our manufacturing facilities offer a comprehensive array of production capabilities, encompassing oral solid, semi-solid, liquids, and active pharmaceutical ingredient (API) manufacturing. This diverse range of capabilities positions us as a versatile and forward-thinking pharmaceutical company, poised to meet the evolving needs of patients and healthcare providers.

In a significant move in 2023, we expanded our global footprint with the acquisition of a majority stake in Osmopharm, a leading European pharmaceutical CMO based in Switzerland. This strategic transaction, once closed in 2024, will not only broaden our geographical presence but will also reinforce our commitment to excellence on the international stage.

We also reaffirmed our dedication to the Kingdom during 2023, by increasing our investment in Dammam Pharmaceutical Company to 100%. This move underscores our unwavering commitment to raising standards of health across our footprint and becoming Saudi Arabia's national champion in pharmaceuticals.



### Our Manufacturing Facilities

Country	Entity	Capability
Saudi Arabia	SPIMACO - Qassim	Oral solids and liquids, creams, aseptic, injectables and suppositories
Saudi Arabia	SPIMACO - Qassim - High Potent	Oral solids
Saudi Arabia	Dammam Pharmaceutical Company	Oral solids and liquids
Saudi Arabia	CAD – Riyadh	API
Morocco	SPIMACO Morocco - Tangiers	Oral solids and liquids
Morocco	SPIMACO Morocco - Berchid	(Under construction - expected 2026)
Algeria <sup>3</sup>	TAFCO Algeria	Oral solids
Egypt	SPIMACO Misr	Oral solids

### Our Geographic Footprint

SPIMACO has a wide regional presence, and our products are marketed in the Kingdom and in 15 high-growth, strategic export markets across the MENA region.

Saudi Arabia - UAE - Kuwait - Lebanon - Algeria - Libya - Jordan - Iraq - Bahrain - Oman - Sudan - South Sudan - Morocco - Qatar - Yemen - Ethiopia

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<sup>3</sup> SPIMACO shareholding is 22%



## Leadership

### Mr. Jerome Cabannes

#### Chief Executive Officer – Joined in 2022

Mr. Jerome Cabannes is a highly accomplished Executive with a proven international track record of success in the pharmaceutical and biotechnology industries. With a keen focus on strategic planning, operations management, business development, and mergers and acquisitions, Mr. Cabannes has delivered impactful results throughout his career.

His previous experience spans reputable organizations such as AJ Group, STAGO Group, and SERVIER Group, where he held key positions driving operational excellence and business growth.

Mr. Cabannes holds a master's degree in Sciences and Techniques in Biomedical Engineering from Paul Sabatier University, Toulouse, France, and completed the MBA Essentials program at the London School of Economics, as well as specialized courses in Disruptive Strategy, Executive Strategy, Executive Finance, and Venture Entrepreneurship from renowned institutions like Harvard and Oxford.

### Mr. Atef Zouari

#### Chief Financial Officer – Joined in 2021

With over 22 years of experience across diverse industries and geographies, Mr. Atef Zouari previously served as CFO for Novartis Tunisia and Libya, Durrah Advanced Development Company (Durah Sugar Refinery) in Saudi Arabia, and as Regional CFO for IFFCO, a UAE-based international group.

Mr. Zouari holds an Executive MBA from the Mediterranean School of Business (MSB), Tunisia, as well as a bachelor's degree in Finance and Accounting. He also holds a master's degree in Banking and Financial Markets from the Institut Supérieur de Comptabilité et d'Administration des Entreprises (ISCAE), part of the University of Manouba in Tunisia.



**Eng. Abdullah Al Rashidi**

**Chief Operations Officer – Joined in 2003**

Eng. Abdullah Al Rashidi brings over 2 decades of extensive expertise in the pharmaceutical manufacturing industry, having navigated diverse leadership roles across various functions during his tenure at SPIMACO. His comprehensive experience underscores a wealth of knowledge and a proven track record in steering successful initiatives within the pharmaceutical sector.

Eng. Al Rashidi holds a bachelor’s degree in Engineering – Chemical Engineering, from King Saud University, Saudi Arabia.

**Mr. Mohammed Alassmari**

**Chief People and Culture Officer - Joined in 2021**

Mr. Mohammed Alassmari has previously held the position of Head of People Operations at Almarai and Head of HR Operations and Shared Services at Tasnee. He recently held the position of Director of HR Operations and Shared Services at ACWA Power.

Mr. Alassmari holds a master’s degree in International Law from Oxford Brookes University, UK, and a master’s in Law from the University of York, UK. He has over 24 years of experience across various sectors.





# Competitive Advantage

SPIMACO is positioned as Saudi Arabia's leading generics and Biosimilar pharmaceutical manufacturer, commanding a robust 7.4%<sup>4</sup> private sector market share and holding a prominent position in the Middle East. As one of the largest pharmaceutical companies in the region, we boast an annual production capacity surpassing 2.2 billion units.

SPIMACO is well placed for continued top-line growth and profitability and presents a distinctive and compelling investment opportunity for both existing and potential shareholders.

## Six symbiotic pillars sit at the core of SPIMACO's equity story:

### 1. Compelling Market Opportunity

- A growing and ageing patient base.
- Increased rates of diagnosis of chronic, lifestyle-related illnesses, as well as rare diseases.
- The need for higher healthcare budgets in line with the increased demand for healthcare.
- Favorable regulatory environment and improvements in licensing processes.
- A push for local production and innovation.
- A highly fragmented Saudi market leaving room for consolidation among the players.

### 2. Proven Operational Track Record

- Established track record with an ongoing leading market share in the private sector of around 7-8%.
- Stringent operating procedures and compliance to current Good Manufacturing Practices (cGMP) and applicable regulatory requirements.
- Largest manufacturing facilities in the Kingdom, with plants in Qassim and Dammam having a combined production of c. 2.2 billion units per annum.
- Recognized partner of choice for more than 30 international companies.

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<sup>4</sup> IQVIA: Moving Annual Total (MAT) for the period from January 2023 to December 2023



### 3. Conducive Platform for Growth

- A purpose-driven revamped strategy with both organic and inorganic growth opportunities at its core.
- Accelerated comprehensive transformation to realign the Group with its strategic objectives.
- Further efficiency gains in our operations, manufacturing network, and improvement in our supply chain management.
- Further geographic diversification and reach.

### 4. Best-In-Class Portfolio, including Branded Generics and more recently Biosimilars

- Increasingly diverse portfolio of branded generics, both prescription medicines and over-the-counter products, spanning a broad range of major therapeutic areas.
- An increasing presence in fast growing, high value specialized therapeutic areas that benefit from resilient profitability and high barriers to entry.
- Tapping into a well-diversified portfolio of Biosimilars and biologics.

### 5. Effective Management and Governance

- Experienced and committed industry team aligned with shareholder interest.
- Solid corporate governance framework.

### 6. Strong Corporate Culture

- Revamped organizational design.
- Enhanced culture to foster efficiency and drive performance.
- Our strategic objectives are aligned with the Kingdom's social and economic agendas.



# Stakeholder Engagement

## Proactive engagement with all our stakeholders

Cultivating trust and engagement across our diverse array of stakeholders is essential for our business and plays a pivotal role in the long-term success and sustainability of SPIMACO’s entire value chain.

Stakeholder Group	Patients and Healthcare Professionals	Government and Regulatory Bodies	Employees
<b>Our Engagement Focus</b>	We actively collaborate with doctors and pharmacists to enhance healthcare accessibility by gaining a better understanding of market needs, as well as the perceptions and expectations healthcare professionals (HCPs) have of us and our products. This empowers them to deliver optimal patient care.	We collaborate with various government agencies and regulators, specifically in Saudi Arabia, to support the development of policies and procedures that promote the advancement of pharmaceutical manufacturing and improve overall public health outcomes.	We proactively connect with our employees, recognizing them as our most valuable assets. Understanding their needs, challenges, and aspirations is crucial, as our aim is to boost performance and retain talent in alignment with our strategic objectives.
<b>How We Engage</b>	<ul style="list-style-type: none"> <li>Regular meetings between our commercial teams with HCPs to highlight our products’ medicinal qualities, differentiators, and patient benefits and to better understand their needs.</li> </ul>	<ul style="list-style-type: none"> <li>Engagement on matters such as pricing regulation and industrial policy, as well as commenting on policy proposals.</li> <li>Discuss potential collaboration in funding and investment</li> </ul>	<ul style="list-style-type: none"> <li>An active internal communication channel to keep employees engaged and informed on the Company’s strategy, progress, and development such as an employee-focused web portal.</li> </ul>



	<ul style="list-style-type: none"> <li>• Medical conferences to launch new products and keep HCPs informed about our products, treatments, and best practices.</li> <li>• Strong pharmacovigilance mechanism to enquire about product features and to report any product-related complaints.</li> </ul>	<ul style="list-style-type: none"> <li>• incentives to boost Saudi Arabia's life sciences sector's capacity for manufacturing and innovation.</li> <li>• Engagement with governments, regarding production of vital vaccines and critical medicines and enhance localization of supply in the Kingdom.</li> <li>• Share our specialist knowledge in working groups to help define regulatory principles.</li> </ul>	<ul style="list-style-type: none"> <li>• Employee engagement surveys.</li> <li>• Virtual and in-person town hall meetings with the opportunity for employees to ask questions.</li> <li>• Annual and semi-annual performance assessments.</li> <li>• Ongoing leadership and learning programs, including support of continuing education and career growth.</li> <li>• Involvement in government programs aimed at creating jobs such as Tamheer.</li> </ul>
Stakeholder Group	Investors	Customers	Suppliers, Service Providers, Consultants, and Business Partners
Our Engagement Focus	<p>We maintain open and transparent communication with investors, sharing our strategy and performance. This builds investor confidence and ensures a comprehensive understanding of our business.</p>	<p>We view our customers as our business partners and are committed to delivering them high-quality, affordable, and accessible generics and Biosimilars. We work closely with The National Unified Procurement Company (NUPCO), as well as hospitals, chain pharmacies, and other retailers, to build strong relationships and improve service standards.</p>	<p>We partner with a wide range of suppliers across various locations. They provide essential goods and services necessary for ensuring a consistent supply of high-quality, safe medicines to meet our patients' and customers' needs.</p>



<p><b>How We Engage</b></p>	<ul style="list-style-type: none"> <li>• Ordinary and Extraordinary General Meetings with shareholders.</li> <li>• Quarterly results calls.</li> <li>• In-person and virtual investor conferences.</li> <li>• Dedicated investor microsite which includes detailed Company information.</li> <li>• One-on-one meetings between senior Executives and institutional investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated commercial and marketing teams in Saudi Arabia and abroad.</li> <li>• Qualified direct sales representatives on the various customer groups across private, government, and international channels.</li> <li>• Representatives' participation at relevant conferences to interact with customers.</li> <li>• Implementation of product and brand awareness campaigns and sessions where relevant.</li> </ul>	<ul style="list-style-type: none"> <li>• Formalized procurement policies and procedures have been established throughout the Group.</li> <li>• We conduct regular facility visits particularly with our providers of API, other input materials, finished products, and critical services to help ensure continuity of business operations.</li> <li>• We conduct regular supplier audits to ensure quality and their support of SPIMACO's strategies and targets.</li> </ul>
<p><b>Stakeholder Group</b></p>	<p><b>Contract Manufacturing Partners</b></p>		
<p><b>Our Engagement Focus</b></p>	<p>We take pride in being the preferred strategic partner for multinational corporations seeking a contract manufacturer in Saudi Arabia. Our goal is to strengthen our track record of successful partnerships by thoroughly understanding the</p>		



	needs and expectations of these customers.		
<b>How we Engage</b>	<ul style="list-style-type: none"> <li>• Thorough due diligence ahead of selection and contract finalization to ensure mutual efficiency and shared business objectives.</li> <li>• Transparent and regular communication with these customers for continued updates on project progress, challenges, and timelines.</li> <li>• Welcome periodic site inspections and audits.</li> </ul>		

## Shareholder Information

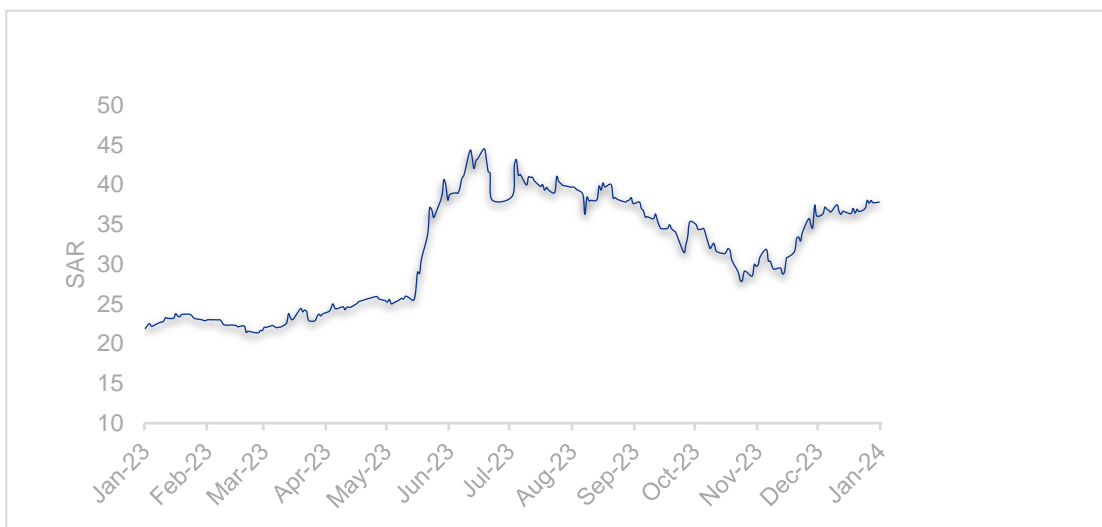
Shareholder engagement serves as a cornerstone in fostering governance and transparency within SPIMACO. By embracing industry best practices, we are dedicated to ensuring that our interactions with shareholders are not only regular but also robust. Through ongoing outreach initiatives, we establish a continuous dialogue with investors, fostering an environment where their input is highly valued. This feedback mechanism proves instrumental to our continued interactions, empowering us to make informed decisions that contribute to the creation of long-term and sustainable value for both SPIMACO and our shareholders.

### Share Information

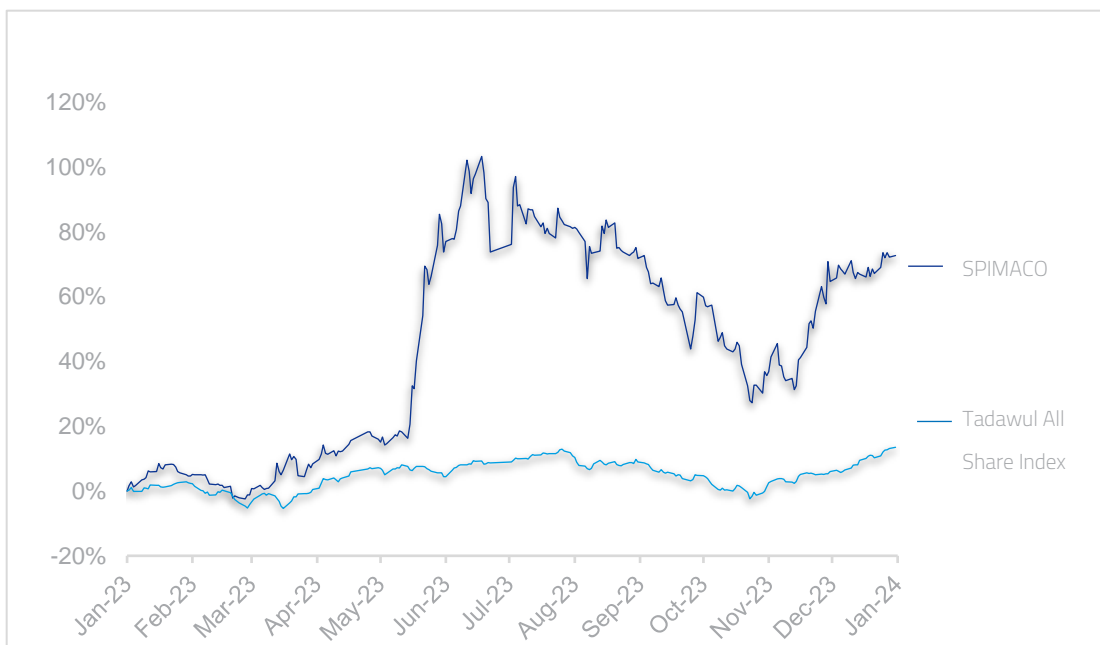
<b>Listing Date</b>	
<b>Exchange</b>	Tadawul – Main Market
<b>Symbol</b>	2070
<b>ISIN</b>	SA0007879188
<b>Number of Shares Issued</b>	120,000,000
<b>Closing Price as of 31 December, 2023</b>	SAR 37.8
<b>Market Capitalization as of 31 December, 2023</b>	SAR 4,536,000,000
<b>Foreign Ownership Limit</b>	49%
<b>Free Float</b>	80%



### SPIMACO's Stock Performance - Daily Closing Price (SAR)



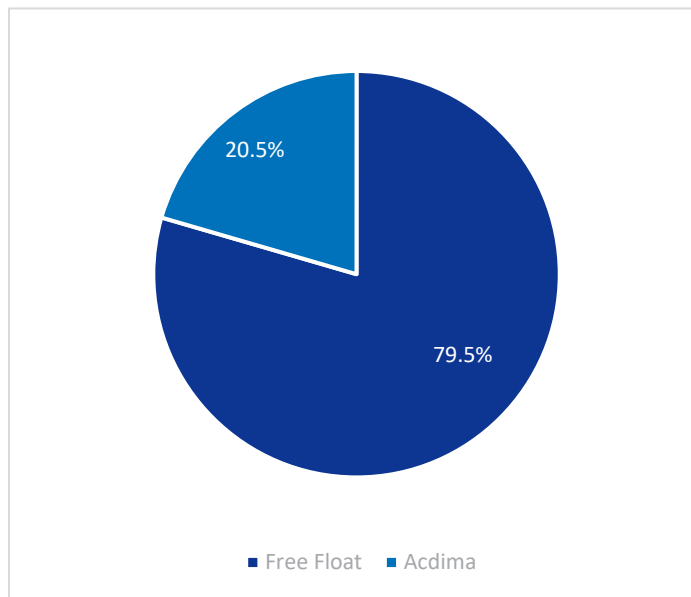
### Share Price Performance vs. Benchmark Equity Indices







### Shareholders Share



### Investor Relations Calendar 2023

Date	Event Name
07/02/2023	Capital Markets Day
12 and 13/02/2023	Saudi Capital Market Forum
15/02/2023	HSBC MENAT Investor Forum 2023 - Dubai
08 and 09/03/2023	EFG Hermes 17th Annual One-on-One Conference - Dubai
27/03/2023	FY22 Earnings Call
17/05/2023	Q1 FY23 Earnings Call
21/06/2023	Ordinary General Assembly Meeting
09/08/2023	H1 FY23 Earnings Call
10/09/2023	Launch of New Investor Relations Website
11 and 12/09/2023	EFG Hermes Saudi Conference - London
06/11/2023	9M FY23 Earnings Call
07/11/2023	Bank of America - MENA Conference 2023 - Riyadh
14/11/2023	Extraordinary General Assembly Meeting



# Strategic Report





# Chairman's Statement

## Accelerating Transformation. Pioneering Innovation. Delivering Impact.

During a year of purpose-driven progress, SPIMACO accelerated its efforts towards realizing its strategic ambition of becoming the national champion for the Kingdom's pharmaceutical industry and the leading pharmaceutical company in the MENA region. This year was pivotal in achieving this vision as we forged key partnerships, streamlined our operations, and delivered a solid financial performance.

### Dynamic and Growing Market

The MENA region is one of the fastest-growing pharmaceutical markets in the world, with Saudi Arabia accounting for more than a third of this market. The Kingdom's pharmaceutical sector continued to show positive momentum growing at 14%<sup>5</sup> in 2023, reaching a total value of SAR 47.5bn. This substantial growth stemmed from positive and conducive dynamics in both the government and private channels as overall demand continued to increase.

Between now and 2027, the pharma market in Saudi Arabia is projected to grow by 8-9% annually. The prevalence of chronic diseases has been steadily increasing due to a range of factors, including an aging population, urbanization, and changes in lifestyle and diet, putting a significant burden on healthcare systems and increasing the overall healthcare spending in the region. This has led to a growing demand for new and innovative healthcare solutions, including biotechnology. We are witnessing greater acceptability of generics and a growing adoption of biosimilars, along with government incentives to localize production and enforce health insurance.

During the first year of implementing our revamped strategy, SPIMACO maintained a clear focus on growth and diversification. We launched the first localized biosimilar and laid the foundation for developing new technologies through partnerships and

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<sup>5</sup> IQVIA: Moving Annual Total (MAT) for the period from January 2023 to December 2023 compared to MAT for the period from January 2022 to December 2022



investments. These early wins led to double-digit growth in revenues and expansion of our profitability ratios, including gross profit and EBITDA margins.

### **Our Growth Strategy**

Throughout 2023, our pursuit was to solidify SPIMACO's position as the leading pharmaceutical company, uniquely poised to make a significant impact by improving access to high-quality, affordable medicines in Saudi Arabia and the wider region. We remained committed to our mission of creating value for our stakeholders by contributing to our communities, ensuring patients' well-being, and developing innovative and sustainable solutions.

SPIMACO is already well on its way to achieving its vision of becoming the National Champion in the Saudi pharma industry and a key player in the regional markets. We are currently the leading vertically integrated pharmaceutical manufacturer in the Kingdom and the dominant player in the private market. We boast 5 manufacturing sites across MENA and an unparalleled regional footprint. Our substantial product portfolio continues to grow with an annual production of more than 2.2 billion units.

To achieve the next level of our vision, we unveiled our revitalized 5-year strategy in February 2023. This strategic blueprint is meticulously crafted to expedite our organic growth and complement it with strategic inorganic endeavors. The primary focus lies in accelerating the introduction and transfer of groundbreaking medicines and technologies within the biologics, biosimilars, and vaccine domains. This purpose-driven strategy is at the core of creating value for patients, societies, investors, partners, and stakeholders, while also positioning SPIMACO as a central force in supporting the execution of the Kingdom's National Healthcare Transformation and National Biotech Strategy. Our commitment has propelled us into a key role in realizing the Kingdom's vision of establishing end-to-end manufacturing capabilities for vaccines, biologics, and biosimilars in Saudi Arabia, marking us as a pivotal player in achieving these ambitious healthcare goals.

Continuing to strengthen both our technological capabilities and human capital is fundamental to our strategic progress. SPIMACO's transformation to become an automated, digitally driven organization will also help to develop the Kingdom's digital economy. Furthermore, our efforts to become an employer of choice will increase women's participation and improve the readiness of youth to enter the labor market.

Environmental, social, and governance issues are also central to our strategy, as we enact our mission of creating value for our stakeholders by contributing to our communities, ensuring patients' well-being, and developing innovative and sustainable solutions.

### **Group Performance**

In 2023, our Group remained focused on executing our strategy, which yielded solid financial outcomes. We achieved a 16% growth in revenue, a 25% increase in gross profit, and reported a solid EBITDA margin of 10.2%. These results are a testament to our commitment to operational excellence and strategic foresight.

The year's success was bolstered by the structural changes and a revamp of the Company's business strategy, following strategic investments made in 2022. A key component of our progress was the realignment of our spending, optimizing our resource allocation to support the long-term objectives of SPIMACO and ensure sustained capability development.

Our dedication to innovation and market leadership continued with the introduction of 8 new products in specialized therapeutic areas. A notable highlight was the launch of our first locally manufactured biosimilar, Endosa, marking a significant milestone in our journey towards self-reliance and innovation in the regional pharmaceutical industry.

Operational enhancements were also a focal point, particularly in optimizing our manufacturing processes. The increased utilization of our facilities in Qassim and Dammam led to a remarkable 35% increase in production output, reflecting our commitment to efficiency and meeting the growing demands of the market.

### **Forging Strategic Partnerships**

This year, SPIMACO forged multiple strategic partnerships with international pharmaceutical players to expand our biopharmaceutical portfolio, foster local production capabilities, and contribute to the healthcare advancement of Saudi Arabia and the MENA region. These included partnerships to manufacture leading biopharmaceuticals locally and regionally, to collaborate on clinical research and development, to distribute innovative vaccines, and to enhance the availability of anti-infective and oncology products as well as biosimilars. Biosimilar development, in particular, is consistent with the Kingdom's vision and the Group's goal to widen manufacturing capabilities to include large molecules, opening avenues to further products and greater impact.



### Investing for the Future

As part of our growth strategy, SPIMACO executed value-accretive mergers and acquisitions to expand our manufacturing capabilities, product range, and geographic reach. Our consolidation to full ownership of Dammam Pharmaceutical Company helped to strengthen our asset base, increasing our manufacturing flexibility, and materializing efficiency gains. The acquisition of a majority share in Osmopharm will allow us to adopt the Swiss manufacturer's cutting-edge modified release technology and expand our product mix. It will also simplify SPIMACO's access to Osmopharm's Common Technical Document capabilities, which will help in obtaining product approvals for entering European and other international markets.

### Looking Forward to 2024

As we look ahead, the Board remains confident that our Group's strategy is well positioned to contribute to the well-being and growth of the societies in which we operate, creating significant value for our stakeholders. Our vision remains steadfast in solidifying our position as leaders and pioneers in the pharmaceutical industry, both in Saudi Arabia and regionally.

In 2024, we will build on the momentum achieved this year, delivering on our strategy and capitalizing on opportunities to unleash SPIMACO's full potential.

To guide our journey of continued improvement and innovation, and to support the implementation of our renewed 5-year strategy, SPIMACO introduced a new leadership structure in February 2024. We welcomed Mr. Jerome Cabannes as the CEO of SPIMACO, recognizing his dedication and contributions during his tenure as interim CEO since October, and previously in his role as the Company's Chief Operating Officer. The Board of Directors has also appointed Mr. Abdullah AlRashidi as Chief Operating Officer and Mr. Atef Zouari as Chief Financial Officer.

This strategic move aims to streamline our operations, fostering operational excellence, heightening our commercial focus, and driving technological advancements. It will enhance alignment and collaboration among subsidiaries, functions, and target markets, ushering in a new phase of growth. This growth will be fueled by innovation, business development, and acquisitions, supporting our strategic objectives as well as Saudi Arabia's national agenda and Vision 2030 objectives.



## Acknowledgements

In closing, I wish to express my gratitude to the Custodian of the Two Holy Mosques and the Crown Prince for their visionary leadership and ongoing support in diversifying the Kingdom's economy and developing the pharmaceutical sector.

I also appreciate all the stakeholders who have granted us their trust and confidence. To the Board of Directors, commercial partners, dedicated staff, and shareholders, thank you for your support as we move forward together on this exciting journey towards accelerated and continuous growth.



## CEO's Message

### Building momentum towards a bold vision

In 2023, we forged ahead with our revamped 5-year strategy, envisioning the transformation of SPIMACO into the Saudi National Champion and a regional key player in the pharmaceutical industry. The initial phase of the execution of our strategy yielded early, tangible gains, setting a solid foundation for further transformation, growth, and value creation in the years ahead.

Throughout the year, we asserted our position as a leading force in integrated pharmaceutical manufacturing within the Kingdom, solidifying our presence in Saudi Arabia's private market and making significant strides in the Government sector and key markets across the Middle East and North Africa (MENA). Operating 5 manufacturing sites in the region, our Saudi facilities stand as the largest, boasting a production volume exceeding 2.2 billion units. Our product portfolio expanded to nearly 400 stock keeping units (SKUs) in KSA, featuring the introduction of 8 new products, predominantly in specialized therapeutic areas, along with the launch of the Kingdom's inaugural biosimilar.

### Accelerating Transformative Growth

We remained dedicated during the year to fortifying and enhancing the core of SPIMACO, strategically positioning the Company for expanded growth both within the Kingdom and on the regional stage. Our focus on operational and commercial excellence involved increasing our production by 35% and cultivating a profit-centric performance by strengthening relationships with key players in the private sector and fostering collaborative ties with significant entities in the Government sector. Simultaneously, we worked on augmenting our portfolio, gradually transitioning towards high-value formulations with a specialized focus.

In addition to optimizing our own facilities and internal processes, we extended our innovation capabilities and geographic footprint through strategic acquisitions of Osmopharm and Dammam Pharmaceutical Company, as well as strategic partnerships with industry leaders, such as CanSinoBIO, Sinopharm, RecBio, and Merck Sharp & Dohme International.





These concerted efforts, coupled with favorable market conditions and a buoyant generics market in Saudi Arabia, reflected positively on our financial results this year. Our revenues soared to SAR 1.65 bn, marking an impressive 16% increase compared to SAR 1.42 bn in 2022. This growth stemmed from a robust performance in the Saudi private market, complemented by a steady expansion in our government channel. Aligning with our strategic objectives, SPIMACO remained the Kingdom's private market leader, with a market share of 7.4%<sup>6</sup>.

Our gross profit margin surged to 43% in 2023, a notable 3 percentage points improvement from the previous year, propelled by robust revenue growth, an enhanced sales mix, and improved operational efficiency. Operating expenses decreased to 37% of revenue, down from 48% in 2022, owing to operational leverage benefits and controlled spending. This, in turn, elevated the Company's EBITDA margin reaching 10.2%. Nevertheless, bottom line came at a loss of SAR 3m on higher finance cost and Zakat expenses.

### **Pioneering Innovation to Solidify Market Leadership**

In the pursuit of innovation, SPIMACO boosted its investment in research and development during the past year. We dedicated resources to enhancing our scientific capabilities, refining our product development, and optimizing our processes to obtain marketing authorizations. This strategic focus aimed to expedite time-to-market and introduce more advanced, technically sophisticated products. Research and development expenditures accounted for 3.2%<sup>7</sup> of our revenue, resulting in the successful registration of 91 new SKUs domestically and internationally.

A notable milestone in 2023 was the introduction of Endosa, Saudi Arabia's inaugural locally produced biosimilar. This groundbreaking product provides a cost-effective solution for preventing and treating blood clots, exemplifying our technical expertise, and aligning with our localization objectives as outlined in the Kingdom's National Biotech Strategy. Endosa is the first among several biosimilars that SPIMACO is actively working to bring to market.

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<sup>6</sup> IQVIA: Moving Annual Total (MAT) for the period from January 2023 to December 2023

<sup>7</sup> Based on R&D expenses (pre-capitalization) of SAR 52m in 2023.



SPIMACO has a diverse pipeline featuring dozens of new products, spanning both low and high molecular weights. These additions will be strategically acquired through technology transfer and in-licensing of dossiers, as well as through in-house development. Encompassing various therapeutic areas, with a notable focus on specialized and rapidly evolving fields, the addition of such products underscores our commitment to innovation.

Continuing our momentum, we are actively preparing for the commercialization of high-potency drugs - a pioneering initiative that marks the first local manufacturing of such products in Saudi Arabia. This endeavor significantly enhances our competitive edge within the Kingdom. The current pipeline is particularly robust, featuring high-potency drugs designed for the treatment of cancer and various rare diseases.

We are also forging ahead with Pharma 4.0, exploring next-generation technologies like artificial intelligence, aiming to enhance efficiencies, capabilities, and overall productivity. Concurrently, we are upgrading our data-driven decision-making processes. This year, we made substantial investments in our SAP system, achieving seamless integration with the financial system and manufacturing facilities, reinforcing our commitment to technological advancement.

### **Our People, Our Impact**

In 2023, our unwavering commitment to employee engagement involved the introduction of strategic initiatives that continued to firmly align our workforce with our overarching corporate objectives. We established and launched a dedicated training academy underscoring our dedication to attracting, retaining, and developing top-tier talent. Concurrently, we implemented targeted training programs designed to enhance employee skills, fostering a high-performance culture within our organization.

SPIMACO remained steadfast in its commitment to bolstering the local workforce with Saudization reaching an impressive rate of 53%. In parallel, we continue to push for diverse and inclusive workplaces with more female representation in both leading positions as well as at our Qassim facility.

SPIMACO's unwavering dedication centers around elevating the well-being and quality of life for societies. Acknowledging our profound responsibility, we actively embrace the chance to be a key player in advancing the Vision 2030 Healthcare Transformation Strategy. Our commitment drives us to constantly deliver essential medicines while actively pursuing the



introduction of cutting-edge technologies and innovative treatments, aligning our efforts with the broader goal of elevating healthcare standards and fortifying drug security not only in Saudi Arabia but also across the broader regional landscape.

## 2024 Outlook

In the upcoming year, we are poised to confidently implement our strategy, reinforcing existing operations, and capitalizing on inorganic growth opportunities. In Saudi Arabia, our focus will center on enhancing capabilities to expand our government business while solidifying our presence in the private market. We are committed to accelerating product launches, aiming to be the first to market. Aligning with the National Biotech Strategy, we will actively contribute by facilitating licensing, supply and technology transfer of vaccines and biosimilars and exploring new revenue streams through upcoming projects in biologics and APIs. Simultaneously, our international growth trajectory will gain momentum as we leverage current export markets, capitalize on existing capabilities, and venture into new markets.

In the early months of 2024, we unveiled a revamped organizational and leadership structure designed to streamline operations across the Group. This initiative aims to enhance operational excellence, sharpen commercial focus, and drive technological advancements. The new corporate structure will foster improved alignment and collaboration among subsidiaries, functions, and target markets, setting the stage for a new phase of growth. Our workforce, characterized by exceptional commitment, focus, and energy, remains pivotal to our success. We will persist in nurturing a culture of continual improvement and shared learning as we drive our strategic transformation forward.

## Acknowledgements

In closing, I extend my heartfelt gratitude to our esteemed stakeholders, including the dedicated members of the Board of Directors and our valued investors, for their unwavering and essential support. A special appreciation goes to every employee at SPIMACO – you are our most valuable asset. We acknowledge and value your unwavering dedication, innovative spirit, and commitment to delivering high value products and services to our customers. Lastly, a sincere thank you to our patients – you are the core of our existence, and we deeply appreciate the trust you place in our products and brands.



## Market and Health Sector Overview

In 2023, the global pharmaceutical landscape underwent significant changes, driven by technological innovations and shifting market dynamics, especially in emerging economies. The Middle East, particularly Saudi Arabia, reflected this trend with initiatives focused on modernizing healthcare through research, technology transfer, and public-private partnerships. These efforts aimed to address the demands of an aging population and the rise in chronic diseases, shaping a future where healthcare systems and pharmaceutical markets became more efficient, accessible, and tailored to the evolving demographic and technological landscape.

### Global Pharmaceutical Industry

The worldwide pharmaceutical and healthcare sector is experiencing profound changes and trends. Innovative technologies are transforming the landscape of drug discovery and production. There is a shift in dynamics within the industry, marked by changes in production, investment, and consumer patterns, where developing countries are emerging as pivotal in driving healthcare demand while developed nations focus on cost efficiency. This shift is redistributing manufacturing capabilities and fueling competition among leading economies. Moreover, global influences are reshaping business strategies within the pharmaceutical industry, leading management teams to adapt to market changes that significantly impact investment flows and profit margins.

### Demographic Shifts and Healthcare Implications

The next decade will witness significant demographic changes: increased life expectancy, a growing elderly population, and a decline in the working-age demographic. These shifts will directly impact the demand for pharmaceuticals and healthcare services. An aging population will show higher incidence of chronic diseases which will, in turn, exert pressure on healthcare systems, by increasing healthcare costs and demands, especially given the anticipated rise in medication consumption among older individuals. Addressing these demographic changes will necessitate innovative solutions and technologies to enhance patient care and life quality for the aging.



## Technological innovations

In the forthcoming years, the pharmaceutical industry is set to undergo a radical transformation due to disruptive technologies such as 3D printing, artificial intelligence (AI), cloud computing, robotics, and information technology. For example, 3D printing technology has the potential to create customized medications and produce implantable organs, dramatically reducing wait times and enhancing patient outcomes. AI could streamline drug development processes, enabling more precise formulations. Meanwhile, cloud computing can expedite drug discovery processes, while robotics and IT applications aim to improve accuracy and decision-making in medical practices. Collectively, these technological shifts are poised to overhaul patient care and increase the overall efficiency of the pharmaceutical industry.

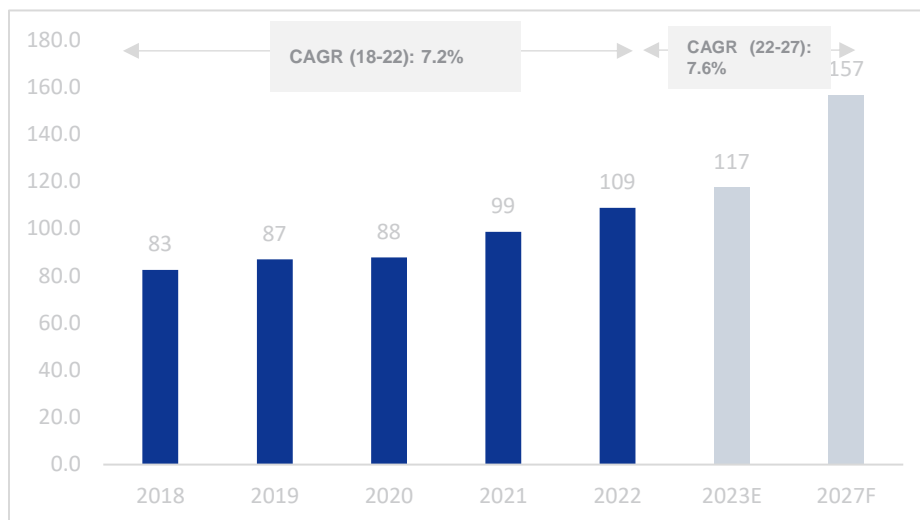
## MENA Pharmaceutical Industry

The MENA pharmaceutical landscape is experiencing dynamic and rapid transformations, signifying the region's increasing significance in the global pharmaceutical market. Within MENA, a hub of innovation thrives, housing some of the most dynamic and pioneering pharmaceutical research, development, manufacturing, and marketing entities. The MENA market has witnessed remarkable growth in recent years, with projections indicating that it will grow at a CAGR (22-27) of 7.6% to reach approximately SAR 157bn by 2027. KSA, Egypt, and the UAE, remain the largest markets are set to expect highest growth driven by burgeoning populations and evolving lifestyles.

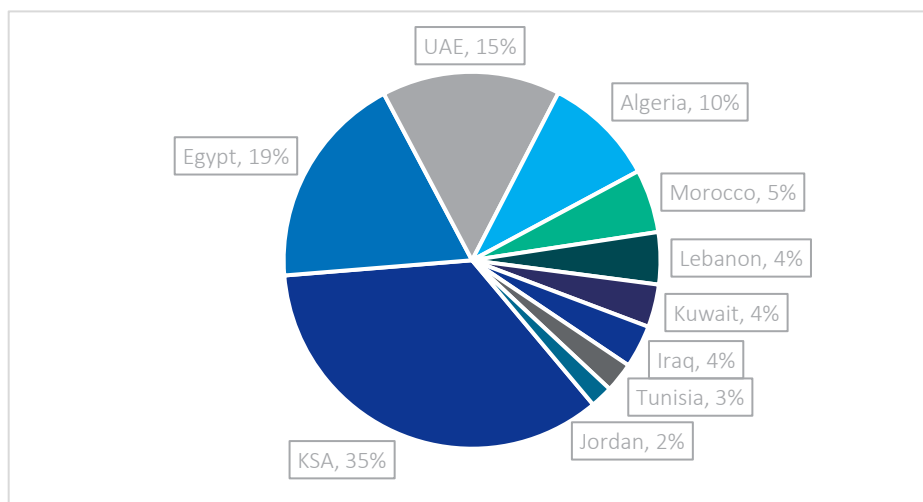
Several pivotal trends underscore the MENA pharma market, including the region's large and growing population with mounting prevalence of chronic diseases and lifestyle-related health concerns. This is escalating government healthcare expenditures and pushing governments to encourage generic consumption and encouraging local generic manufacturing, in an effort to reduce healthcare costs and diversify their economy. This is coupled with concerted efforts towards bolstering healthcare infrastructure and harmonizing regulatory frameworks with global standards.



### MENA: Gross Market Size in Sales Value (SAR bn)<sup>8</sup>



### MENA: FY23E Gross Market Size in Sales Value by Geography



<sup>8</sup> IQVIA Market Prognosis May 2023



## Saudi Arabia Pharmaceutical Industry

Saudi Arabia stands as the largest economy in the Middle East and North Africa (MENA) region, thereby hosting the region's most extensive healthcare sector. The Government has consistently prioritized healthcare, positioning it within the top 5 budgetary allocations over recent years.

Healthcare services in the Kingdom are predominantly provided by the Ministry of Health (MoH), various government entities, and the private sector. The public sector, under the Government's stewardship, offers free healthcare services at the point of use to Saudi nationals, covering about 80% of all services. Conversely, the private sector delivers healthcare services on a fee-for-service basis, either out-of-pocket or through private health insurance schemes.

A pivotal shift in the Saudi healthcare system includes heightened involvement of the private sector through public-private partnerships (PPPs). This shift towards privatization aims to enhance the efficiency and sustainability of healthcare services, particularly in the Ministry of Health's hospitals, signifying a transformative approach in delivering healthcare.

## New Health Sector Strategy

The Kingdom's ambitious Health Sector Transformation Program (HSTP) is designed to extend inclusive health services to 88% of the population, including rural residents, by 2025. The strategy envisions the private sector as a key player in health service delivery and sector development. By 2030, the goal is to increase the private sector's contribution to the healthcare system from 25% to 35% through privatization, PPPs, and related measures, including the privatization of 290 hospitals and 2,300 primary health centers.

## Increasing Government Investment

The Saudi government allocates a significant part of its budget to healthcare and pharmaceuticals to enhance medical infrastructure, foster research and development, and promote local pharmaceutical manufacturing. These initiatives aim to meet the growing healthcare needs of the population and reduce dependence on imported medications, contributing to the burgeoning pharmaceutical market and improving drug accessibility.

## Population Growth and Rising Healthcare Demand

Saudi Arabia's population is growing rapidly, spurred by high birth rates and the arrival of expatriate workers. This growth has led to increased healthcare demands, particularly for pharmaceuticals, as the country faces a surge in chronic diseases and

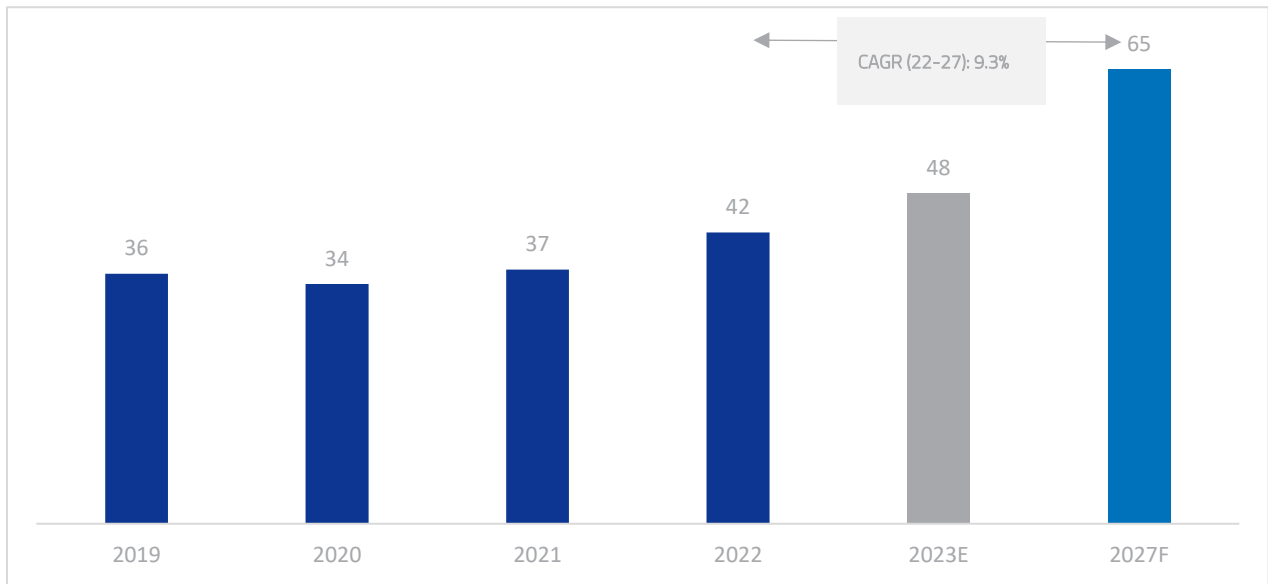


health conditions. The changing demographics and disease profiles necessitate expanded healthcare services and pharmaceutical supplies, presenting ample opportunities for pharmaceutical firms.

By 2030, the Saudi population is expected to increase by 28% to 39.7m, with those over 50 years old tripling in number. This demographic shift will intensify the need for advanced and specialized medical treatments, thereby straining the healthcare system further.

Post-Covid-19 economic recovery and government reforms have improved the job market and increased female workforce participation, boosting household disposable income. However, this economic prosperity has paralleled a rise in lifestyle-related diseases due to sedentary lifestyles, work stress, and poor eating habits. The growing prevalence of conditions such as obesity, diabetes, and cardiovascular diseases underscores the urgent need for comprehensive healthcare services and effective disease management strategies in Saudi Arabia.

**Saudi Arabia: Gross Market Size in Sales Value (SAR bn)<sup>9</sup>**



<sup>9</sup> IQVIA Market Prognosis May 2023





# Our Business Model

We deliver on our mission through a differentiated business model and a regionally integrated value chain.

Our Resources	Our Value Chain Activities	The Value We Create
<p><b>Capabilities</b></p> <ul style="list-style-type: none"> <li>Advanced regional manufacturing facilities.</li> <li>Vertically integrated operations.</li> <li>Vast manufacturing expertise.</li> <li>Wide local and regional distribution network.</li> </ul> <p><b>Human Capital</b></p> <ul style="list-style-type: none"> <li>Strong leadership team.</li> <li>Diverse and inclusive culture.</li> <li>Manpower with evolving industry-specific skills.</li> <li>Workforce upskilling through increased training and investments.</li> </ul> <p><b>Relationships</b></p> <ul style="list-style-type: none"> <li>Strong stakeholder relationships across all markets.</li> <li>Partner of choice for global and local industry players.</li> <li>Strong governance model.</li> </ul> <p><b>Financial</b></p> <ul style="list-style-type: none"> <li>Agile and efficient resource deployment enabling organic and inorganic opportunities.</li> <li>CAPEX optimization.</li> <li>Secured access to funding.</li> </ul>	<p><b>R&amp;D</b></p> <ul style="list-style-type: none"> <li>Lead product development, acquisition, and registration.</li> <li>Facilitate technology and knowledge transfer.</li> <li>Ensure quality control.</li> </ul> <p><b>API Manufacturing</b></p> <ul style="list-style-type: none"> <li>Capitalize on internal extraction and synthesis capabilities.</li> <li>Pharmaceutical grade manufacturing, SFDA approved.</li> <li>Regional supplier.</li> </ul> <p><b>Drug Manufacturing and Packaging</b></p> <ul style="list-style-type: none"> <li>Formulation.</li> <li>Commercial production.</li> <li>Versatile production capabilities (oral solid, semi-solid, liquids, and injectables)</li> <li>High Potent Manufacturing facility.</li> <li>Preferred CMO partner for multinational corporations (MNCs).</li> <li>Primary, secondary, and tertiary packaging and labelling.</li> </ul> <p><b>Commercialization</b></p> <ul style="list-style-type: none"> <li>Multi-channel model targeting private sector (private pharmacies and hospitals), public sector, and exports.</li> <li>Focused sales and marketing of products by specialized sales force.</li> <li>Complementary sales and distribution activities through strategic partners.</li> </ul>	<p><b>Patients and Healthcare Professionals</b></p> <ul style="list-style-type: none"> <li>Contribute to improving the health and wellness of patients in over 12 countries.</li> <li>Provide patients and healthcare professionals access to high quality and affordable medicines.</li> </ul> <p><b>Government and Pharmaceutical Regulatory Bodies</b></p> <ul style="list-style-type: none"> <li>Promote effective healthcare systems.</li> <li>Support Vision 2030 and the Health Sector Transformation Program through supply of locally produced medicines to achieve localization and self-sufficiency targets.</li> <li>Contribute to the advancement of pricing regulation, industrial policy, and regulations.</li> </ul> <p><b>Employees</b></p> <ul style="list-style-type: none"> <li>Create and develop employment opportunities in various disciplines across different geographic regions.</li> <li>Help upskill and reskill workforce through ongoing learning.</li> <li>Offer a diverse and inclusive working environment.</li> </ul> <p><b>Investors</b></p> <ul style="list-style-type: none"> <li>Increased revenue growth and profitability.</li> <li>Deleveraging balance sheet.</li> <li>Working capital improvement.</li> </ul> <p><b>Customers</b></p> <ul style="list-style-type: none"> <li>Offer a differentiated value-based engagement with customers based on their individual needs.</li> <li>Identifying cross-functional teams needed to deliver a seamless customer experience.</li> </ul> <p><b>Suppliers, Service Providers, Consultants, and Business Partners</b></p> <ul style="list-style-type: none"> <li>Economic stimulus through collaboration and partnering opportunities with local and international businesses and consultants.</li> </ul> <p><b>Contract Manufacturing Partners</b></p> <ul style="list-style-type: none"> <li>Reinforce position as partner of choice through reliable supply of products to strategic partners.</li> </ul>



# Our Strategy

## Our Purpose

To create value for our stakeholders by ensuring patients' well-being, efficiently and effectively developing innovative and sustainable solutions, and contributing to our communities.

## Our Vision

To be the leading pharmaceutical company in the MENA region and an effective global player with a high-quality product portfolio.

## Our Mission

To provide high quality pharmaceutical products of international standards that earn the loyalty of our customers through internal development and strategic alliances to benefit our shareholders, employees, and the society.

## Our Values

- Integrity
- Equal opportunities
- Innovation
- Performance excellence

## Shaping a New SPIMACO – The Saudi National Champion

In February 2023, SPIMACO unveiled a revitalized 5-year strategy aimed at establishing itself as the National Champion in the Saudi pharmaceutical industry and reinforcing its leadership in key regional markets. This strategic vision leverages the favorable market outlook, with a commitment to enhancing patient well-being and ensuring the prosperity of all stakeholders in the long-term.



This transformative strategy involved reshaping our operating model to drive both organic and incremental inorganic growth. Our focus lies in boosting efficiency, increasing productivity, and ultimately enhancing profitability. The entire SPIMACO team is executing, through coordinated and concerted efforts, comprehensive action plans to progress towards achieving our 6 overarching strategic objectives.

### Execution Roadmap

- Commercial Excellence: Enhance profit-focused performance by improving sales culture and re-shaping KPIs and incentives.
- Portfolio Reshaping: Transition towards a high-value formulations mix with a focus on specialized therapeutic areas.
- Inorganic Opportunities: Actively pursue value-accretive M&A deals in injectables, biopharmaceuticals and Oncology, and international segments.
- Business Development: Generate business development leads in core therapeutic areas to maximize profitability.

Strategic Objectives	Sustainable, faster-than market growth	Customer-centric organization	Grow to a leading regional player in MENA big markets	Global presence	An employer of choice	An automated, digitally-driven organization
<p><b>Description</b></p>	<ul style="list-style-type: none"> <li>Strengthen position in core therapeutic areas, in particular chronic and lifestyle diseases and oncology.</li> <li>Build in-house R&amp;D capabilities for new products with differentiated technologies: Biosimilars and injectables.</li> <li>Strengthen government sector business and attract new business partners.</li> <li>Build and strengthen pipeline</li> </ul>	<ul style="list-style-type: none"> <li>Improve commercial practices and customer services.</li> <li>Improve Sales Force Effectiveness (SFE).</li> <li>Maximize life cycle management of key brands.</li> <li>Strengthen relationships with mega-chain pharmacies.</li> <li>Improve contractual</li> </ul>	<ul style="list-style-type: none"> <li>Prioritize the KSA portfolio to build a strong platform for regional expansion.</li> <li>Improve market share in key MENA markets (UAE, Egypt, and Morocco).</li> <li>Develop integrated manufacturing/w arehousing/ distribution network across locations.</li> <li>Develop CMO outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>Expand regional footprint and strengthen portfolio in MEA.</li> <li>Build a proficient corporate development organization (M&amp;A/BD team) for tapping into inorganic growth opportunities.</li> <li>Acquire targets in established and regulated markets to access advanced and differentiated portfolios.</li> </ul>	<ul style="list-style-type: none"> <li>Implement new reward philosophy and competitive compensation and benefits (C&amp;B) strategy.</li> <li>Increase overall employee productivity.</li> <li>Build unique talent pool by following best practices.</li> <li>Enhance training and development for upskilling employees.</li> <li>Increase Saudization rate and female representation.</li> </ul>	<ul style="list-style-type: none"> <li>Implement SAP solutions (S/4 HANA) and integrate it across SPIMACO's ecosystem.</li> <li>Implement SOPs complying with global best practices.</li> <li>Enhance IT infrastructure, network, security solutions, and modernize IT applications.</li> <li>Adopt emerging technologies to improve manufacturing, R&amp;D processes, and</li> </ul>

	and accelerate product launches.	terms of in-license products.	protocol to meet market demand.			data-driven decision-making.
<b>2023 Achievements</b>	<ul style="list-style-type: none"> <li>• Launched new products in high value segments, including chronic and lifestyle diseases, and oncology.</li> <li>• Strengthened R&amp;D capabilities to accelerate the diversification of the products portfolio towards high value segments.</li> <li>• Enhanced performance in government sector</li> <li>• Enriched the new products pipeline with impetus on the</li> </ul>	<ul style="list-style-type: none"> <li>• Optimized commercial operations to improve market share and profit margins.</li> <li>• Established improved sales force effectiveness KPIs and metrics.</li> <li>• Life cycle management, with line extensions of key brands, including Formit-XR,</li> </ul>	<ul style="list-style-type: none"> <li>• Identified and onboarded all key leadership positions to drive international business growth.</li> <li>• Revitalized the Algeria and Morocco business.</li> <li>• Leveraged manufacturing facility in Morocco.</li> <li>• Increased production output coupled with lowering manufacturing costs.</li> <li>• Acquired 100% of Dammam</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened global footprint by entering EU markets with acquisition of majority stake in Swiss-based, Osmopharm.</li> <li>• Formed strategic collaboration with CanSino Biologicals Inc to localize their innovative biopharmaceuticals in the MENA region.</li> </ul>	<ul style="list-style-type: none"> <li>• Conducted various professional training programs across different levels of the organization through SPIMACO Academy.</li> <li>• Improved employee engagement and accountability through performance management systems.</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved significant progress in implementation of SAP S4/HANA.</li> <li>• Initiated the IT/OT projects.</li> <li>• Upskilled and strengthened the IT team.</li> </ul>



	'First-to-market' and 'First-generic' opportunities.	Hygex, and Quetta. <ul style="list-style-type: none"> <li>Capitalized on strong relationships with mega-chain pharmacies.</li> </ul>	Pharmaceutical Company to integrate and expand manufacturing capabilities.			
<b>KPIs</b>	<ul style="list-style-type: none"> <li>8 new high-value products launched.</li> <li>FY23 government net sales growing at a solid 42%.</li> </ul>	<ul style="list-style-type: none"> <li>Increased overall KSA market share to 5.2%<sup>10</sup></li> </ul>	<ul style="list-style-type: none"> <li>+35%<sup>11</sup> production output growth.</li> </ul>	<ul style="list-style-type: none"> <li>Acquired 68% share of Osmopharm.</li> </ul>	<ul style="list-style-type: none"> <li>Over 2,160 training hours.</li> </ul>	<ul style="list-style-type: none"> <li>50% milestones achieved in SAP S4/HANA implementation.</li> </ul>

<sup>10</sup> IQVIA: Moving Annual Total (MAT) for the period from January 2023 to December 2023

<sup>11</sup> In units



# Risk Management

Operating in a complex and highly regulated environment, SPIMACO has developed a resilient business model and robust approach to risk management. Through effective governance, identification, and mitigation of risk, we ensure that we are able to continue to execute our strategy, safeguard the interests of our shareholders, and drive sustainable growth and value creation for all our stakeholders.

## Risk Governance

SPIMACO adopts a robust risk management framework, anchored in a well-defined structure. This structure delineates clear responsibilities, divided between the CEO and the Board of Directors' Governance and Risk Committee. This collaborative effort between the CEO and the Governance and Risk Committee is instrumental in ensuring adherence to regulatory requirements and industry standards.

Beyond the regular oversight of ERM activities, our CEO plays a pivotal role in aligning risk management with SPIMACO's strategic objectives. This involves seamlessly integrating risk considerations into decision-making processes, fostering collaboration with other executives and management teams, and cultivating a pervasive risk-aware culture throughout the organization.

The Governance and Risk Committee, as a specialized subset of the Board of Directors, assumes a dedicated role in overseeing governance practices and risk management strategies. Their key duties extend to assessing the efficacy of the ERM framework, ensuring alignment with organizational goals, and providing informed recommendations or decisions related to risk management policies.

This comprehensive risk management approach underscores SPIMACO's commitment to excellence, governance, and strategic foresight, reinforcing our dedication to sustaining a resilient and adaptive organization.

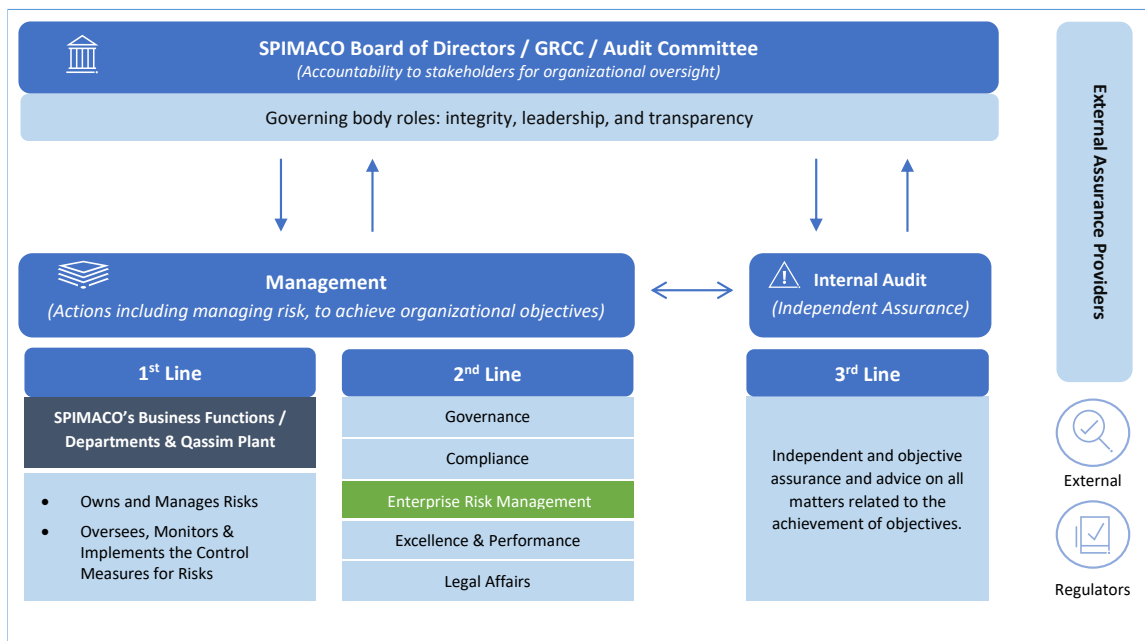
## Risk Management Framework

Our dynamic approach to risk management embodies a strategic and coordinated series of activities. This framework is designed to adeptly identify, analyze, and respond to challenges that possess the potential to impact our business and financial performance. Following the introduction of the framework in 2021, we have seamlessly extended our integrated enterprise risk management (ERM) system and processes to all subsidiaries, fortifying our organizational resilience.

To elevate the efficacy of our ERM system, we have instituted a robust three lines of defense framework:

- Operational departments and units shoulder the responsibility for risk management and internal controls, reinforced by support from key functions such as cybersecurity, quality assurance, and environmental health and safety (EHS).
- The Risk Management function, in collaboration with these supporting functions, actively monitors and reports on risk management activities, prioritizing identified risks to ensure a proactive stance.
- Internal Audit stands as the final line of defense, providing independent assurance to uphold the integrity and effectiveness of our risk management processes.

This multi-tiered approach exemplifies our commitment to a comprehensive risk management strategy, ensuring a resilient and adaptive organization, and fostering a uniform and proactive risk management culture throughout the entire organization.



**KEY:** ↑ Accountability, reporting   ↓ Delegation, direction, resources, oversight   ↔ Alignment, communication coordination, collaboration



**Principal Risks**

Strategic Risk	
<b>Execution of business strategy</b>	Various risks could impact the development and execution of our business strategy which eventually could impact business performance. These include change in business dynamics affecting demand for our products, increased competition as the Kingdom is adamant on strengthening the pharmaceutical manufacturing industry, changes in healthcare policies including but not limited to price revisions, and commercial team performance, to name a few. These risks could hamper us from executing our strategy which could place pressure on financial performance.
<b>Selection and delivery of new products</b>	As a generics manufacturer, it is vital for our business continuity to ensure the launch of our pipeline and new products. A successful process involves alignment with a multitude of internal stakeholders and is typically a lengthy and costly process. In addition to internal risks, this process is subjected to regulatory risk and market conditions risk which could eventually impact the planned performance for these specific products which in turn could affect the financial performance of the Group.

Operational Risk	
<b>Patient safety and product quality</b>	<p>Pharmaceutical manufacturing demands stringent quality standards throughout the supply chain, encompassing suppliers, manufacturing, and distribution. The technical intricacies of our manufacturing processes are notably complex. Non-compliance carries serious consequences, including production shutdowns, recalls, delayed approvals, and significant penalties.</p> <p>Simultaneously, our diverse product range spans various therapeutic areas with varying complexities. It is our duty to establish robust pharmacovigilance procedures, ensuring the identification, investigation, and resolution of potential safety concerns associated with these products.</p>
<b>External macro factors</b>	We are a regional Group and are therefore exposed to various potential political, economic, and social risks that may adversely impact our business and future growth. Such risks include but are not limited to policy uncertainty, currency fluctuations, rising interest rates, and increased inflationary effects.

<p><b>Talent acquisition</b></p>	<p>We operate in a highly complex and fast evolving industry with a clear adoption of digitization and innovation. As such, SPIMACO is continuously seeking talent with a specific skill set which is not necessarily abundantly and readily available in the markets it operates in. Therefore, employee attraction and retention may be costly and could be impacted by organizational change.</p>
<p><b>Continuity of supply</b></p>	<p>As a fully vertically integrated pharmaceutical manufacturer, our business may be interrupted due to disruptions in one or various activities within the value chain. These risks could impact the manufacturing and supply of our products and include but are not limited to unavailability of APIs and other raw materials, specialized packaging material, or manufacturing components and services. Product supply could also be impacted by contracted third-party manufacturers or API suppliers.</p>

<p><b>Financial Risk</b></p>	
<p><b>Fulfilling our financial obligations</b></p>	<p>Any disruptions or difficulties in the credit market which may hinder SPIMACO's ability to fund its businesses and growth plans, repricing of existing facilities leading to higher financing costs, or if the repayment of any loans in respect of financing taken by the Group cannot be refinanced, may have an adverse impact on our cash flows and financial results.</p>
<p><b>Customer credit</b></p>	<p>As part of our ongoing commercial practices, we offer products to several customers. The Group is subject to the risk of non-payment for the products it has supplied, primarily through accounts receivable.</p>

<p><b>Regulatory Risk</b></p>	
<p><b>Compliance with regulations</b></p>	<p>The pharmaceutical industry is governed by strict regulations, which are continuously evolving, and it is subject to heightened regulatory scrutiny. These regulations affect a number of areas, including product approval, quality control activities around manufacturing operations, labelling, and in sales and marketing practices. Changes in these laws and regulations can significantly impact our operations or increase the risk of non-compliance.</p>



## Operational Overview

In 2023, SPIMACO made notable operational and organizational progress to build capabilities and drive momentum. We solidified our position as a leader in the Saudi pharmaceutical industry, while boosting our healthcare solutions and expanding our global reach. With strategic innovation at our core, we are well positioned to deliver continued growth and sustained value creation in the years ahead.

### Science Organization<sup>12</sup>: A year of transformation

In 2023, our Science Organization marked a transformative year with the landmark achievement of obtaining SFDA approval for Endosa, the first locally produced biosimilar in Saudi Arabia. This breakthrough established SPIMACO as a leader in the local and regional biosimilar markets and highlighted the success of our diversification strategy.

Central to our overarching strategy, the Science Organization led several key initiatives, emphasizing portfolio diversification by strategically venturing into high-value therapeutic areas, such as specialty medications, injectables, and super generics. This resulted in the launch of 8 new products in critical therapeutic areas. Underscoring our dedication to combating chronic and lifestyle-related diseases, notable introductions included Formit XR and Vaprena for lifestyle diseases, Valtroza and Remosta in oncology, and several injectables, including Endosa, Glatiject, Emopack, and Ondanon.

Throughout 2023, our team updated our R&D and regulatory frameworks, implementing a parallel task workflow to enhance the efficiency between R&D and regulatory functions and shorten the time to market. This restructuring led to better collaboration throughout the value chain and expedited product registrations, with the department successfully registering 13 SKUs in the Kingdom and 78 SKUs in international markets, focusing on high-growth therapeutic areas.

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<sup>12</sup> Research & Development, Regulatory & Medical Affairs, IP & TM, and Portfolio



Enhanced collaboration with local and regional regulatory bodies resulted in successful public price adjustments for 25 SKUs in Saudi Arabia. Overall, we continued our commitment to R&D with substantial investment totaling SAR 41m in 2023, setting the stage for ongoing advancements and growth in the coming years.

### **Operations Department (Manufacturing and Packaging): Enhancing efficiency and expanding capabilities**

In 2023, SPIMACO's Operations Department for Manufacturing and Packaging executed an extensive strategic overhaul, enhancing operations and asset optimization across our various subsidiaries globally and within Saudi Arabia. The goal was to increase production, improve efficiency, leverage synergies, and cut costs, achieving more value from our assets without significant capital investment.

The department conducted numerous internal restructurings in the Saudi facilities, focusing on optimizing production lines in line with demand, increasing batch sizes for additional efficiency, and outsourcing certain packaging activities to the Dammam plant. Our efforts to mitigate risks associated with global supply chain disruptions included securing alternative raw material suppliers, notably from India and China, which improved the quality release time by 25% and enhanced delivery efficiency at lower costs. These measures led to better order fulfillment rates and logistics optimization.

As a result, SPIMACO saw a remarkable 35% growth in production output at our Qassim and Dammam facilities, reaching over 2.2 billion units in 2023. Notable improvements included Qassim facility's utilization rate hitting 130% and Dammam facility's rate jumping from 14% to 104%.

A key milestone during the year was the start of production validation batches at the high-potent facility in Qassim, a move towards SFDA approval which brings us one step closer to the commercialization of high-potent medicines. This state-of-the-art facility is equipped with 2 suites accommodating diverse batch sizes. To that end, we expedited the development of high-potent API and progressed with a dynamic portfolio of 15 products in the formulation development pipeline. In addition, collaboration with industry leader AstraZeneca boosted the high-potent API product pipeline, reflecting our commitment to advancing pharmaceutical development.

Additionally, throughout the year, we showed determination in pursuing the Berchid project, obtaining Good Distribution Practice (GDP) certification for the finished goods warehouse, with the goal of preparing the facility for manufacturing by 2026.

The Good Manufacturing Practice (GMP) upgrade of the Tangiers site was finalized to ensure the continued operation of the liquid line for our flagship product, Osmosine, and the establishment of a new oral solid dosage line. In parallel, our Operations team initiated the restructuring of business operations, aiming to enhance the top-line contribution from these facilities by enriching the portfolio with our star products in oncology and liver disease, along with new products sourced by the business development team. These initiatives marked a significant advancement in our operational strategy and global pharmaceutical manufacturing footprint.

### **Commercial Operations: Maximizing profit and streamlining processes**

In 2023, SPIMACO's Commercial Operations Department embarked on the implementation of a refined strategy established in the prior year, aimed at profit maximization. This strategy was built upon 3 foundational pillars: revitalizing customer relationship management, introducing innovative therapeutic solutions, and optimizing resource utilization. The revised go-to-market model was designed to guarantee the best use of manpower, product portfolio, and distribution channels, thereby offering unparalleled value to healthcare providers, customers, and patients.

Within the private sector, our team focused on key account management, specifically targeting chain pharmacies and hospitals. This strategy reduced our dependency on sub-agents and shifted our sales mix towards high-value, high-margin products, particularly in areas such as cardiovascular, neurological, and diabetes treatments. Digital marketing strategies, including online advertising, social media campaigns, and search engine optimization, were employed to enhance the visibility and efficiency of our over-the-counter (OTC) product line.

In the Government sector, our efforts were directed towards strengthening ties with procurement agencies, notably Nupco, to better adapt to evolving market requirements. This focused engagement led to an uptick in direct sales, with a special emphasis on promoting novel, profitable products within the nephrology and immunology domains.

On the international front, our commercial activities demonstrated significant improvement, with a notable 15% increase in sales across GCC countries, led by strong performances in the UAE and Kuwait. However, geopolitical tensions and economic instability affected our operations in Sudan and Egypt, resulting in halted sales and shipments to these regions, which overall negatively impacted the revenue contribution from the international segment.



The year was also marked by the successful launch of 8 new products within Saudi Arabia, underlining our commitment to innovation. Noteworthy among these was the launch of Endosa, a 'Saudi Made' biosimilar, which represented a significant achievement in anti-coagulation therapy, alongside Vaprena, a pioneering treatment for autosomal dominant polycystic kidney disease. Furthermore, the team managed the successful reintroduction of Proton, reaffirming our dedication to addressing diverse healthcare needs.

To improve overall performance, we undertook a comprehensive restructuring of our commercial team and sales force. This revamp included refining target setting, improving inventory management, expense control through the SpEx System, and introducing automated sales tracking and planning. Sales Force Effectiveness (SFE) metrics were extensively updated to include a balanced mix of leading and lagging indicators, tailored specifically to departmental goals, ensuring a focused and effective approach to market engagement.

### **Corporate Development: Expanding portfolio and strengthening global partnerships**

Throughout 2023, SPIMACO's Corporate Development Department showcased remarkable energy and effectiveness, reflecting our solid dedication to broadening our specialized medicines and biologics offerings, enhancing localization, and significantly impacting the healthcare environment in Saudi Arabia and the MENA region.

Investment initiatives were a key focus and included the successful integration of Dammam Pharmaceutical Company as a fully owned subsidiary. This move underscored a commitment to asset optimization, manufacturing versatility, and operational efficiencies, allowing us to fully leverage our results and streamline operations.

Furthermore, strategic decisions to divest from SPIMACO Misr in Egypt and to acquire a major stake in Swiss contract manufacturer Osmopharm marked significant steps toward enhancing our product lineup and international standing. The Osmopharm acquisition, which is still pending regulatory approval expected in the first half of 2024, is set to upgrade our manufacturing capabilities with advanced drug release technologies and broaden market access through enhanced CTD capabilities.



On the business development front, we forged 8 new alliances with leading pharmaceutical entities in Europe and Asia, focusing on technology transfer to enhance local access to critical healthcare solutions, particularly in anti-infective and oncology sectors, including biosimilars.

Highlighting our biopharmaceutical strategy, we established significant collaborations including agreements with Sinopharm International and CanSinoBIO. These partnerships are geared towards localizing biopharmaceutical and vaccine production and align with Saudi Vision 2030 and the National Biotechnology Strategy, marking strides in knowledge and technology transfer within the Kingdom.

A landmark partnership with Merck Sharp & Dohme International for the local manufacturing of Type 2 diabetes treatments underlines our ongoing efforts to expand our biopharmaceutical portfolio and reinforce our role in advancing healthcare in Saudi Arabia and the broader MENA region.

### **Looking forward: Building leadership for sustained growth**

As we look forward, we unveiled in early 2024 a revamped organizational and leadership framework aimed at refining operations across the Group. This new structure is set to boost operational excellence, sharpen commercial strategies, and spur technological advancements, underscoring our dedication to continuous growth and leadership in the Saudi pharmaceutical industry and crucial regional markets. The restructuring aims to foster greater alignment, enhance collaboration across subsidiaries, streamline functions, and bridge connections between target markets, setting the stage for a new era of expansion driven by organic growth, innovation, business development, and strategic acquisitions.

In line with these changes, our Science team will align under our Science and Technology unit, streamlining processes to accelerate new product launches and the integration of emerging technologies. Simultaneously, the Regulatory Affairs team will transition to report under the Government and Regulatory Affairs unit, bolstering our localization initiatives and streamlining regulatory processes to hasten market access.

Commercial operations will see significant refinement for enhanced focus and efficacy. The early 2024 reorganization introduces 3 distinct commercial units: Saudi Private, Saudi Government, and International Markets, each under the leadership of dedicated heads reporting directly to the CEO. These divisions will assume complete commercial responsibility for our diverse



portfolio. Furthermore, the introduction of a dedicated Market Access function aims to reinforce commercial outcomes by adeptly positioning products, navigating local and regional market landscapes, and providing crucial pricing insights. This function will be instrumental throughout the product lifecycle, aiming to refine both generic and specialty portfolios across different therapeutic categories.

Our Corporate Development Department anticipates a dynamic year supported by our fortified teams in Business Development and Investments. Building on the substantial foundations laid in 2023, the department is set to finalize several ongoing negotiations in 2024, highlighting an ambitious roadmap for our continued evolution and market leadership.



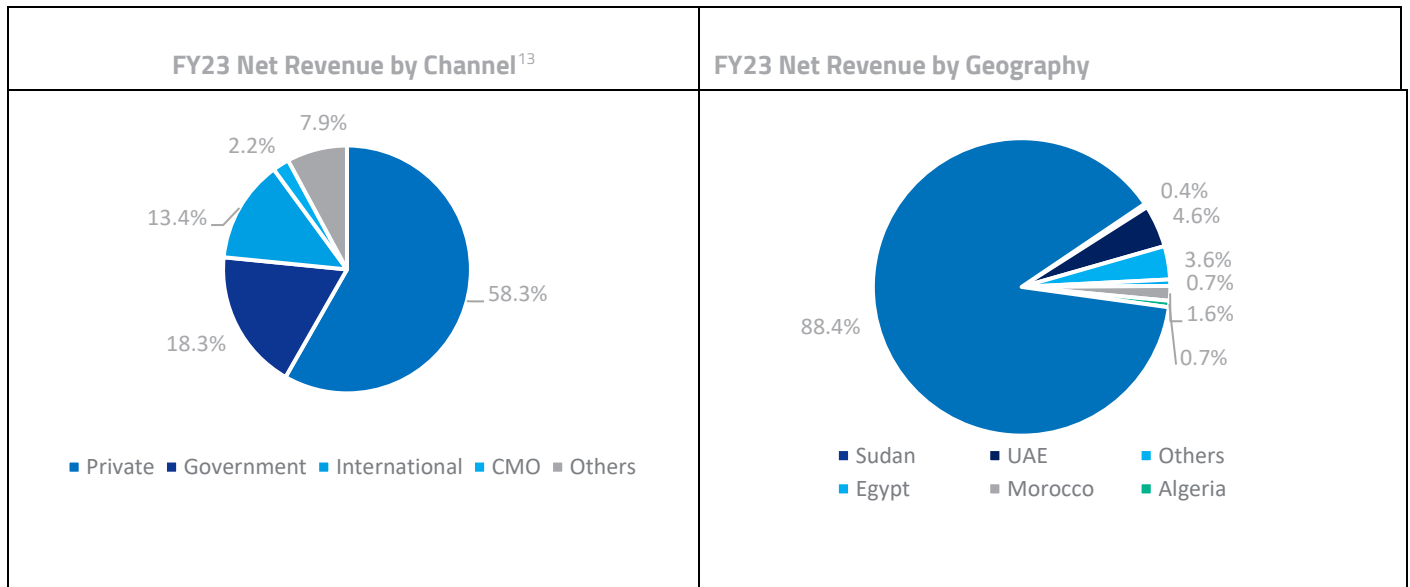


## Business and Financial Review

For the full year 2023, the Group reported revenues of SAR 1.65bn, an increase of 16.3% year-on-year (YoY), and a gross profit of SAR 708.1m registering a gross profit margin of 42.8%. This was propelled by an improved client mix, enhanced sales in both private and government sectors, and a surge in product demand, capitalizing on the overall positive momentum in the Saudi pharmaceutical sector.

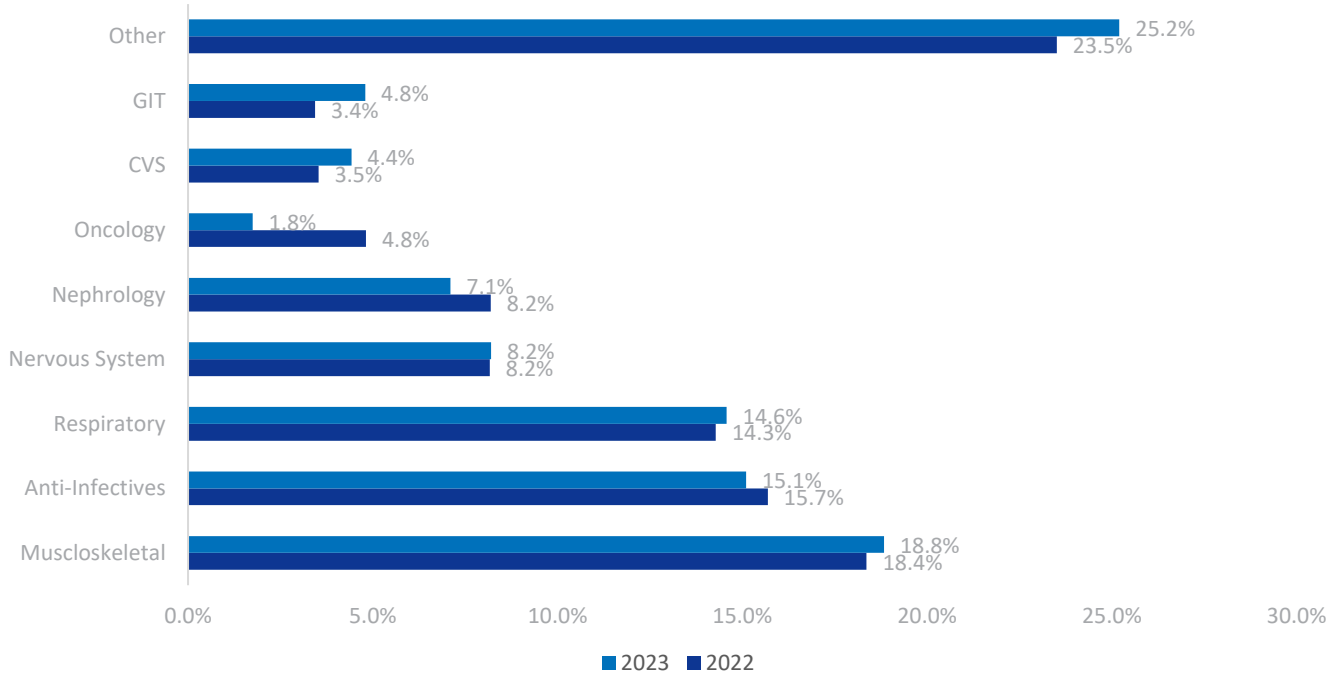
The Group reported a net loss of SAR 2.6m, marking a significant turnaround from the SAR 171.2m loss recorded in FY22. This positive shift was underpinned by structural changes and a revamp of the Group's business strategy, following strategic investments made in 2022. It was further supported by a realignment of spending, which included adjusting resources to balance the long-term need to build and maintain capabilities essential for achieving SPIMACO's long-term strategic objectives.

The Private channel continued to contribute the lion's share of sales at 58% followed by the increased contribution of the government channel at 18% with the KSA remaining our key market at 88%.



<sup>13</sup> Based on Pharmaceutical revenue. Pharmaceutical revenue excludes other types of revenue such as revenue from hospital business, etc

**FY23 Net Revenue by Therapeutic Area**



In FY23, SPIMACO sharpened its product focus further, targeting high-profit SKUs in specialized therapeutic areas (TA). This growth was especially evident in the respiratory, nervous system, cardiovascular, and gastrointestinal segments, propelled by solid market demand. The decline in oncology TA's share was linked to reduced licensor product sales. These changes highlight SPIMACO's further strategic push to high-potential segments to drive further growth and profitability.



## Business Review

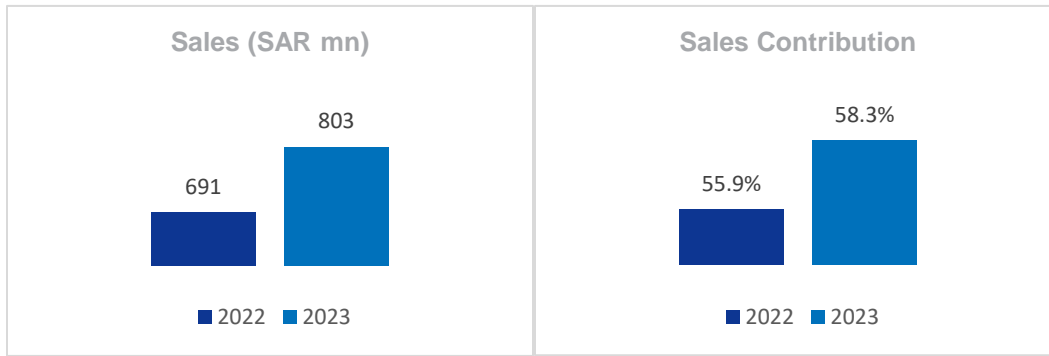
SPIMACO commercializes its products across various channels taking advantage of its robust sales and marketing commercial team. During the year, SPIMACO implemented a revamped commercial strategy, emphasizing profit maximization through customer relationship revitalization, the launch of specialized therapeutic medicines, and resource optimization.

### SPIMACO's Sales Channels

Private	Government	International	Toll Manufacturing	Others
Includes sales of SPIMACO's own products and under licensed products either: directly by SPIMACO or through agents to privately-owned hospitals, pharmacies, polyclinics.	Includes sales of SPIMACO's own products and under licensed products, through tenders arranged by NUPCO, to government-owned entities such as the Ministry of Health and public hospitals.	Includes sales of SPIMACO's own products in markets outside the KSA such as the GCC, Levant, and North Africa in both private and government channels either: directly by SPIMACO's own distribution network or through contracted distributors.	Includes sales of products manufactured in SPIMACO sites for third-party companies.	Include sales of non-pharmaceutical products such as cosmetics, vet, and API.



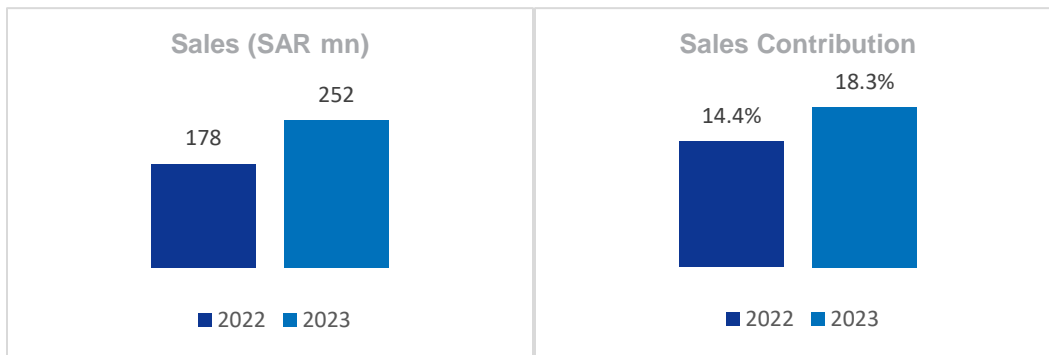
**Private Sales Channel**



During 2023, SPIMACO solidified its leadership position in the Saudi private market, achieving a 7.4% market share and maintaining its number one ranking among its peers within the segment.

Total sales from the channel reached SAR 803m, an increase of 16% compared with the previous year. During the year, the private channel prioritized key accounts in pharmacies and hospitals, reducing reliance on subagents and focusing on high-value products. Digital marketing improved OTC product reach, negotiating better payment terms, reducing Days Sales Outstanding.

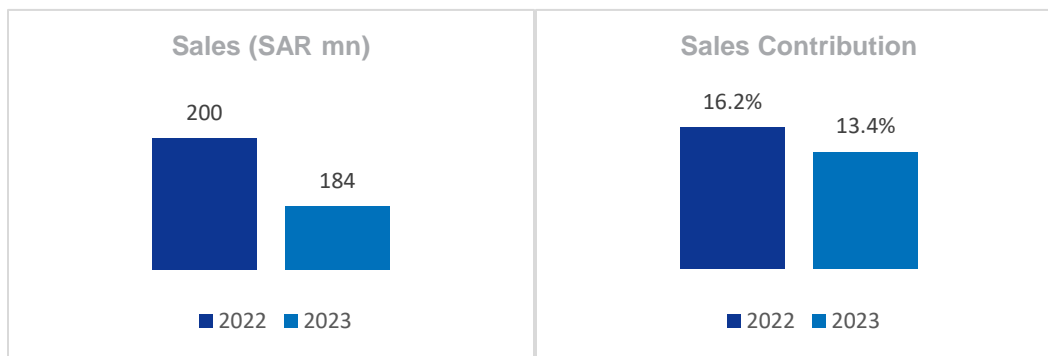
**Government Sales Channel**



In line with our strategy to expand our presence and market share in the Government channel, SPIMACO reported a strong growth in Government net sales of 42% year-over-year up to SAR 252m with a contribution to total net sales increasing to 18% due to the higher demand for SPIMACO products. The commercial team’s focused efforts led to an uptick in direct sales, with a special emphasis on promoting novel, profitable products within the nephrology and immunology domains.

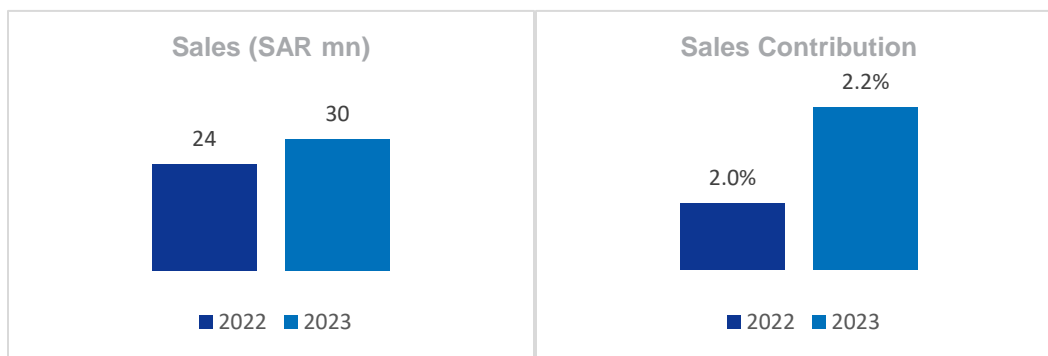


### International Sales



On the international front, our commercial activities were negatively affected by the geopolitical tensions and economic instability in Sudan and Egypt, resulting in halted sales and shipments to these regions. This was partially offset by increased sales across GCC countries, led by strong performances in the UAE and Kuwait. Overall, international sales recorded a drop of 8% year-on-year to SAR 184m.

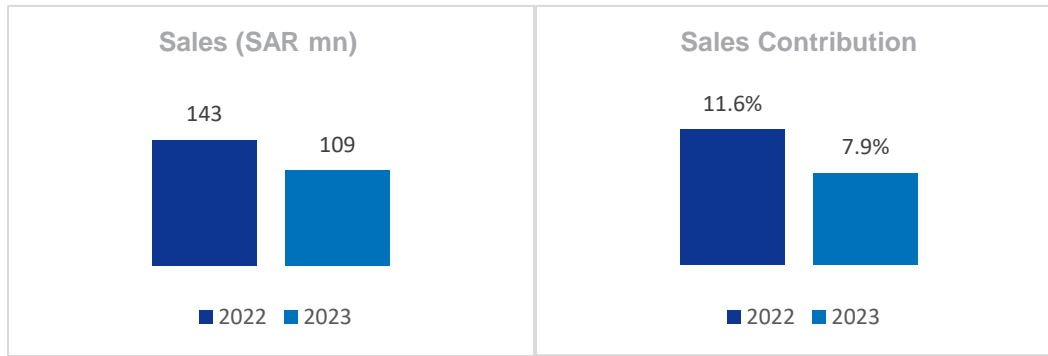
### Toll Manufacturing Sales



The Group saw an increase in revenue from its CMO operations of 24% to SAR 30m inline with the Group’s strategy to utilize excess capacity.



### Other Sales



The net sales from the Others channel which includes the sale of non-Spimaco products, cosmetics, and API, decreased by 24% down to SAR 109m primarily due to a reduction in the sales of one of our licensor products in 2022.

## Financial Review

### Summarized Consolidated Statement of Income<sup>14</sup>

SAR m	2023	2022	% Change	2021	2020	2019	2018
<b>Net Sales</b>	1,653.1	1,421.8	+16.3%	1,459.8	1,555.3	1,486.8	1,503.3
<b>Gross Profit</b>	708.1	566.3	+24.9%	620.7	690.5	497.6	608.5
<b>Income (Loss) from Operations</b>	89.4	(114.4)	NM	55.5	153.7	(293.3)	78.4
<b>Net Income (Loss)</b>	(2.6)	(171.2)	NM	18.1	109.5	(484.0)	48.7

### Net Sales

The Group reported revenues of SAR 1.65bn for 2023, an increase of 16.3% year-on-year (YoY) propelled by an improved client mix, enhanced sales in both private and government sectors, and a surge in product demand, capitalizing on the overall positive momentum in the Saudi pharmaceutical sector.

Pharmaceutical revenue reported an increase of 15.9% up to SAR 1.47bn propelled by an improved client mix, enhanced sales in both private and government sectors, and a surge in product demand, capitalizing on the overall positive momentum in the Saudi pharmaceutical sector. In parallel, non-pharma revenue reported a strong annual growth of 19.7% supported by the robust performance of the Qassim Medical Services Company.

<sup>14</sup> Some of the figures of previous years have been reclassified to match the 2022 rating as described in the consolidated financial statements.

### Gross Profit

Full year 2023 gross profit came in at SAR 708.1m versus SAR 566.3m reported last year, an increase of 24.9% year-on-year. The gross profit margin for FY23 grew to 42.8%, up by 3.0 percentage points year-on-year. This improvement was primarily attributed to a 16.3% revenue growth outpacing the 10.5% rise in cost of revenue, reflecting operational efficiency and successful cost management strategies.

### Operating Profit

SPIMACO reported SAR 89.4m in operating profit compared to a loss of SAR 114.4m last year. This stark improvement during the year stemmed from higher gross profit combined with a decrease of 9.2% in operating expenses to SAR 618.7m, on the back of strategic cost management and efficiency improvements during the year. In turn, SPIMACO EBITDA for 2023 stood at SAR 167.9m, moving from a negative SAR 24.1m in FY22 and implying an EBITDA margin of 10.2%.

### Net Income

In FY23, SPIMACO achieved a net loss of SAR 2.6m, marking a turnaround from the SAR 171.2m net loss reported in FY22. This positive outcome was propelled by strong financial results in the first half of the year, despite facing challenges in the second half. This performance underscores SPIMACO's resilience and strategic focus, highlighting a substantial year-on-year improvement in the Company's profitability.

### Summarized Consolidated Balance Sheet

SAR bn	2023	2022	% change	2021	2020	2019
<b>Total Assets</b>	4,023.8	3,831.8	5.0%	4,434.1	4,682.8	4,655.5
<b>Total Liabilities</b>	2,355.8	2,138.6	10.2%	2,440.7	2,611.8	2,541.4
<b>Total Equity</b>	1,668.0	1,693.1	-1.5%	1,993.4	2,070.9	2,114.1

### Total Assets

Total assets as of 31 December 2023 amounted to SAR 4,024m, a 5.0% growth from the previous year-end driven by higher trade and other receivables driven by improved sales volumes in FY23.





### Total Liabilities

Total liabilities as of 31 December 2023 totaled SAR 2,356m, a 10.2% increase from 31 December 2022 which was mostly driven by higher trade payables. The Company focused on increasing the debt maturity profile by adding long-term debt and cutting short-term debt correspondingly.

An overview of the total loan portfolio as of 31 December 2023 can be found in the Appendix.

### Total Equity

Total equity remained relatively flat during the year at 1.67 billion.

The following are the revenues of subsidiaries (inside and outside Saudi Arabia) for 2023:

Companies	Net Revenue (SAR)	% of Total Revenue
SPIMACO KSA	1,009,186,279	61.0%
ARAC Healthcare Company	134,999,401	8.2%
ARACOM Medical Company	104,309,869	6.3%
Dammam Pharmaceutical Company	36,841,915	2.2%
Al Qassim Medical Services Co.	161,752,889	9.8%
SPIMACO Misr for Pharmaceutical Industries	0	0.0%
SPIMACO Morocco for Pharmaceutical Company	24,115,792	1.5%
SPIMACO Algeria Company	8,657,390	0.5%
SPIMACO Egypt Company	4,982,437	0.3%
<b>Total</b>	<b>1,653,084,009</b>	<b>100.0%</b>



## People and Culture

In 2023, we continued to attract, develop, and engage outstanding talent and to forge a dynamic culture to deliver on our strategic ambitions and create sustainable value for our stakeholders. Our People and Culture (P&C) department developed and implemented a wide range of key initiatives and activities, underscoring our commitment to excellence and continuous improvement.

Our P&C department is responsible for developing a vision and managing both the Company and human capital of SPIMACO and our network of subsidiaries. It is mandated to improve overall organizational effectiveness, attract the best talent in our markets, develop and retain existing talent, and enhance overall organizational performance and culture.

Building on the outstanding advances and transformative achievements of the past 2 years, P&C has maintained its focus on increasing impact and delivering value to our employees and the business. It has built on the successes of the Synergy program by launching a series of in-depth evaluation cycles, focused on assessing policy compliance, organizational structure, and remuneration systems.

Following an in-depth analysis of the Synergy program's outcomes, a wide range of focused endeavors has been identified to address the identified issues and enhance overall effectiveness and performance, including strategically aligning P&C initiatives with corporate objectives.

Through comprehensive training programs, we have bolstered employee skills, directly impacting productivity and innovation. Our focus on talent development has cultivated a high-performance culture, driving operational excellence and market competitiveness.

Importantly, we have increased control over employee costs by implementing initiatives and enhancing P&C policies and governance practices, ensuring financial efficiency without compromising our commitment to a supportive and diverse workplace culture. These efforts optimized our human capital and reinforced SPIMACO's standing as a leader in the pharmaceutical industry.



## Alignment and Organizational Effectiveness

To enhance P&C governance and effectiveness, our People Center of Excellence has successfully launched 2 detailed health check cycles. These cycles ensure that our policies and procedures are fully aligned with SPIMACO's strategic goals and industry best practices. Through this process, we aim to maintain our P&C frameworks at the highest level of industry standards, thus reinforcing our fundamental mission and broad-ranging objectives.

These health checks combined with the deployment of an Organizational Health Index, provide a comprehensive solution that evaluates key organizational elements that underpin performance, offering leaders and managers a straightforward yet impactful guide to enhancing organizational health.

Through these measures, we aim to gain deeper insights into the structural dynamics and operational efficiencies within SPIMACO, enabling targeted improvements that drive sustainable growth and foster a high-performance culture. This initiative reflects our ongoing commitment to optimizing organizational design and workforce capabilities, ensuring they are well-aligned with our strategic goals and operational excellence.

To further these aims, we have intensified our commitment to fortifying internal unity and boosting communication, with a deliberate emphasis on fostering a culture that encourages open dialogue. This strategic measure is essential for fostering transparency throughout the Company at every level. By prioritizing transparent and open lines of communication, our aim is to cultivate a culture enriched by trust and an in-depth understanding. This principle is fundamental to the seamless realization of our strategic aims and to the collective progress of SPIMACO.

## Effective Talent Management

In 2023, SPIMACO launched a strategic Talent Management (TM) initiative, marking a significant step towards developing a comprehensive and robust Talent Management framework aligned with the highest standards in the industry. The core aim of this initiative is to ensure that both the Company and our employees are steered towards mutual success, in perfect alignment with SPIMACO's key goals.

This project is focused on the effective identification, development, and retention of outstanding talent within the Company, thereby strengthening our competitive edge and furthering our mission of excellence in the pharmaceutical sector. This



strategic move underscores our deep commitment to building a workforce that is highly capable and motivated while also ensuring close alignment with SPIMACO's long-term objectives and values.

### **Creating a Winning Culture**

In line with our strategic efforts to cultivate an enriched organizational culture, we have carried out multiple engagement surveys to continuously monitor and track employee engagement levels within the Company. These surveys are instrumental in identifying areas for improvement and in implementing targeted strategies to enhance these aspects.

The survey conducted during 2023 revealed solid engagement and employee satisfaction, with 79% of all SPIMACO employees who completed the survey indicating that they are satisfied with the Company. This was particularly prominent in several key categories, including job enablement, work process and collaboration, as well as the fact that SPIMACO employees were satisfied overall in every category of the survey.

By systematically assessing employee feedback, we aim to elevate job satisfaction, bolster morale, and increase productivity across SPIMACO. This approach underscores our commitment to fostering a dynamic and responsive work environment that aligns with our corporate objectives and supports the well-being and professional growth of our workforce.

### **Developing Knowledge and Capabilities**

A key focus during the year was on enhancing employee capabilities through the execution of wide-ranging training programs. Tailored to engage personnel at all levels, these training endeavors were aimed to fortify their professional competencies and skills. This holistic strategy towards employee development is a cornerstone of our dedication to fostering a workforce that is both highly proficient and versatile, ready to make significant contributions to the enduring success and expansion of SPIMACO.

This initiative, a cornerstone of our People strategy, was designed to enhance individual skill sets and foster a culture of lifelong learning and professional development within our Company. By investing in our workforce, we aim to equip our team with the latest industry knowledge and competencies, thereby ensuring our continued leadership in the pharmaceutical sector. This training endeavor is a testament to SPIMACO's dedication to our people and reflects our unwavering belief in the power of education to drive innovation, efficiency, and excellence across all facets of our operations.



## Launching SPIMACO Academy

In a landmark achievement reflecting SPIMACO's deep commitment to investing in and fostering talent and excellence within our Company, we launched SPIMACO Academy in 2023. Designed in alignment with the highest industry standards, it is focused on the holistic development of our workforce to ensure they are well-prepared to meet the challenges of the pharmaceutical industry.

In its first year of operations, the Academy delivered over 2,160 training hours to onsite development activities, excluding the extensive e-learning hours that complemented our training regimen. This comprehensive approach was a testament of our commitment to developing a well-rounded, highly skilled workforce.

Our partnerships with academic and training organizations were pivotal in providing our employees with the valuable skills and knowledge necessary to thrive in their respective roles. We collaborated with over 11 organizations throughout the year, including the British Council, LinkedIn Learning, HNI, BTS, Franklin Covey, and others to ensure access to world-class trainers and content.

The diversity of our courses was underscored by the attendance of 873 employees at knowledge-sharing sessions, 240 employees enrolled in the English Development program, and 1,464 active learners on the LinkedIn learning platform, demonstrating the breadth and depth of our training initiatives.

Furthermore, our onboarding program for new hires represented a comprehensive effort to integrate them into our Company culture and operational excellence, with 255 unique employees participating in this program. The engagement in diverse development journeys and courses, provided both internally and externally, underscored our proactive approach to talent management.

The impact of the SPIMACO Academy extended beyond traditional training, with initiatives such as the Tamheer program which enrolled 59 members, and the involvement of our employees' children in family day activities, fostering a sense of community and belonging within our Company.

Our commitment to talent development was also evident in our Cooperative Training program, which included 37 students from various universities, and the participation of 41 external pharmacists from Dr. Sulaiman Al-Habib in our courses, further illustrating our academy's extensive reach and influence.



The launch and successful execution of the SPIMACO Academy in 2023 has enhanced our competitive edge and demonstrated our dedication to nurturing a highly skilled, motivated, and aligned workforce with SPIMACO's long-term goals and values. This initiative has set a new standard for talent development within the pharmaceutical industry, ensuring that we remain at the forefront of innovation and excellence.

### **Rewarding our Talent**

In 2023, SPIMACO embarked on a pivotal review of our Synergy program initiatives, culminating in an exhaustive examination of our reward philosophy. This review served to ensure that our approach to valuing our team aligns with industry best practices and remains competitive.

The assessment was crucial in scrutinizing the effectiveness, fairness, and competitiveness of our rewards system. Our goal was to confirm that our strategies for recognition and rewards meet the highest standards within the industry and embody the core values of SPIMACO. We aimed to guarantee that our rewards system properly appreciates and rewards our employees' contributions, thus nurturing a workplace culture that values acknowledgment, motivation, and loyalty.

This effort highlights SPIMACO's ongoing commitment to creating a work environment that attracts, retains, and nurtures exceptional talent through a well-rounded and competitive rewards package. It showcases our pledge to maintain reward practices that are just, transparent, and adaptive to the changing needs of our staff and the dynamic pharmaceutical industry landscape.

### **Our People in 2024**

In the year ahead, we are set to embark on a series of transformative P&C, strategically crafted to further enhance our organizational capabilities and align with our broader business goals.

Our Culture Transformation Project is aimed at evolving our corporate culture, fostering an environment conducive to innovation, collaboration, and continuous enhancement. By redefining our values and behaviors, we seek to enhance employee engagement and elevate organizational performance.



Furthermore, we will introduce our new, cutting-edge P&C system, which is designed to streamline P&C processes, enhance data accuracy, and provide real-time insights into workforce analytics. This pivotal technological empowerment improved decision-making and elevated P&C operational efficiency.

Another key priority in the year ahead is the expansion our synergy program to our subsidiaries, ARAC Healthcare Company and Dammam Pharmaceutical Company to harmonize the P&C framework across the Group. This includes aligning salary scales, grading structures, and centralizing P&C services to ensure consistency, fairness, and efficiency in our people management practices.

Collectively, these initiatives will create a more efficient and effective P&C function, with the ability to better serve all our people and support the strategic priorities of the business.



# Sustainability

SPIMACO's commitment to sustainability is embedded in our corporate culture and core values, driving our mission to create value responsibly and transparently for stakeholders. This commitment, integral since our inception, underscores our belief that long-term success necessitates the alignment of our strategy objectives with the advancement of sustainable development.

## Our Sustainability Framework

Our sustainability framework revolves around 3 pivotal aspects – patients and society, people, and environment – embodying our comprehensive and integrated approach to fostering a positive impact within our organization and for our external stakeholders alike.

Patients and Society	People	Environment
We focus on ensuring access to medicines through reliable and affordable products across various regions. The commitment extends to operating ethically and responsibly, guided by shared values and robust governance structures.	We are dedicated to fostering an inclusive, healthy, and safe workplace, where every individual is treated with fairness and respect.	We are committed to responsible environmental practices, striving to reduce any adverse effects our operations may have on the environment while complying with relevant laws and regulations.

Anchored in the 17 United Nations Sustainable Development Goals (SDGs), the pillars of our sustainability framework guide our planning and actions, enabling us to make tangible and lasting enhancements in the communities surrounding our operations, with a specific focus on 9 SDGs covering a range of key areas, including healthcare, education, and environmental conservation.





### Patients and Society

We steadfastly maintained a dependable provision of high-quality and affordable medicines, catering to the healthcare needs of patients throughout Saudi Arabia and across all our markets. Our commitment is evident in the outstanding 35% year on year increase in production volumes, allowing SPIMACO to supply the market with an impressive 2.2 billion units in 2023.

To enhance our product offerings and address diverse patient needs, we introduced 8 new products in specialized therapeutic areas. This strategic expansion is the result of intensified collaboration with market participants and thorough analysis of market dynamics, enabling us to gain deeper insights into market requirements. Our collective efforts aim not only to meet patient needs but also to elevate overall health and drug security standards in Saudi Arabia.

### People

At SPIMACO, prioritizing the health, safety, and well-being of our employees and communities is integral to our culture and sustainable success. We are committed to equipping our workforce with the necessary knowledge for safe and sustainable working environments.

The launch of SPIMACO Academy in 2023 marked a significant milestone, delivering over 2,160 training hours and partnering with 11 organizations, including the British Council, LinkedIn Learning, and FranklinCovey. This comprehensive approach resulted in over 900 employees attending knowledge-sharing sessions and 240 enrolling in the English Development Program, underscoring our commitment to developing a skilled and diverse workforce that meets the challenges of the pharmaceutical industry.

Our ongoing commitment to serving our employees and their families also included various activities and initiatives, such as providing 225 free vaccines and facilitating around 1,920 free clinic visits during 2023.



In addition, 7 emergency evacuation drills were conducted during the year to fortify response protocols and enhance our readiness for unforeseen emergencies.

## Environment

Our commitment to environmental sustainability is evident in our comprehensive approach to energy efficiency, air emissions, and resources/waste management. Despite a remarkable 35% increase in production output to over 2.2 billion units, our diligent engineering and administration controls enabled a notable reduction of around 11,550 kWh in electricity consumption. This achievement not only reflects operational efficiency but also translates into a substantial decrease in CO2 emissions of around 7,220 kg compared to 2022, showcasing our ability to deliver enhanced productivity while reducing environmental impact.

Emphasizing environmental stewardship, our waste management efforts yielded impressive results, with the recycling of 400,000 kg of paper and the responsible disposal of 100,000 kg of pharmaceutical waste. These accomplishments underscore our commitment to sustainability, minimizing our ecological footprint while upholding the highest environmental standards.

## Future Focus

Looking ahead, our commitment to environmental sustainability and corporate citizenship will continue to grow, in alignment with our sustainability framework and the goals of the UN SDGs. We will focus on reducing our environmental footprint, expanding community health initiatives, and strengthening environmental health and safety practices.

By integrating sustainability throughout our operations, we aim to make lasting positive impacts on the environment and communities we serve. Proud of our past progress, we stay dedicated to these principles, pursuing innovation, collaboration, and environmental stewardship.

Thanks goes to our employees, partners, and communities for their ongoing support, as we work together to create a more sustainable and prosperous future.



# Governance





## Introduction

The Board of Directors of Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO) is pleased to present the Annual Report for the Financial Year ended 31 December, 2023 to the shareholders. The Report covers the Corporation's activities, performance, and investments inside and outside the Kingdom of Saudi Arabia.

In its drive to foster transparency and embed the highest professional standards in all of SPIMACO's activities, the Board of Directors places particular emphasis on governance principles to promote the rights of the shareholders and the stakeholders. It also contributes to fairness, edge of competitiveness, transparency, and criteria of good governance within the Corporation, fulfilling the requirements established by the Capital Market Authority (CMA).

SPIMACO takes great pride in its social and ethical responsibilities, which are observed throughout fair business practices, with a view to maintaining a favourable and ethical workplace that bears witness to its core values. SPIMACO puts a strong emphasis on fair and proper conduct in its relationship with its shareholders, employees, clients, governmental authorities, and public entities.

## Board of Directors

### Members of the Board

Pursuant to the SPIMACO Articles of Association, the Board of Directors for its 12th term was composed of 9 members. The members were elected by the General Assembly for a term of 3 years from 3 April, 2022 to 2 April, 2025. Below are the names and description of the Board members

Members of the Board	Description	Membership
<b>H.E. Mohammed Bin Talal Al-Nahas*</b>	Chairman	Non-Executive
<b>Dr. Ahmed Hamdan Aljedai*</b>	Chairman	Independent
<b>Mr. Ammar Abdulwahed Al-Khudairy</b>	Vice Chairman	Independent
<b>Mr. Faisal Mohammed Shaker</b>	Member	Non-Executive
<b>Dr. Mohammad Khalil Mohammad</b>	Member	Non-Executive
<b>Mr. Abdulrahman Mohammed Al Thinyan</b>	Member	Independent
<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz</b>	Member	Non-Executive
<b>Dr. Fahad Abdulaziz Al Rabiah</b>	Member	Independent
<b>Eng. Adel Kareem Kak Ahmed</b>	Member	Non-Executive
<b>Dr. Mai Bint Abdullah Al Ajaji</b>	Member	Independent

\* The Chairman, H.E. Mohammed Bin Talal Al-Nahas, resigned on 8 November, 2023.

\* Dr. Ahmed Hamdan Aljedai assumed the chairmanship of the Board of Directors to replace H.E. Mohammed Bin Talal Al-Nahas on 9 November, 2023.

Below are the current and previous positions of the Board members along with their qualifications and experience

Name	Current Position	Previous Position	Qualifications and Experience
<b>H.E. Mohammed Bin Talal Al-Nahas*</b>	Member of the Board of Directors for several companies	Governor of the General Organization for Social Insurance Governor of the Public Pension Agency	Holds a bachelor's degree in Accounting from King Saud University. He studied an Executive Management Program of Business Administration at the University of Michigan. He started his career at Samba Financial Group, assuming several leading positions before being appointed to General Manager of Alinma Bank.
<b>Dr. Ahmed Hamdan Aljedai*</b>	Assistant Undersecretary for Allied Medical Services, Ministry of Health  Professor at Al Faisal University	Chairman of the Scientific Council of Pharmacy, Saudi Commission for Medical Specialties Director of the General Department of Pharmaceutical Care, King Faisal Specialist Hospital and Research Center	Board Certified Pharmacotherapist from the American Board of Medical Specialties. Holds a PhD in Pharmacy from the University of Health Sciences and Pharmacy, Saint Louis University, USA, a master's of Business Administration from the University of Harlington, UK, and a bachelor's degree from King Saud University. He is the founding President of the Saudi Society of Clinical Pharmacy.
<b>Mr. Ammar Abdulwahed Al-Khudairy</b>	Chairman of the Board of Directors of Saudi Venture Capital Company (SVC)	Chairman of the Board of Directors of Saudi National Bank	Holds a master's degree in Engineering Management from George Washington University. He has more than 30-years' experience in the financial sector, where he assumed several positions including Regional Director for the Central region at Banque Saudi Fransi. Additionally, he held memberships in several companies' Boards and committees.

<p><b>Mr. Faisal Mohammed Shaker</b></p>	<p>Partner and CEO of Modern Food Company</p> <p>Executive Partner for Hadbat Al Emaar Real Estate Development and Investment Company</p>	<p>CEO and Head of Wealth and Investment Management for Audi Capital</p>	<p>Holds a bachelor’s degree in Marketing from King Saud University, and a master’s degree in Economics from Old Dominion University – Norfolk, US. He embarked on his career as a New Business Development Manager for General Dynamics Arabia and worked as an Assistant Director of Wealth Management at Merrill while studying a master’s degree. He held various other positions including Head of Banking Services at SABB, Head of Wealth Management and Business Development at Gulf Investment, Head of Wealth Management at Audi Capital, Head of Wealth and Investment Management at Barclays, Head of Markets for both KSA and Bahrain.</p>
<p><b>Dr. Mohammad Khalil Mohammad</b></p>	<p>General Manager of the Arab Company for Pharmaceutical Industries and Medical Appliances (Acdimia)</p>	<p>CEO of Acdimia Center for Bioequivalence and Pharmaceutical Studies</p>	<p>Holds a bachelor’s degree in Pharmacy and a PhD in Medicinal and Pharmaceutical Chemistry from the University of Toledo, US. He is a member of the American Board of Pharmacy from the National Association of Boards of Pharmacy (NABP). He was a member of various committees in the Jordanian Food and Drug Corporation, in addition to his work as an expert in the field of biological medicines. He was an instructor in the Faculty of Pharmacy at the University of Toledo in the US and held various other positions including Pharmacist at the American company, CVS, Professor at the</p>



			College of Pharmacy at the University of Jordan.
<p><b>Mr. Khalid Bin Abdulrahman Al-Gwaiz</b></p>	<p>Retiree</p>	<p>CEO and Managing Director of Binladin International Holding Group</p>	<p>Holds a bachelor’s degree in Urban Planning from the University of Washington Seattle, US. He successfully completed the Advanced Credit Analysis Program at Chase Manhattan Bank, New York, gaining in-depth expertise in financial modeling and risk assessment. He completed the Executive Management Program at Harvard University, Boston and was awarded the "Fellowship" by the Royal Insurance Institute</p> <p>He has held many administrative positions. He served as a lending team leader at the Saudi Industrial Development Fund. He worked as Director of the Financial and Administration Affairs Department in Tawuniya. He then worked for the Arab National Bank as General Manager of the Credit Group before moving to Samba Financial Group as Assistant General Manager of Credit Risk Management, and then became General Manager of the Corporate Banking Group in the Central Region. He was appointed CEO of Astra Industrial Group, before becoming Managing Director of the Arab Company for Water and Energy Development (ACWA Group).</p>



<p><b>Eng. Adel Kareem Kak Ahmed</b></p>	<p>Undersecretary of the Iraqi Ministry of Electricity</p>	<p>Member of the Executive Council of the Arab Industrial Development and Mining Organization</p>	<p>Holds a bachelor's degree in Engineering. in 1983.He was previously Chairman of the Board of Directors for the Arab Federation of Chemical Fertilizers, Tassili Arab Pharmaceutical Company, Algeria, and the Arab Company for the Industry of Antibiotics (ACAI), Iraq. He served as a Board member for ACDIMA for Veterinary Medicines Industry (ACDIVET), a subsidiary of ACDIMA Pharmaceutical Industries. He was also a member of the Board of Executive Directors of the Arab Industrial Development and Mining Organization, a member of the Board of ACDIMA Pharmaceutical Industries, and a representative of the Board for Iraq from 2006 till present.</p>
<p><b>Dr. Fahad Abdulaziz Al Rabiah</b></p>	<p>Consultant in Infectious Diseases and Viruses at King Faisal Specialist Hospital and Research Center in Riyadh</p> <p>Vice Chairman of the Board of Directors of Al-Takhassusi International Holding Company</p>	<p>Head of Infectious Disease Department at King Faisal Specialist Hospital and Research Center in Riyadh</p>	<p>Holds a bachelor's degree in Medicine and Surgery from King Saud University. He received the Arab Medical Fellowship in Internal Medicine and the Canadian Fellowship in Infectious Diseases from British Columbia University. He held several positions including Chairman of the Board of the Saudi Diagnostic Co Ltd.</p>

	<p>and Chairman of the Executive Committee.</p> <p>Chairman of the Resource Development Committee for the Referral Center at the Ministry of Health.</p>		
<p>Dr. Mai Bint Abdullah Al Ajaji</p>	<p>Head of the Research Office at King Saud bin Abdulaziz University for Health Sciences</p>	<p>Associate Dean of the Student Affairs Office at King Abdulaziz Bin Saud University for Medical Sciences</p>	<p>Holds a bachelor's degree in Pharmaceutical Sciences from King Saud University, a master's degree and a PhD in Medicines and Poisons from Virginia Commonwealth University. She is an expert in pharmacy and toxicology and leads a research team dedicated to inventing new antibiotics. She also works as a consultant for a number of government entities.</p> <p>Dr. Mai Al-Ajaji, a renowned expert in pharmacy and toxicology, leverages her extensive experience and advanced consulting skills to leave a lasting impact on the scientific community. Her significant contributions to research, fostered through collaborations with universities and government entities, have advanced scientific and pharmaceutical knowledge not only in Saudi Arabia but also internationally.</p>

			Her dedication and impact have earned her recognition as a valued reference in her field.
Mr. Abdulrahman Mohammed Al Thinyan	Retired	Military Officer	Holds a master’s degree in Politics and Media. He began his career as an official of public affairs and medical affairs in the Ministry of Defense. He was the Public Relations Officer in the military attaché in the UK, then assumed various positions in the Ministry.

\* The Chairman, H.E. Mohammed Bin Talal Al-Nahas, resigned on 8 November, 2023.

\* Dr. Ahmed Hamdan Aljedai assumed the chairmanship of the Board of Directors to replace H.E. Mohammed Bin Talal Al-Nahas on 9 November, 2023.

Below is a list of company names, inside or outside the Kingdom, for which any of the members of the Board of Directors is / was serving as a Board member or as a Director

Board Members	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
<b>H.E. Mohammed Bin Talal Al-Nahas*</b>	Saudi Telecom Company	Saudi Arabia	Listed Joint Stock	Public Pension Agency	Saudi Arabia	Unlisted
	Saudi Basic Industries Corporation (SABIC)	Saudi Arabia	Listed Joint Stock	Water and Power Works Company (ACWA Power)	Saudi Arabia	Listed Joint Stock
	Asma Capital Company (ASMA Capital) - till 2023	Bahrain	Unlisted	Riyadh Investment Company RIC	Saudi Arabia	Unlisted

	Al Taawuniyah Real Estate Investment Co.	Saudi Arabia	Unlisted	National Center for Privatization	Saudi Arabia	Unlisted
	Dammam Pharmaceutical Company (Dammam Pharma) - till 2023	Saudi Arabia	Limited Liability	Raza Real Estate Company	Saudi Arabia	Unlisted
	The General Organization for Social Insurance Saudi Arabia - till 2023	Saudi Arabia	Unlisted	Traveler's Cheque Company	Saudi Arabia	Unlisted
	SPIMACO - till 2023	Saudi Arabia	Listed Joint Stock	Tiba Holding Company	Saudi Arabia	Listed Joint Stock
	Future Work Company - till 2023	Saudi Arabia	A sister company of Takamul Holding	Riyad Bank	Saudi Arabia	Listed Joint Stock
	Mudad Company - till 2023	Saudi Arabia	Affiliated to the HRSD			
<b>Dr. Ahmed Hamdan Aljedai*</b>	N/A					
<b>Mr. Ammar Abdulwahed Al-Khudairy</b>	Almarai Company	Saudi Arabia	Listed Joint Stock	Saudi National Bank	Saudi Arabia	Joint Stock
	Saudi Venture Capital Company (SVC)	Saudi Arabia	Closed Joint Stock	SNB Capital Company	Saudi Arabia	Closed Joint Stock

	Sport Clubs Company	Saudi Arabia	Limited Liability	Samba Financial Group	Saudi Arabia	Joint Stock
			Closed Joint Stock	Banque Saudi Fransi	Saudi Arabia	Joint Stock
	Alkhorayef Group	Saudi Arabia	Closed Joint Stock	Goldman Sachs Saudi Arabia	Saudi Arabia	Closed Joint Stock
	SIDF Investment Company	Saudi Arabia	Limited Liability	Morgan Stanley - Saudi Arabia	Saudi Arabia	Closed Joint Stock
	El Seif Engineering Contracting	Saudi Arabia	Limited Liability			
	Thara Al-Mustaqbal Investment Company	Saudi Arabia	Limited Liability	Allianz Saudi Company	Saudi Arabia	Joint Stock
	Amwal AlKhaleej Company	Saudi Arabia	Limited Liability	Fawaz Al Hokair & Partners Company	Saudi Arabia	Joint Stock
	Amwal AlKhaleej First Company	Saudi Arabia	Limited Liability	Arabian Shield Insurance Company	Saudi Arabia	Joint Stock
	Yasmine Al-Shorouk Trading Company	Saudi Arabia	Limited Liability	Al Tayyar Holidays Travel & Tourism Company	Saudi Arabia	Joint Stock
	Dubai Saudi Arabia Contracting Company Limited	Saudi Arabia	Limited Liability	Qantara Development Investment Co.	Saudi Arabia	Limited Liability
Al-Farabi Medicine Company	Saudi Arabia	Limited Liability	SPIMACO Egypt for Pharmaceutical Industries	Egypt	Closed Joint Stock	

	Amwal Capital Partners	United Arab Emirates	Limited Liability			
	Dubai Contracting Company LLC	United Arab Emirates	Closed Joint Stock			
	Dustin Company	United States of America	Limited Liability			
<b>Mr. Faisal Mohammed Shaker</b>	Qassim Medical Services Company	Saudi Arabia	Closed Joint Stock	Falcon Plastic Products Company	Saudi Arabia	Limited Liability
	Abdul Mohsen Al Hokair Group for Tourism and Development	Saudi Arabia	Joint Stock	SPIMACO Morocco for Pharmaceutical Industries	Morocco	Closed Joint Stock
	Aseer Company for Trade, Tourism, and Industry	Saudi Arabia	Joint Stock	SPIMACO Egypt Company	Egypt	Closed Joint Stock
	National Bank of Kuwait Wealth Management	Saudi Arabia	Closed Joint Stock	ARAC Healthcare Company	Saudi Arabia	Limited Liability
<b>Dr. Mohammad Khalil Mohammad</b>	Arab Company for Pharmaceutical Industries (SAIF)	Tunisia	Limited Liability			
	The Arab Company for the Pharmaceutical Industry (Akbitra)	Syria	Limited Liability			
	The Arab Pharmaceutical	Algeria	Closed Joint Stock			

	Company Tassili (Taphco)					
	Cad Middle East Pharmaceutical Industries Co.	Saudi Arabia	Closed Joint Stock			
	SPIMACO Morocco for Pharmaceutical Industries	Morocco	Closed Joint Stock			
	The Arab Company for Antibiotic Industries and Supplies (Acai)	Iraq	Joint Arab Company			
<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz</b>	Riyadh Cables Gr	Saudi Arabia	Listed Joint Stock	Water and Power Works Company	Saudi Arabia	Closed Joint Stock
	Al Rajhi Bank	Saudi Arabia	Listed Joint Stock	Astra Industrial Group	Saudi Arabia	Listed Joint Stock
	Bawan Holding Company	Saudi Arabia	Listed Joint Stock	Jazan Industrial Gases Company	Saudi Arabia	Limited Liability
	SEDCO Capital	Saudi Arabia	Closed Joint Stock	Saudi Cooling Company	Saudi Arabia	Closed Joint Stock
	Emcore Saudi Co. Ltd.	Saudi Arabia	Limited Liability	The Arab Company for the Manufacturing of Medical Products	Saudi Arabia	Limited Liability
	Unique Solutions for Chemical Industries	Saudi Arabia	Limited Liability	Roaya Home Holding Company	Saudi Arabia	Limited Liability

	International Union Construction Company	Saudi Arabia	Limited Liability	Roaya Development Holding Company	Saudi Arabia	Limited Liability
				SWICORP	Saudi Arabia	Closed Joint Stock
<b>Eng. Adel Kareem Kak Ahmed</b>	Arab Company for Pharmaceutical Industries and Medical Appliances (Acdima)	Jordan	Joint Stock Company	The Arab Pharmaceutical Company Tassili (Taphco)	Algeria	Closed Joint Stock
	Acdima Company for Veterinary Medicines Industry (Akbitra)	Syria	Limited Liability			
<b>Mr. Abdulrahman Mohammed Al Thinyan</b>	N/A			Qassim Medical Services Company	Saudi Arabia	Closed Joint Stock
				The Arab Pharmaceutical Company Tassili (Taphco)	Algeria	Closed Joint Stock
<b>Dr. Fahad Abdulaziz Al Rabiah</b>	King Faisal Specialist Hospital International Holding Company	Saudi Arabia	Holding Company	N/A		
<b>Dr. Mai Bint Abdullah Al Ajaji</b>	N/A					

\* The Chairman, H.E. Mohammed Bin Talal Al-Nahas, resigned on 8 November, 2023.

\* Dr. Ahmed Hamdan Aljedai assumed the chairmanship of the Board of Directors to replace H.E. Mohammed Bin Talal Al-Nahas on 9 November, 2023.



Below is a description of any interest, contractual securities, or subscription rights owned by Board members in the 12th term, or their relatives, in the shares or debt instruments of the Company or any of its subsidiaries, and any change therein during financial year 2023

Name	Total Number of Shares as of 01/01/2023	Total Number of Shares as of 31/12/2023	Net Change	Percentage of Change
H.E. Mohammed Bin Talal Al-Nahas*	-	-	-	-
Dr. Ahmed Hamdan Aljedai*	-	308	308	100%
Mr. Ammar Abdulwahed Al-Khudairy	1,000	1,000	-	-
Mr. Faisal Mohammed Shaker	1,000	1,000	-	-
Dr. Mohammad Khalil Mohammad	-	-	-	-
Eng. Adel Kareem Kak Ahmed	-	-	-	-
Mr. Abdulrahman Mohammed Al Thinyan	1,685	1,685	-	-
Mr. Khalid Bin Abdulrahman Al-Gwaiz	10	0	10	100%
Dr. Fahad Abdulaziz Al Rabiah	27,000	27,000	-	-
Dr. Mai Bint Abdullah Al Ajaji	50	50	-	-

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\* Dr. Ahmed Hamdan Aljedai assumed the chairmanship of the Board of Directors to replace H.E. Mohammed Bin Talal Al-Nahas on 9 November, 2023.

Below is a description of any interest, contractual securities, or subscription rights belonging to the relatives of Board members in the shares or debt instruments of the Company or any of its subsidiaries, and any change in that interest or those rights during financial year 2023

Name	Total Number of Shares as of 01/01/2023	Total Number of Shares as of 31/12/2023	Net Change	Percentage of Change
Relatives of Mr. Faisal Mohammed Amin Shaker	15,939,650	0	15,939,650	100%
Relatives of Dr. Fahad Abdulaziz Al Rabiah	99,818	105,609	5,791	2.82%

## Board Meetings

During 2023, the Board of Directors held 7 meetings, as follows

Board Members	Job title	Capacity	1st Meeting 22/03/202 3	2nd Meeting 28/03/202 3	3rd Meeting 10/05/202 3	4th Meeting 08/06/2023	5th Meeting 28/09/202 3	6th Meeting 08/11/202 3	7th Meeting 09/12/2023
<b>H.E. Mohammed Bin Talal Al-Nahas*</b>	Chairman	Non-Executive	Present	Present	Present	Present	Present	Present	
<b>Dr. Ahmed Hamdan Aljedai*</b>	Chairman	Independent							Present
<b>Mr. Ammar Abdulwahed Al-Khudairy</b>	Deputy Chairman	Independent	Present	Present	Present	Present	Absent	Present	Present
<b>Mr. Faisal Mohammed Shaker</b>	Member	Non-Executive	Present	Present	Present	Present	Present	Present	Absent
<b>Dr. Mohammad Khalil Mohammad</b>	Member	Non-Executive	Present	Present	Present	Present	Present	Present	Present
<b>Mr. Abdulrahman Mohammed Al Thinyan</b>	Member	Independent	Present	Present	Present	Present	Present	Present	Present
<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz</b>	Member	Non-Executive	Present	Present	Present	Present	Present	Present	Present

<b>Dr. Fahad Abdulaziz Al Rabiah</b>	Member	Independent	Present	Present	Present	Present	Present	Present	Present
<b>Eng. Adel Kareem Kak Ahmed</b>	Member	Non-Executive	Present	Present	Present	Present	Present	Present	Present
<b>Dr. Mai Bint Abdullah Al Ajaji</b>	Member	Independent	Present	Present	Present	Present	Present	Present	Present

\* The Chairman, H.E. Mohammed Bin Talal Al-Nahas, resigned on 8 November, 2023.

\* Dr. Ahmed Hamdan Aljedai assumed the chairmanship of the Board of Directors to replace H.E. Mohammed Bin Talal Al-Nahas on 9 November, 2023.

## Company Committees

Under Corporate Governance Regulations, the Company's Board of Directors is entitled to form specialized committees as may be required by the Company's course of business, situation, and standing. The committees' roles, responsibilities, powers, term of membership, and standard operating procedures are defined in its business regulations. The committees of the Company include the Executive Committee, the Remuneration and Nomination Committee, the Governance and Risk Committee, and the Audit Committee.

### Executive Committee

For the 12th term, the committee is composed of 5 Board members as decided by the Board. The committee shall convene periodically or as required. Below is a list stating the names of the committee members, their current and previous jobs, their experience and qualifications

Names	Current Position	Previous Position	Qualifications and Experience
<b>H.E. Mohammed Bin Talal Al-Nahas</b>			Current and previous positions, qualifications and experience have been mentioned earlier.
<b>Dr. Ahmed Hamdan Aljedai**</b>			
<b>Mr. Ammar Abdulwahed Al-Khudairy</b>			
<b>Mr. Faisal Mohammed Shaker*</b>			
<b>Dr. Mohammad Khalil Mohammad</b>			
<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz*</b>			

\* Mr. Khalid Al-Gwaiz was appointed as a member of the Executive Committee to replace Mr. Faisal Shaker on 28 September, 2023.

\*\* Dr. Ahmed Hamdan Aljedai was appointed Chairman of the committee to replace H.E. Mohammed Bin Talal Al-Nahas on 14 November, 2023.

## Executive Committee Meetings

The Executive Committee held 5 meetings in 2023. Below is the attendance of the members of the committee at the meetings

Names	Job title	1st Meeting 23/01/2023	2nd Meeting 19/02/2023	3rd Meeting 16/05/2023	4th Meeting 14/09/2023	5th Meeting 30/11/2023
<b>H.E. Mohammed Bin Talal Al-Nahas**</b>	Chairman	Present	Present	Present	Present	
<b>Dr. Ahmed Hamdan Aljedai**</b>	Chairman					Present
<b>Mr. Ammar Abdulwahed Al-Khudairy</b>	Member	Absent	Present	Present	Present	Present
<b>Dr. Fahad Abdulaziz Al Rabiah</b>	Member	Present	Present	Present	Present	Present
<b>Mr. Faisal Mohammed Shaker*</b>	Member	Present	Present	Present	Present	
<b>Eng. Adel Kareem Kak Ahmed</b>	Member	Present	Present	Present	Present	Present
<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz*</b>	Member					Present

\* Mr. Khalid Al-Gwaiz was appointed as a member of the Executive Committee to replace Mr. Faisal Shaker on 28 September, 2023.

\*\* Dr. Ahmed Hamdan Aljedai was appointed Chairman of the committee to replace H.E. Mohammed Bin Talal Al-Nahas on 14 November, 2023.

## Committee Duties and Responsibilities

The Executive Committee oversees the Board of Directors' established vision, mission, and strategic objectives, ensuring their successful implementation. To fulfill its responsibility, the committee undertakes the following tasks:

- Support the Board in crafting strategic goals, develop an operating model to achieve them, shape long-term and short-term business plans, and monitor policies to ensure effectiveness.
- Review annual budgets and plans, and investigate the significant differences related to budgets, if any, before presentation to the Board.
- Advise the Board on establishing, adjusting, and monitoring the delegation of authority across the Company, its regional groups, and subsidiaries (adhering to approved governance models).



- Evaluate the performance of the Company, regional groups, and subsidiaries, reviewing management reports before submitting them to the Board for final approval.
- Examine and advise on material issues before presenting them to the Board.
- Assist the Board in carrying out its responsibilities, in particular the tasks assigned to the committee by the Board.
- Support the Board in supervising and overseeing company investments by formulating policies, setting guidelines, monitoring portfolio management, approving decisions within designated authority limits, and disposing of major assets in accordance with the powers matrix.
- Provide recommendations on finance and treasury matters such as financing strategies and funding facilities.
- Support the Board of Directors in assessing and implementing financing choices aligned with the established financing strategy.
- Ensure due diligence and feasibility studies for every critical issue or transaction before presenting recommendations to the Board.
- Exercise delegated powers outlined in the Board-approved authority matrix.

### Additional Responsibilities

- Collaborate with other committees on matters requiring cross-functional expertise. In this endeavor, the Executive Committee actively collaborates with other Board committees.
- Review previous meeting minutes, follow up on decisions, and ensure addressed issues are resolved.
- Perform any other activities compliant with regulations, company bylaws, and governing laws.
- Communicate all committee decisions and recommendations with the Board.
- Handle matters assigned by the Board. In addition, the committee is responsible for the relevant purview set forth in the organizational structure of governance of SPIMACO and its subsidiaries, as approved by the Board of Directors.

### Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of 5 members, 2 are Board members and 3 are non-Board members. They were appointed by the Board of Directors. Below is a list of the names of the committee members, their current and previous jobs, their experience and qualifications

Names	Current Position	Previous Position	Qualifications and Experience
<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz</b>			Current and previous positions, qualifications, and experience have been mentioned earlier.
<b>Dr. Mai Bint Abdullah Al Ajaji</b>			
<b>Mr. Ahmed Misfer Al-Ghamdi</b>	Chief Human Resources Officer, Saudi Telecom Company Group	Vice President of Human Resources for Saudi Telecom Company	Holds a bachelor's degree in Industrial Engineering from King Fahd University of Petroleum and Minerals and a master's degree in Business Administration from the University of Hull. Moreover, he completed the Certified Executive Strategy Program – INSEAD.
<b>Mr. Mohammed Bin Nazzal Al-Khaldi</b>	Director of Public Services Department, General Organization for Social Insurance	Assistant Governor of Administrative Affairs for the Retirement Agency in Riyadh  General Manager of Human Capital Operations for Advanced Selling Company in Riyadh  Director of Planning and Training	Holds a master's degree in Business Administration from Al Yamamah University and a bachelor's degree in Business Administration and Human Resources Management from King Abdulaziz University.

		Programs - Maaden Company	
<b>Mrs. Munira Abdulaziz Al-Mohammed</b>	Chief Executive Officer of Shared Services, Halal Products Development Company affiliated to Investments Fund	HR Project/Organizational Development Manager for Arabian Centers Company  Director of Human and Administrative Resources for Raidah Investment Company	Holds a bachelor’s degree in Languages and Translation (English) from King Saud University and was awarded a number of professional certificates in the fields of Human Resources, CHRM, and CIPD from Oakwood International. Over her career, she has gained extensive experience in human resources. She was the Recruitment Manager at Novartis

### Remuneration and Nomination Committee Meetings

The Remuneration and Nomination Committee held 8 meetings in 2023. Below is the attendance of the members of the committee at the meetings

Names	Job title	1st Meeting on 19/02/2023	2nd Meeting on 13/03/2023	3rd Meeting on 10/05/2023	4th Meeting on 06/09/2023	5th Meeting on 18/09/2023	6th Meeting on 05/10/2023	7th Meeting on 01/11/2023	8th Meeting** on 26/12/2023
<b>Dr. Mai Bint Abdullah Al Ajaji*</b>	Chairman	Present	Present	Present	Present	Present	Present	Present	Present
<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz*</b>	Member	Present	Present	Present	Present	Present	Present	Present	Present



<b>Mr. Mohammed Bin Nazzal Al-Khalidi</b>	Member	Absent	Present	Present	Present	Present	Present	Present	Present
<b>Mr. Ahmed Misfer Al-Ghamdi</b>	Member	Absent	Present	Present	Present	Present	Present	Present	Present
<b>Mrs. Munira Abdulaziz Al-Mohammed</b>	Member	Absent	Present	Present	Present	Present	Present	Present	Present

\* Dr. Mai Al Ajaji was appointed Chairman of the committee to replace Mr. Khalid Al-Gwaiz on 28 September, 2023.

\*\* The attendance allowance for the eighth meeting was paid in the year 2024.

### Committee Duties and Responsibilities

- Nominate candidates to the membership of the Board of Directors in accordance with the approved policies and standards and exclude those who have an existing criminal record.
- Review annual requirements including the job description of Board members while, setting the time the member shall allocate for their roles and responsibilities.
- Review the structure of the Board of Directors and Executive management and make recommendations for the required changes.
- Identify the weaknesses and strengths of the Board of Directors and propose how to address them in the best interests of the Company.
- Ensure, on an annual basis, the independence of the Independent members, and the absence of any conflict of interest if any member is a member of the Board of Directors of another company or has dealings competing against the Company's activities.
- Observe performance criteria, develop clear policies for the compensation and remunerations of Board and committee members as well as senior Executives, and submit them for review by the Board of Directors before being approved by the General Assembly, as well as the disclosure and verification of their implementation.

- Periodically review the remuneration policy and assess its ability to achieve its objectives.
- Subject to the applicable policy, advise the Board of Directors on the remunerations of the Board and committee members as well as senior Executives.
- Propose clear policies and criteria for membership of the Board of Directors and Executive management.
- Prepare a description of the capabilities and qualifications of Board membership and Executive management positions.
- Set the time that a member shall allocate for the work of the Board of Directors.
- Develop job descriptions for Executive, Non-Executive, Independent members and senior Executives.
- Establish succession procedures in the event that a Board or senior Executive position is declared vacant.
- Oversee the Company’s remuneration and incentive plans - including the Executive management’s - and the procedures and practices regulating them. Prepare an Annual Report on the Executive management remuneration and incentives granted over the year and include the same in the Company’s Annual Report.

### Audit Committee

The Audit Committee consists of 4 members appointed by the General Assembly Meeting. Below is a list of names of the members of the committee, their current and previous jobs, and their experience and qualifications

Names	Job Title	Current Position	Previous Position	Qualifications and Experience
<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz</b>	Chairman	Current and previous positions, qualifications and experience have been mentioned earlier.		
<b>Dr. Khalid Daoud Al-Faddagh</b>	Member	Member of several Boards of Directors and Audit, Risk, and	Saudi Aramco’s General Auditor and Secretary of the Internal Audit Committee	Holds a PhD in Mechanical Engineering from the University of London. He embarked on his career at Aramco and worked for 30 years until he retired in 2015. At that time, he was the General Auditor and Internal Audit Secretary to the Saudi Aramco Board of Directors. He also served as Chief Executive Officer of the joint company in the Philippines, participated in

		Compliance Committees		a number of memberships of different Boards of Directors and managed the program of quality, specifications, and industrial safety.
<b>Mrs. Kholoud Abdulaziz Al-Dakhil</b>	Member	The Founder and CEO of Irtikaa Financial Company	Managing Director for Al-Dakhil Financial Group  Assistant General Manager for Samba Financial Group	Holds a master’s degree in Business Administration - Finance from the American University (Washington DC) and a CFA certificate and a Capital Market Authority license, specializing in corporate financing operations. Her Board and Committee appointments span diverse organizations, including serving as a Director and Audit Chair at Financial Analytics (a licensed credit rating agency), Advisor to the Capital Market Authority, Director and Committee member at the Riyadh Chamber, Director and Chair at Arabian Drilling, and holding various Board and Committee positions at BNY Mellon Saudi, Kafalah Program, Misk Arts Institute, Riyadh Cable Group, and several foundations. She serves on the Audit Committees of the pharmaceutical company, the King Salman Park Foundation, and the Sports Path Foundation.
<b>Dr. Abdullah Bin Sagheer Al Husaini</b>	Member	Academic Professor of Accounts and Auditing	Administrative and Financial Advisor London	Earned a bachelor’s degree in Accounting in 1990. He completed his master’s degree and PhD in accounting in 1997 and 2005, respectively. Besides his academic career and research papers in accounting and auditing, he has 30-years practical experience. He is a member of several Boards of Directors, Audit, Credit, Risk, and Compliance Committees and a Financial Advisor for several entities. He participated in a variety of conferences, courses, seminars, and exhibitions inside and outside the KSA.

### Audit Committee Meetings

The Audit Committee held 9 meetings in 2023. Below is the attendance of the members of the committee at the meeting

Names	Position	1st Meeting	2nd meeting	3rd meeting	4th Meeting	5th Meeting	6th Meeting	7th Meeting	8th Meeting	9th Meeting
		on 16/02/2023	on 14/03/2023	on 22/03/2023	on 15/05/2023	on 24/05/2023	on 7/08/2023	on 7/09/2023	on 26/10/2023	on 5/11/2023
<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz</b>	Chairman	Present	Present	Present	Present	Present	Present	Present	Present	Present
<b>Dr. Khalid Daoud Al-Faddagh</b>	Member	Present	Present	Present	Present	Present	Present	Present	Present	Present
<b>Mrs. Kholoud Abdulaziz Al-Dakhil</b>	Member	Present	Present	Present	Present	Present	Present	Present	Present	Present
<b>Dr. Abdullah Bin Sagheer Al Husaini</b>	Member	Present	Present	Present	Present	Present	Present	Present	Present	Present



## Committee Duties and Responsibilities

- Make recommendations to the Board of Directors on nominating and dismissing chartered accountants, determining their fees, and assessing their performance, after verifying their independence, reviewing the scope of their work, and the terms of their contracts.
- Review and offer notes on the action plan of the Company's chartered accountant and verify that no technical or administrative work beyond the scope of auditing is submitted.
- Review the chartered accountant's report, their notes on the financial statements and follow-up actions.
- Respond to the chartered accountant's inquiries.
- Review and evaluate the Company's internal and financial controls.
- Oversee the performance of the Internal Audit department in the Company, to make sure all required resources are available and conducive to carrying out the department assignments by the Board of Directors.
- Review the Company's annual internal audit plan.
- Inspect the internal audit reports and follow up on the implementation of the corrective actions on the notes contained therein.
- Inspect the Company's interim and annual financial statements before being submitted to the Board of Directors and express their opinion and recommendation thereon to ensure their integrity, fairness, and transparency.
- Investigate any significant issues or errors contained in the financial reports.
- Verify the Company's compliance with relevant laws, regulations, policies, and instructions.
- Thoroughly discuss any issue raised by the Company's Financial Manager, their deputy, the Company's Compliance Officer, or the auditor.
- Verify major accounting estimates contained in financial reports.
- Review the results of regulatory authorities reports and make sure that necessary actions are taken in this regard.
- Verify the Company's compliance with relevant laws, regulations, policies, and instructions.
- Review the proposed contracts and transactions between the Company and related parties and express opinion thereon to the Board of Directors.
- Refer any issue it deems critical to the Board of Directors for action and make recommendations thereon.

### Governance and Risk Committee

The Governance and Risk Committee is composed of 5 members, 3 are Board members and 2 are non-Board members. They were appointed by the Board of Directors. Below is a list of the names of the committee members, their current and previous jobs, their experience and qualifications

Names	Current Positions	Previous Position	Qualifications and experience
<b>Mr. Faisal Mohammed Shaker</b>	Current and previous positions, qualifications, and experience have been mentioned earlier.		
<b>Dr. Mohammad Khalil Mohammad</b>			
<b>Mr. Abdulrahman Mohammed Al Thinyan</b>			
<b>Mr. Khaldoun Abdullah Al-Fakhri</b>	Board Chairman Advisor and the CEO of Al Afdhal Trading Company Vice Chairman of the Board of Al Yusr Leasing, and Financing Co Member of the Risk Committee at the Saudi Mortgage Guarantees Company (Damanat) Member of the Audit and Risk Committee at Sidra Capital	Head of Risk Management at Alawwal Bank (formerly Dutch Bank)	Holds a bachelor’s degree in Computer Information Systems from Webber State University, Ogden, Utah, USA, and a Master of Science in Accounting from Colorado State University, USA. He held several leading positions at Samba Financial Group. He was the acting head of the Risk Management department at Al-Rajhi Bank and a member of the Risk, Governance, and Compliance Committee for the Retirement Foundation. He was also a member in several Boards of Directors and committees in a group of entities.

	<p>Member of the Audit and Risk Committee at the King Salman International Airport Development Company</p> <p>Member of Risk Management Committee of Saudi EXIM Bank</p>		
<p><b>Mr. Thamer Abdullah Al-Humud</b></p>	<p>Head of the Governance and Legal Group at Al Rajhi Bank</p>	<p>Director of Legal Affairs at Al Ra'idah Investment Company</p>	<p>Holds a bachelor's degree in Law from King Saud University and a master's degree in Financial and Securities Law from the University of California, US. He started his career as a Legal Advisor at the Food and Drug Authority, and then moved to the Nazareth Rose Fulbright Law Firm. He also worked in the Capital Market Authority as Director of the Board's Decisions and Instructions Unit.</p>



### Governance and Risk Committee Meetings

For its 12th term in 2023, the Governance and Risk Committee held 3 meetings. Below is the attendance of the members of the committee at the meetings

Names	Position	1st Meeting on 01/03/2023	2nd Meeting on 19/09/2023	3rd Meeting on 06/12/2023
<b>Mr. Faisal Mohammed Shaker</b>	Chairman	Present	Present	Present
<b>Dr. Mohammad Khalil Mohammad</b>	Member	Present	Present	Present
<b>Mr. Abdulrahman Mohammed Al Thinyan</b>	Member	Present	Present	Present
<b>Mr. Thamer Abdullah Al-Humud</b>	Member	Present	Present	Present
<b>Mr. Khaldoun Abdullah Al-Fakhri</b>	Member	Present	Present	Present

### Committee Duties and Responsibilities

To ensure effective governance, the committee assists the Board of Directors by proactively monitoring and evaluating the Company's governance and risk management systems. The committee is primarily responsible for the following:

#### Corporate Governance

- Oversee and guide the development and implementation of Company governance policies across the Company and its subsidiaries, aligned with subsidiaries' governance models.
- Regularly review the governance framework for compliance with legal requirements and best practices, recommending necessary updates to the Board.
- Continuously evaluate current corporate governance guidelines, considering local, regional, and global developments, and recommend amendments to the guidelines for consideration by the Board.
- Keep the Board informed on advancements in governance and best practices, or delegate the task as needed.





## Risk Management

- Design a comprehensive risk strategy and align policies proportionate to the Company's size and activities. These are presented to the Board for approval, with the committee overseeing their implementation, assessing their effectiveness, and recommending updates in response to internal and external changes.
- Design the Risk Appetite Framework (RAF) to define and retain an acceptable risk tolerance level and verify that the Company does not exceed it, and hold the Company's management accountable for the integrity of that framework, including timely identification of violations, addressing violations of risk limits, and reporting on exposure to grave risks.
- Regularly assess the Company's long-term viability and ongoing success, proactively identifying potential risks that could threaten its continuity within the next year.
- Regularly assess the Company's risk tolerance and ensure optimal risk management practices are in place.
- Oversee the Company's risk management system, discuss its periodic reports, and evaluate the effectiveness of the systems and mechanisms of identifying, measuring, and following up on the risks to which the Company may be exposed.
- Keep the Board and management apprised of emerging and ongoing risk issues, ensuring a comprehensive understanding of the risk landscape.
- Provide robust oversight of the Company's risk management framework, ensure its effective implementation, and continuous improvement.
- Regularly review the Company's risk appetite and acceptable limits and recommend adjustments to the Board as needed.
- Ensure the Company has the necessary resources and robust systems in place to effectively manage all corporate risks.
- The committee convenes regularly to conduct thorough examinations and reviews of risk management activities.
- Delve deeper into detailed risk assessments and critical risk mitigation plans and make necessary interventions to ensure appropriate risk mitigation strategies are implemented.
- Conduct annual risk assessments to identify and evaluate risks inherent in SPIMACO's business strategies and plans.
- Working closely with the Audit Committee, the committee reviews and addresses any problems or issues with potential risk implications for SPIMACO.
- Assess the risks of underperforming investments to the Company and making recommendations thereon.
- Ensure that the subsidiaries of SPIMACO fulfil their roles and responsibilities in risk management, which is to learn the Company-related risks and their potential impacts.

### Additional Responsibilities

- The committee critically assesses the organizational structure of the Governance Department, recommending refinements before Board approval.
- To fulfill its responsibilities, the committee, through its Chairperson, members, or designated delegate, has the authority to directly communicate with and request information from Company Executives, internal auditors, and even the external auditor. The committee can summon personnel to meetings or request crucial information, ensuring comprehensive oversight.
- Collaborate with other committees on matters requiring cross-functional expertise. In this endeavor, the committee actively collaborates with other Board committees.
- Review previous meeting minutes, follow up on decisions, and ensure addressed issues are resolved.
- Regularly assess the accuracy and effectiveness of the committee's work regulations (at least every 3 years) and propose any necessary changes to the Board for approval.
- Perform any other activities compliant with regulations, company bylaws, and governing laws.
- Promptly inform the Board of all committee decisions and recommendations at the next regular meeting.
- Execute tasks and address issues specifically assigned by the Board of Directors.

### Executive Management

Below are the current and previous positions of the members of the Executive management, and their qualifications and experience

Members	Current Position	Previous Position	Qualifications and Experience
<b>Mr. Khaled Saleh Al-Khattaf</b>	Chief Executive Officer of SPIMACO - till 30 September, 2023 Advisor to the Board of Directors from 30 September, 2023 until 4 January, 2024.	Vice President of Finance and Chief Financial Officer at the Saudi Arabian Mining Company (Ma'aden)	Holds a master's degree in Accounting, Finance, and International Business from the University of Colorado Denver, a bachelor's degree in Accounting from King Saud University, and a degree in Applied Economics from the American University in Washington. He assumed various positions in financial institutions, including the Saudi Arabian Monetary Agency and the World Bank in Washington. He also held the positions of Financial Director of the Saudi Capital Market Authority (Tadawul), Managing Director and CEO of Nomura Bank, and CEO of Lavana Investment Holding Company.

			He currently holds the position of Chairman of the Boards of Directors of several companies, including ARAC Healthcare Company, SPIMACO Misr for Pharmaceutical Industries - Republic of Egypt, SPIMACO Morocco for Pharmaceutical Industries - Kingdom of Morocco. He was previously a member of the Boards of Directors and several committees such as Lavana Investment Holding Company, Al Raeda Investment Company, Samba Capital, and Investment Management Company.
<b>Mr. Jerome Cabannes*</b>	Chief Operating Officer Chief Executive Officer-designate from 10 January, 2023	Chief Strategic Officer at AJ Vaccines Company	Holds a master's degree in Biomedical Engineering in 1992. He worked in several pharmaceutical companies across Europe, Asia and Latin America.
<b>Dr. Michael Baum</b>	Chief Executive Financial Officer	Chief Executive Financial Officer for Bayer, Brazil	Holds a master's degree and a PhD in Business Administration from Bradford University in the UK. He occupied several leading positions in Bayer along with other countries including Brazil, Germany, and China.
<b>Dr. Maged Taha</b>	Chief Commercial Officer	Vice Executive Chairman of Sales and Marketing Management at Tabuk Pharmaceuticals Company	Holds a bachelor's degree in Medicine and General Surgery from Cairo University. He has 25 years of experience during which he assumed a variety of leading positions crowned by his position as the Vice Executive Chairman of Sales and Marketing Management at Tabuk Pharmaceuticals Company.
<b>Mr. Amjad Ali</b>	Chief Internal Auditor	Vice President and Head of Internal Auditing at Vision Invest (ACWA) Holding Company	Holds a bachelor's degree in Commerce from the University of Karachi, Pakistan. He is also a Certified Professional Accounting Affiliate from the Institute of Chartered Accountants in Pakistan. He was awarded the following certificates from the Institute of Internal Auditors from the US: - Certified Internal Auditor (CIA)



			<ul style="list-style-type: none"> <li>- Certified in Risk Management Assurance (CRMA)</li> </ul> <p>He received the following certificates from the Information Systems Audit and Control Association (ISACA) based in the US:</p> <ul style="list-style-type: none"> <li>- Certified Information System Auditor (CISA)</li> <li>- Certified Information Security Manager (CISM)</li> <li>- Certified in Governance of Enterprise IT (CGEIT)</li> <li>- Certified in Risk and Information Systems Controls (CRISC)</li> </ul> <p>Demonstrating a commitment to continuous professional development, he holds multiple industry-recognized certifications, including the Certified Fraud Examiner (CFE) from the Association of Certified Fraud Examiners, Project Management Professional (PMP), and Risk Management Professional (PMI-RMP) from the Project Management Institute, and Certified Lead Auditor (ISO 9001:2015 &amp; ISO 45001:2018).</p> <p>He is also accredited by GCC BDI Institute as a Certified Board Director. He has been an Audit and Risk Committee member of various organizations in the Kingdom. He has more than 24 years of practical experience in the field of internal auditing and risk management with several companies, including Ernst &amp; Young and ACWA Holding.</p>
<p><b>Mrs. Ana Ruibal</b></p>	<p>Chief Developer Officer</p>	<p>Business Unit Manager at AstraZeneca</p>	<p>Holds a bachelor's degree in Business Administration and Economics from Belgrano University in Argentina and a master's degree in Business Administration from INSEAD. She completed the Financial Excellence Program at Harvard University in the United States.</p> <p>She has assumed several positions including CEO of the Audit and Risk Management Development Program at Novartis in Singapore and Vice President and Director of Strategy and Innovation at Spanrose in the United States.</p>

<p><b>Mr. Mohammed Alassmari</b></p>	<p>Chief Human Resources Officer  Member of the Board of Directors for ARAC Company</p>	<p>Chief Human Resources Operations Officer at ACWA Power</p>	<p>Holds a master’s degree in Law from York University and a master’s degree in International Law from Oxford University. He worked as a Legal Advisor for Labor Law at the Ministry of Labor. Throughout his professional career, he occupied numerous positions in human resources management, as he worked as Head of Human Resources Services and Administration Shared Services at Almarai Company, General Manager of Human Resources and Shared Services at Hana Water Company, and Head of Human Resources Operations (Saudi Arabia and the GCC countries) at Tasnee Company.</p>
<p><b>Dr. Jan-Olav Henk</b></p>	<p>Chief Scientific Officer</p>	<p>Senior Vice Chairman and the Chief Developer at Cyanogen Limited</p>	<p>Holds a diploma in Chemistry from the University of Duisburg-Essen in Germany and a PhD in Natural Sciences from the University of Innsbruck. He was the Vice Chief of the Formula Department at Bayer AG Pharma in Wuppertal Germany. Previously, he assumed several positions at Bayer AG Germany, and Aptuit / SSCI in the US.</p>
<p><b>Mr. Atef Zouari</b></p>	<p>Executive Director of Operations Asset Performance Acting Chief Operating Officer</p>	<p>Chief Financial Officer for Al Durrah Sugar Refinery</p>	<p>Holds a bachelor’s degree in Accounting and Finance, a master’s degree in Banking, Corporate, Finance, and Securities Law, and an Executive MBA in Finance. He has over 20 years of experience across diverse industries and geographies. His proven track record of success in complex matrix structures spans North Africa, GCC, and Europe, encompassing achievements in pharmaceutical, food commodities, agribusiness, chemicals, tobacco, and petroleum industries.</p>

Below is a description of any interest, contractual securities, or subscription rights owned by senior Executives or their relatives in the shares or debt instruments of the Company or any of its subsidiaries, and any change therein during the fiscal year 2023

Name	Total Number of Shares as of 01/01/2023	Total Number of Shares as of 31/12/2023	Net Change	Percentage of Change
<b>Mr. Khaled Saleh Al-Khattaf</b>	19,000	0	19,000	100%
<b>Mr. Jerome Cabannes</b>	-	-	-	-
<b>Dr. Michael Baum</b>	-	-	-	-
<b>Dr. Maged Taha</b>	-	-	-	-
<b>Mr. Amjad Ali</b>	-	-	-	-
<b>Mrs. Ana Ruibal</b>	-	-	-	-
<b>Mr. Mohammed Alassmari</b>	-	-	-	-
<b>Dr. Jan-Olav Henk</b>	-	-	-	-
<b>Mr. Atef Zouari</b>	-	-	-	-

It should be noted that there are no interest, contractual securities, or subscription rights belonging to senior Executives or their relatives in the shares or debt instruments of the subsidiaries.

The results of the annual auditing of the effectiveness of the Company's internal controls, along with the Audit Committee's opinion on the adequacy of the Company's internal control systems:

The Audit Committee shall monitor the Company's business and verify the integrity and reliability of its financial reports, financial statements, and the internal controls. Therefore, the Audit Committee prepares an opinion report on the adequacy of the internal control systems as well as other activities conducted by SPIMACO within the scope of its work. The Auditors' Report details the activities of the Audit Committee during 2023 in line with the roles and responsibilities stated in its charter, which was established in accordance with the requirements of the Companies Law and the Corporate Governance



Regulations issued by the Board of the Capital Market Authority. During 2023, the Audit Committee carried out its assignments pursuant to the applicable regulations:

- Review the interim (first quarter, second quarter, and third quarter of 2023) and annual consolidated financial statements for 2022 to verify their fairness and transparency. This shall be conducted considering the presentation and disclosures contained therein and in accordance with the generally accepted international accounting standards applicable in the Kingdom before being published on the Company's page at "Tadawul" on the date specified by the Capital Market Authority. Additionally, advise the Board of Directors on the annual consolidated financial statements before being submitted to the General Assembly for approval.
- Meet with the external auditor of the Company to review the action plan and ensure no technical or administrative work beyond their scope is carried out.
- Review the reports and notes submitted by the external auditor and meet with them to go through financial statements before approving them to verify their independence, objectivity, and effectiveness of the audit work, as well as answer their inquiries and ensure that there are no obstacles to conducting their work.
- Inspect the reports and notes submitted by the internal auditor and meet with the Executive management to discuss the departments' action plans to address the risks detected by these reports to establish perfect and effective controls.

Accordingly, the committee has concluded that the auditing work conducted by the internal and external auditors in 2023 shows that actions were taken to enhance internal controls and manage risks with a view to overcoming weaknesses in operations, structure, and effectiveness. A variety of initiatives were launched to improve financial, IT, cybersecurity, administrative, and operating controls. The initiatives are to be completed progressively as they need time to bear fruits. Based on the presentations of the management, the auditing process generally concluded that internal controls are weak and require increased support and development to maximize their effectiveness.

## Shareholders General Assembly Meetings

The Chairman of the Board of Directors, via the meetings of the Board, conveys to all Board members the shareholders' proposals and their comments on the Company and its performance. Such proposals and comments are received by the Company's e-mail dedicated to shareholders' affairs or raised at the General Assembly Meetings, which represent a channel of communication between the shareholders and the Company.

During 2023, the Company held 1 Ordinary General Assembly Meeting on 21 June, 2023. Below is a record of the attendance of the Board members at the General Assembly Meeting:

No.	Name	Position	21/06/2023
1	H.E. Mohammed Bin Talal Al-Nahas	Chairman	Present
2	Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman	Present
3	Mr. Faisal Mohammed Shaker	Member	Present
4	Dr. Mohammad Khalil Mohammad	Member	Present
5	Dr. Fahad Abdulaziz Al Rabiah	Member	Present
6	Mr. Khalid Bin Abdulrahman Al-Gwaiz	Member	Present
7	Mr. Abdulrahman Mohammed Al Thinyan	Member	Present
8	Eng. Adel Kareem Kak Ahmed	Member	Present
9	Dr. Mai Bint Abdullah Al Ajaji	Member	Present

During 2023, the Company held 1 Extraordinary General Meeting for shareholders on 14 November, 2023. Below is a record of the attendance of the Board members at the meeting

No.	Name	Position	14/11/2023
1	Dr. Ahmed Hamdan Aljedai	Chairman	Present
2	Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman	Present
3	Mr. Faisal Mohammed Shaker	Member	Present
4	Dr. Mohammad Khalil Mohammad	Member	Present





5	<b>Dr. Fahad Abdulaziz Al Rabiah</b>	Member	Present
6	<b>Mr. Khalid Bin Abdulrahman Al-Gwaiz</b>	Member	Present
7	<b>Mr. Abdulrahman Mohammed Al Thinyan</b>	Member	Present
8	<b>Eng. Adel Kareem Kak Ahmed</b>	Member	Present
9	<b>Dr. Mai Bint Abdullah Al Ajaji</b>	Member	Present



## Dividend Policy

Under Article 42 of the Company's bylaw on profit distribution, the annual net profits shall be distributed after all general expenses and other costs, including Zakat, are deducted. Accordingly, profits shall be distributed as follows:

1. The Ordinary General Assembly Meeting may allocate profits to reserves to serve the Company's best interests and to support consistent dividend distribution to shareholders. The Assembly can allocate portions of the net profits to support social programs benefiting the Company's employees.
2. After reserves and social allocations are made, the remainder is then distributed as a first payment to shareholders, equivalent to 5% of the paid-up capital.
3. In accordance with the rules and regulations, preferred shareholders shall be given their prescribed percentage of profits.
4. In the event that the remuneration of the Board members is decided to be part of the profits, after the above mentioned is deducted, no more than 10% of the remainder shall be allocated to such remunerations. The remainder is then divided among the shareholders as an additional profit share.
5. Mandated by the General Assembly Meeting of the Board, the Company may distribute interim dividends to its shareholders on a biannual or quarterly basis. Such mandate shall be renewed annually.



# Remunerations of the Board of Directors, Committees, and the Executive Management

## Members of the Board of Directors and Committees

### Principles, Structure, and Boundaries

1. In accordance with Article 42 of the Company's Articles of Association and pursuant to the relevant laws and regulations, Board members and committee members are entitled to an annual remuneration.
2. The structure of remuneration and compensation for Board members and its committees shall:
  - a. Be in line with the Company's strategy and objectives.
  - b. Incentivize Board members to achieve the Company's long-term success and development, for example, by linking the variable portion of remuneration to long-term performance.
  - c. Be fair and proportionate to the responsibilities of the members, and the roles carried out by the members in the other companies.
  - d. Be proportionate to roles and responsibilities, educational qualifications, work experience, skills, and performance.
  - e. Offer an incentive for existing members and attracting new members with the experience and qualifications required to enhance the Company's ability to achieve its goals.
  - f. Be suitable according to the nature of the Company's business, activities, size, and magnitude of risk.
  - g. Take into account the practices of other companies in terms of determining remuneration, and avoiding the disadvantages arising from these comparisons that lead to an unjustified increase in remuneration and compensation.
3. The remuneration shall be recommended by the Remuneration and Nomination Committee and submitted by the Board of Directors to the General Assembly Meeting. At the meeting of the General Assembly, Board members shall not vote on the agenda item related to their remuneration.
4. The remuneration structure and value limits for members of the Board of Directors and its committees shall be reviewed annually, including all or some of the following:
  - a. Fixed bonus amount for membership
  - b. Attendance bonus



- c. Additional allowances (transportation expenses/daily allowance) for members of the Board of Directors who reside outside the meeting venue.
  - d. Variable fees/allowances based on Company and Board performance – applicable only to Board members.
5. The Board and committee members shall be compensated for the actual expenses they incur to attend the meetings, including travel and accommodation expenses, as stipulated by the travel policy of the concerned company and according to its highest Executive officer (Chief Executive Officer), and limited to economy class travel (the national airlines are preferred), accommodation in a 5-star hotel in addition to premium transfer services, provided that the meeting is held in a city other than the member's place of residence.
6. In the event that the variable remuneration or any part thereof equals a certain percentage of the profits of the Company, it shall be calculated based on the remaining amount:
  - a. After allocating 10% of the net profit as a statutory reserve, the Ordinary General Assembly may stop this allocation when the said reserve reaches 30% of the capital.
  - b. After allocating 5% of the net profits to form a consensual reserve for the purposes determined by the Ordinary General Assembly, the Ordinary General Assembly may stop this allocation when the said reserve reaches 25% of the capital.
  - c. After distributing a dividend of no less than 5% of the Company's paid-up capital.
  - d. After the prescribed profits are distributed to preferred shareholders in accordance with the rules and regulations, provided that this amount does not exceed 10% of the remaining net profit and is subject to a limit of SAR 500,000 (or equivalent) of the total remuneration (all components) paid to officials against their membership on the Board or committees of SPIMACO.
7. The remuneration of independent Board members shall not be a percentage of the Company's profits or be based directly or indirectly on the Company's profitability.
8. Different amounts of fixed and variable remuneration may apply to members proportionately with members' experience, skills, independence, and number of meetings attended, among other criteria.
9. Based on a proposal by the Remuneration and Nomination Committee, the Board of Directors shall develop the necessary mechanisms for the annual evaluation of the performance of the Board of Directors, its members and its committees, using the key performance indicators related to the extent to which the Company's profits are achieved, the quality of risk management and the effectiveness of internal control systems and others, provided that weaknesses and strengths are identified and handled in the interest of the Company.



10. Performance assessment procedures shall be documented, disclosed, and clearly presented to Board members and assessment stakeholders.

### Executive Management

1. As recommended by the Remuneration and Nomination Committee, the Board of Directors, in accordance with the following principles, determines the remuneration of the Executive management:
  - a. The rewards and remunerations shall be compatible with the Company's strategic goals, motivate the Executive management to achieve those goals, and enhance the Company's ability to develop and maintain its business viability.
  - b. To be appropriate with the nature of the Company's business, activities, size, and the required skills and experience.
  - c. To enable the Company to attract Executives with the capabilities, skills, and qualifications that help the Company achieve its goals.
  - d. Not to cause any conflict of interest that would negatively affect the Company's interest or ability to achieve its objectives.
2. The Remuneration and Nomination Committee shall annually recommend job grades, salary structure, annual remuneration packages, and a plan to increase the remuneration. This shall be approved by the Board with all or some of the following:
  - a. Basic salary
  - b. Allowances such as housing allowance, transportation, tuition fees, telephone, etc.
  - c. Insurance benefits
  - d. Performance assessment related rewards
  - e. Short-term/long-term incentive plans based on approved programs
  - f. Other factors that the Board of Directors may deem appropriate
3. In line with the Company's objectives and strategy, the Board of Directors sets standards for the performance of the Executive management, including reviewing and evaluating the performance of the Executive management using key performance indicators related to the extent to which the Company's strategic objectives have been achieved, the quality of risk management, and the effectiveness of internal control systems, provided that weaknesses and strengths are identified and solutions promoting the interests of the Company. Performance appraisal procedures should be written and clearly stated.



4. The remuneration of every Executive management officer may vary depending on their achievement during the year under review and their link to key performance indicators and performance assessments.
5. The Company may adopt short-term incentive plans linked to exceptional performance, and long-term incentive plans such as equity option programs. The equity option for employees shall be in accordance with Article 9 (b) of the Company's Articles of Association and Article 24 of the Listed Rules for Joint Stock Companies.
6. If the remuneration approved for any Executive management officer is based on misinformation or miscalculations, the case shall be submitted to the Board of Directors, and accordingly the remuneration shall be frozen or refunded.
7. The Executive management shall at all times comply with the Company's conflict of interest policies, Code of Conduct, and disclosure regulations.

The relationship between the remuneration granted and the remuneration policy in force, and any material deviation from this policy:

Remunerations were granted without deviation from the remuneration policy.



Board Member Remunerations

	Fixed Remuneration							Variable Remuneration						End of Service Benefits	Total	Expense Allowance*
	Designated Amount	Attendance Bonus	Total of Committee Attendance Bonus	In-Kind Benefits	Statement of Remuneration Received by the Board Members for their Managerial or Technical Roles or Remunerations of the Board Chairman or the Managing Director or the Secretary if he is a Board Member	Total	The Profit Share	Periodic Remunerations	Short-term Incentive Plans	Long-term Incentive Plans	Granted Shares (Value is inserted)	Total				
<b>First: Independent Members</b>																
<b>1- Dr. Ahmed Hamdan Aljedai</b>	28,889	3,000	3,000	-	-	21,667	56,556	-	-	-	-	-	-	-	-	-
<b>2- Dr. Fahad Abdulaziz Al Rabiah</b>	200,000	21,000	15,000	-	-	-	236,000	-	-	-	-	-	-	-	-	-



<b>3- Dr. Mai Bint Abdullah Al Ajaji</b>	200,000	21,000	21,000	-	-	-	242,000	-	-	-	-	-	-	-	-	-
<b>4- Mr. Abdulrahman Mohammed Al Thinyan</b>	200,000	21,000	9,000	-	-	-	230,000	-	-	-	-	-	-	-	-	5,200
<b>5- Mr. Ammar Abdulwahed Al-Khudairy</b>	200,000	18,000	12,000	-	-	-	230,000	-	-	-	-	-	-	-	-	2,200
<b>Total</b>	828,889	84,000	60,000	-	-	21,667	994,556	-	-	-	-	-	-	-	-	7,400
<b>Second: Non-Executive Members</b>																
<b>1- H.E. Mohammed Bin Talal Al-Nahas</b>	171,111	18,000	12,000	-	-	128,333	329,444	-	-	-	-	-	-	-	-	7,650
<b>2- Eng. Adel Kareem Kak Ahmed</b>	200,000	21,000	15,000	-	-	-	236,000	-	-	-	-	-	-	-	-	-
<b>3- Dr. Mohammad</b>	200,000	21,000	9,000	-	-	-	230,000	-	-	-	-	-	-	-	-	10,556



<b>Khalil Mohammad</b>																
<b>4- Mr. Faisal Mohammed Shaker</b>	200,000	18,000	21,000	-	-	-	239,000	-	-	-	-	-	-	-	-	1,200
<b>5- Mr. Khalid Bin Abdulrahman Al- Gwaiz</b>	200,000	21,000	51,000	-	-	-	272,000	-	-	-	-	-	-	-	-	-
<b>Total</b>	971,111	99,000	108,000	-	-	128,333	1,306,4 44	-	-	-	-	-	-	-	-	19,406

\*Tickets and Travel Allowance

- Medical insurance is provided to members of the Board of Directors and their families
- The Company provided the Chairman of the Board of Directors with a car every 3 years

## Committee Members Remunerations

	Fixed Remuneration (excluding the attendance bonus)	Attendance Bonus	Total
<b>Audit Committee Members</b>			
1- Mr. Khalid Bin Abdulrahman Al-Gwaiz	200,000	27,000	227,000
2- Dr. Abdullah Bin Sagheer Al Husaini	200,000	27,000	227,000
3- Mrs. Kholoud Abdulaziz Al-Dakhil	200,000	27,000	227,000
4- Dr. Khalid Daoud Al-Faddagh	200,000	27,000	227,000
<b>Total</b>	<b>800,000</b>	<b>108,000</b>	<b>908,000</b>
<b>Executive Committee Members</b>			
1- H.E. Mohammed Bin Talal Al-Nahas*	171,111	12,000	183,111
2Dr. Ahmed Hamdan Aljedai*	28,889	3,000	31,889
3- Mr. Ammar Abdulwahed Al-Khudairy	200,000	12,000	212,000
4- Mr. Faisal Mohammed Shaker**	200,000	12,000	212,000
5- Eng. Adel Kareem Kak Ahmed	200,000	15,000	215,000
6- Dr. Fahad Abdulaziz Al Rabiah	200,000	15,000	215,000
7- Mr. Khalid Bin Abdulrahman Al-Gwaiz**	-	3,000	3,000

<b>Total</b>	1,000,000	72,000	1,072,000
<b>Remuneration and Nomination Committee Members</b>			
<b>1- Mr. Khalid Bin Abdulrahman Al-Gwaiz</b>	-	21,000	21,000
<b>2- Dr. Mai Bint Abdullah Al Ajaji</b>	200,000	21,000	221,000
<b>3- Mr. Mohammed Bin Nazzal Al-Khalidi</b>	100,000	18,000	118,000
<b>4- Mr. Ahmed Misfer Al-Ghamdi</b>	100,000	18,000	118,000
<b>5- Mrs. Munira Abdulaziz Al-Mohammed</b>	100,000	18,000	118,000
<b>Total</b>	500,000	96,000	596,000
<b>Governance and Risk Committee Members</b>			
<b>1- Mr. Faisal Mohammed Shaker</b>	-	9,000	9,000
<b>2- Dr. Mohammad Khalil Mohammad</b>	200,000	9,000	209,000
<b>3- Mr. Thamer Abdullah Al-Humud</b>	100,000	9,000	109,000
<b>4- Mr. Khaldoun Abdullah Al-Fakhri</b>	100,000	9,000	109,000
<b>5- Mr. Abdulrahman Mohammed Al Thinyan</b>	200,000	9,000	209,000
<b>Total</b>	600,000	45,000	645,000

\* Dr. Ahmed Hamdan Aljedai was appointed as Chairman of the Executive Committee to replace H.E. Mohammed Bin Talal Al-Nahas on 14 November, 2023.

\*\* Mr. Khalid Al-Gwaiz was appointed as a member of the Executive Committee to replace Mr. Faisal Shaker on 28 September, 2023.



Remunerations of Senior Executives

Committee Members detailed Remunerations	Fixed Remuneration				Variable Remuneration						End of Service Benefits	Total Executive Remuneration, if any	Total
	Salaries	Allowances	in-Kind Benefits	Total	Periodic Remunerations	Profits	Short-term Incentive Plans	Long-term Incentive Plans	Granted Shares (Value is inserted)	Total			
5 Senior Executives who Received the Company's Highest Remuneration, including the Chief Executive	7,999,156.00	1,304,138.86	1,370,486.00	10,673,780.86	0	0	994,032.39	0	0	994,032.39	1,867,426.72	13,535,239.97	



Officer and the CFO											
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Regular payments made and payable for any Zakat, Taxes, Fees, and other dues

Nature of payment	Paid amount	Due and unpaid amount until the end of the financial period	Description	Reasons
Zakat	34,675,723	-	Zakat Payments during YE December 2023	
Tax	2,398,298	-	Corporate Taxes payment during 2023	
GOSI	25,539,835	2,059,638	Employees contribution for December 2023	Paid in January 2024
Labor and passports office	6,049,123	-		Work permit, residence, and visa fees for company's employees
SFDA Fees	3,403,965	-	Medication registration and certificates fees	

### Details of retained Treasury Shares and their purposes for 2023

Treasury shares maintained by the company as at 31/12/2023	Value of the retained Treasury Shares*	Date of maintenance**	Purpose of keeping the shares as Treasury Shares
244,436	2,444,360	14/11/2023	Employee Stock Option Plan (Long-term incentive)

\*Per value of shares

\*\*The Employee Stock Option Plan (long-term incentive) was established in 14/11/2023 as per the EGM approval.

### Shareholders Register Requests

The record of shareholders was requested from the Securities Depository Center Company 10 times throughout 2023. Below are the dates and purposes thereof

Number of Requests	Request Date	Purpose for the Request
2	15/01/2023	For internal company reporting
1	03/04/2023	For internal company reporting
1	05/06/2023	For internal company reporting
1	20/06/2023	For the General Assembly Meeting
1	21/08/2023	For internal company reporting
1	11/09/2023	For internal company reporting
1	14/09/2023	For internal company reporting
1	14/11/2023	For the General Assembly Meeting
1	04/12/2023	For internal company reporting

### Related Party Transactions

1. Transactions and contracts concluded between SPIMACO and the Center for Bioequivalence and Pharmaceutical Studies affiliated to the Arab Company for Drug Industries and Medical Appliances (ACDIMA), where SPIMACO's Board members; Eng. Adel Kareem Kak Ahmed– ACDIMA's Chairman, and Dr. Mohammad Khalil Mohammad –



ACDIMA's Director General, have an indirect interest. Transactions and contracts for 2023 were concluded on an arm's length basis for a total amount of SAR 1,625,431.

2. Transactions and contracts concluded between SPIMACO and Saudi Telecommunication Company (STC), where STC's Board member, H.E. Mohammed Bin Talal Al-Nahas, is SPIMACO's former Chairman. The contracts were concluded on an arm's length basis, with different annual terms and are automatically renewable. The contracts aimed to provide landline, mobile, and internet telephone services, for a total amount of SAR 596,938.
3. Transactions and contracts concluded between SPIMACO and Al Rajhi Bank, where SPIMACO's Board member, Mr. Khalid Bin Abdulrahman Al-Gwaiz, has an indirect interest, being a Board member at Al Rajhi Bank. The contracts were concluded on an arm's length basis to provide short-term financing facilities and cash bonds of SAR 250 million each for a 1-year tenure. In addition, there were certain regular transactions via the current account.
4. Transactions and contracts concluded between SPIMACO and Tassili Arab Pharmaceutical Company (TAPHCO), where SPIMACO's Board member, Dr. Mohammad Khalil Mohammad, has an indirect interest, being a member of TAPHCO's Board of Directors. The concluded contracts were to provide premix material, and the transactions amounted to SAR 1,946,979.
5. Transactions and contracts renewed between SPIMACO and Riyadh Bank, where SPIMACO's former Chairman, H.E. Mohammed Bin Talal Al-Nahas, has an indirect interest, being a former Board member of Riyadh Bank. The contracts were renewed on an arm's length basis to provide Sharia-compliant financing facilities and financial means of SAR 950 million each for a 1-year tenure. In addition, there were certain regular transactions via the current account.

### External Auditor

The General Assembly Meeting of shareholders, held on 21 June, 2023, approved the recommendation of the Audit Committee to appoint the external auditor, Baker Tilly and Associates, Chartered Accountants, in order to examine, review, and audit the financial statements for the first, second, and third quarters, and annually for the financial year 2023, and the first, second, third, and fourth quarters, and annually for the financial year 2024, as well as the first quarter of the financial year 2025, and to determine its fees.

Throughout 2023, SPIMACO sought to expand the scope of applying the obligatory governance regulations along with some guiding articles. This helps improve the effectiveness of governance, the Board of Directors, its committees, and the Audit Committee of the Company.





### Penalties and precautionary restrictions

In 2023, the company paid 13 penalties for SFDA with a total value of 354,000 Saudi riyals, shown below

Penalties type	Number of penalties
Non-compliance with reporting in the drug tracking system (monitoring)	1
penalties related to the availability of pharmaceutical preparations	10
penalties of non-Saudization of medical advertising representatives	1
Wrong GTIN code	1

The company also paid 232 penalties issued by NUPCO in 2023, which are shown below

Number of penalties	Total value
232	5.34m

As follows:

1-8.3m for Delay penalties.

2-2.45m for Technical penalties.

3-11.29m for Purchase on behalf of SPIMACO, most of them belong to Crotal shortage in 2022.

### Recommendation for 2023 Dividends

The Board of Directors recommended not distributing dividends for the financial year ending on 31 December, 2023.



## Compliance with Corporate Governance

In general, SPIMACO applies all provisions of the Corporate Governance Regulations issued by the Capital Market Authority, with the exception of the following provisions

Number of Article/Item	Content of Article/Item	Reasons for Non-application
36	<p>Qualifications for Board Secretary: The Board of Directors will establish the specific qualifications required for the position of Board Secretary. However, at a minimum, the Secretary must possess:</p> <p>A university degree in law, finance, accounting, management, or its equivalent, and to have relevant practical experience of not less than 3 years.</p> <p>Relevant practical experience of no less than 5 years.</p>	<p>Guiding Article</p> <p>The Secretary of the Board of Directors currently has 3 years of experience in managing the secretariat.</p>
39	The Assessment	Guiding Article
51/c	Audit Committee Formation: B) The Chairman of the Audit Committee shall be an Independent Director.	<p>Guiding Paragraph</p> <p>The Audit Committee is chaired by a Non-Executive member.</p>
68	<p>Composition of the Risk Management Committee: The Company's Board shall, by its resolution, form a committee to be named the "Risk Management Committee".</p> <p>The Chairman and a majority of its members shall be Non-Executive Directors. The members of that committee shall be well-versed in risk management and finance.</p>	<p>Guiding Article</p> <p>A single committee for Governance and Risk was formed by a decision of the Company's Board of Directors.</p>



<p>80</p>	<p>Organizing the relationship with stakeholders: To foster strong relationships with stakeholders, the Board of Directors will establish clear, written policies and procedures that prioritize stakeholder protection and uphold their rights. These policies will address:</p> <p>Compensation: Outlining how stakeholders will be compensated for violations of their rights established in regulations or contracts.</p> <p>Dispute resolution: Defining a process for settling complaints or disputes that may arise between the Company and stakeholders.</p>	<p>Guiding Article</p> <p>To be stated in the contracts concluded by and between the Company and the stakeholders.</p>
<p>82/(2- 3)</p>	<p>Employee Incentives: The Company shall establish programs for developing and encouraging the engagement and performance of the Company’s employees. The programs shall particularly include the following:</p> <p>Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees and setting up an independent fund for such program.</p> <p>Establishing social organizations for the benefit of the Company’s employees.</p>	<p>Guiding Article</p>
<p>84</p>	<p>Social Responsibility: The Ordinary General Assembly, based on the Board’s recommendation, shall establish a policy</p>	<p>Guiding Article</p> <p>The Company constantly engages in various social activities to maintain its viability and achieve the</p>



	that strikes a balance between its objectives and the communities for purposes of developing the social and economic conditions of the community.	desired goals that contribute to improving the community's socio-economic conditions.
85	Social Initiatives: The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company, which includes: Establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities.	Guiding Paragraph A similar policy is being developed.
86/3	Disclosure policies and procedures: The Company's website shall be the primary source of all required disclosures. Any supporting documents or additional information may be published elsewhere.	Guiding Paragraph Work is underway to update the Company's website.
87/8		
90/b	In accordance with the appendix of the Corporate Governance Regulations, the Board of Directors' Report shall disclose in detail the 5 senior Executives who have received the highest remuneration.	The Company has fulfilled its commitment to disclose the elements of remuneration for senior Executives in accordance with subparagraph (4/b) of paragraph (a) of Article (90) of the Corporate Governance Regulations. However, to protect the interests of the Company, its shareholders, and its employees and to prevent any harm that may result from the detailed disclosure of titles and positions, the details were not presented as required by Appendix (1) of the Corporate Governance Regulations on the remuneration of senior Executives.
92	If the Board forms a Corporate Governance Committee, the competencies stipulated in	Guiding Article



	<p>Article (94) of these Regulations shall be assigned thereto. Such committee shall oversee any matters related to the implementation of governance and shall provide the Board with its reports and recommendations at least annually.</p>	<p>Committee for Governance and Risk was formed by a decision of the Company's Board of Directors.</p>
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It is worth noting the following:

- There was no arrangement or agreement whereby a Board member waived any remuneration.
- There was no arrangement or agreement whereby a senior Executive waived any remuneration.
- There was no arrangement or agreement whereby a shareholder of the Company waived any rights to profits.
- The Board of Directors did not recommend replacing the auditor before the end of their appointment.
- There is no conflict between the Audit Committee recommendations and the Board's decisions on the appointment or dismissal of the Company's auditor, determining their fees, assessing their performance, or appointing the internal auditor.



## Board Declarations

The Board of Directors acknowledges the following:

- a. Books of account have been properly maintained.
- b. The system of internal control is sound in design and has been effectively implemented.
- c. There are no significant doubts about the Company's ability to continue its activity.

### The Highlights and Key Company Decisions during 2023

During 2023, the Board members made several decisions that positively affected the Company's business and activities, which in turn promoted the rights and interests of the shareholders.

The key decisions and achievements of the Company during 2023 include:

- On 7 February, 2023, SPIMACO announced a capital markets day unveiling its renewed 5-year strategy. This strategy aims to establish SPIMACO as a leading national player in the Saudi pharmaceutical industry, capitalizing on optimistic market expectations and prioritizing both patient wellbeing and long-term stakeholder benefit.
- Subsequently, on 10 September, 2023, the Company launched its modern investor relations website. This meticulously designed platform, aligned with international best practices, provides the investment community with comprehensive and accessible information through a user-friendly interface.
- On 14 November, 2023, the Company entered into agreements to acquire 68% of Swiss pharmaceutical company Osmopharm S.A. (Osmopharm) and divest its 76.4% stake in SPIMACO Egypt Pharmaceutical Industries S.A.E. (SPIMACO Egypt) through an exchange of shares and a cash payment from SPIMACO Pharmaceutical Company.
- On 17 December, 2023, the Company further consolidated its holdings by acquiring a 15% stake in Dammam Pharmaceutical Company (Dammam Pharma), an existing 85% subsidiary. This acquisition, facilitated by a 20% share transfer from ARAC Healthcare Company (another subsidiary), brought SPIMACO Pharmaceutical Company's ownership of Dammam Pharma to 100%.
- On 14 November, 2023, the Extraordinary General Meeting (EGM) of the Company sanctioned the acquisition of up to 815,000 of its own shares for allocation to the long-term employee incentive program.



### **The key structural and organizational changes in the Company**

In pursuit of developing business, perfecting the transformation process and increasing operating opportunities, the Executive management has been evaluating and restructuring the organizational structure to be consistent with the Company's plans, objectives, and strategy. The Company utilized highly qualified functional cadres, which in turn elevated the Company's performance to achieve sustainable growth and provided a favorable and safe work environment that increased employee productivity.



### Future Expectations

Over the coming years, the pharmaceutical industry is projected to improve in terms of manufacturing medicines and increasing its local production, which would help achieve the Kingdom's Vision 2030 objective of increasing the local content of pharmaceuticals by 40%. This has a positive impact on the Company's financial results and business growth, and tilts the balance in favor of medicine exports.

Accordingly, the Board of Directors of the Saudi Pharmaceutical Industries and Medical Appliances Company (SPIMACO) would like to sincerely thank all the Company's shareholders. It also owes a great deal of gratitude to all regulatory authorities for their support and effort to strengthen controls and promote governance in local companies and with the application of the Kingdom's laws and regulations. The Board of Directors also value the Executive management's efforts during 2023.

### Conclusion

SPIMACO's Board of Directors would like to express its thanks and appreciation to all the Company's shareholders for their contribution to the Company's progress. It would also like to thank all the Company's clients for their trust, reaffirming the Company's commitment to deepening its relationships with them. The Board undertakes to provide its clients with best services, apply highest standards, and record best performance. The Board members acknowledge that the achievements of 2023 will support stronger progress in 2024.





# Appendix



## Detailed overview of the total loan portfolio of SPIMACO and its subsidiaries as of 31 December, 2023

Company	Creditor	Loan Term	Loan Balance as of 31 December, 2022	Additions during the 2023	Repayments during the year 2023	Loan Balance as of 31 December, 2023
SPIMACO KSA	Riyad Bank	Medium-term	220,000,000		220,000,000	-
		Short-term	150,000,000	250,000,000	400,000,000	-
SPIMACO KSA	SABB Bank	Long-term	-	200,000,000		200,000,000
		Short-term	120,000,000	39,400,000	159,400,000	-
SPIMACO KSA	Al-Bilad Bank	Long-term	-			-
		Short-term	-	260,000,000	260,000,000	-
SPIMACO KSA	Gulf International Bank	Long-term	-			-
		Short-term	80,000,000	119,700,000	91,000,000	108,700,000
SPIMACO KSA	Banque Saudi Fransi	Long-term		300,000,000		300,000,000
		Short-term	110,000,000	25,000,000	135,000,000	-
SPIMACO KSA	Al-Rajhi Bank	Short-term	-	50,000,000	50,000,000	-
SPIMACO KSA	ABC Islamic Bank	Short-term	-	35,227,297	13,963,303	21,263,994
SPIMACO KSA	Saudi Industrial Development Fund (SIDF)	Long-term	165,353,904	4,625,972	83,000,000	86,979,876
SPIMACO KSA	Saudi EXIM Bank	Short-term	-	150,000,000		150,000,000
Dammam Pharmaceutical Company	Bank Al Bilad	Medium-term	65,384,292			65,384,292
		Short-term	-			-
Dammam Pharmaceutical Company	Banque Saudi Fransi	Long-term				
		Short-term		10,032,396		10,032,396
	Riyad Bank	Medium-term	-			-

Dammam Pharmaceutical Company		Short-term	3,003,206		3,003,206	-
Dammam Pharmaceutical Company	Saudi Industrial Development Fund (SIDF)	Long-term	48,259,158	495,831	7,000,000	41,754,989
ARACOM Medical Company	Gulf International Bank	Short-term	20,000,000	28,152,629		48,152,629
ARACOM Medical Company	Banque Saudi Fransi	Short-term	25,000,000	17,092,667		42,092,667
Qassim Medical Services Company	Ministry of Finance	Long-term	-			-
SPIMACO Misr for Pharmaceutical Industries	Arab African International Bank (AAIB)	Medium-term	1,374,183		1,374,183	-
SPIMACO Misr for Pharmaceutical Industries	Arab African International Bank (AAIB)	Medium-term	2,758,315		2,758,315	-
SPIMACO Misr for Pharmaceutical Industries	Export Development Bank of Egypt (EDBE)	Medium-term	951,231		951,231	-
SPIMACO Morocco for	BMCE Bank	Medium-term	21,832,699	-	4,333,723	17,498,976

Pharmaceutical Industries						
SPIMACO Morocco for Pharmaceutical Industries	ATTIJARI Bank	Medium-term	10,856,515	1,210,945	10,022,523	2,044,937
		Short-term	1,234,650	-	1,234,650	-
SPIMACO Morocco for Pharmaceutical Industries	ARAB Bank	Medium-term	1,181,089	2,329,216	22,677	3,487,629
		Short-term	9,602,992	-	9,602,992	-
<b>Total borrowings of the Company and its subsidiaries (SAR)</b>			<b>1,056,792,233</b>	<b>1,493,266,953</b>	<b>1,452,666,801</b>	<b>1,097,392,385</b>

A list of SPIMACO's subsidiaries, associates, and joint ventures

Subsidiary Company	Commercial Register Number and State Established	Main Location of the Company's Operations	The Company's Main Activity	Direct and Indirect Ownership Ratio
ARAC Healthcare Company (ARAC)	1010075320 Issued from Riyadh, Saudi Arabia	Saudi Arabia	Selling and distribution of pharmaceutical, veterinary, and cosmetics products	100%
ARACOM Medical Company <sup>15</sup>	1010438142 Riyadh	Saudi Arabia	Wholesale and retail trading of medicines, cosmeceuticals, and food supplements	100%
Dammam Pharmaceutical Company <sup>16</sup>	2050088711 Issued from Dammam, Saudi Arabia	Saudi Arabia	Manufacturing, marketing, and selling of pharmaceutical products	100%
Qassim Medical Services Company	1131011745 Saudi Arabia	Saudi Arabia	Owning, managing, and maintaining hospitals	57.27%
Pharmaceutical Industries Company for Distribution <sup>17</sup>	1010219722 Issued from Riyadh, Saudi Arabia	Saudi Arabia	Distribution of pharmaceutical products	100%
ANORA Trading Company <sup>18</sup>	1010932393 Saudi Arabia	Saudi Arabia	Owning and managing retail pharmacies	99%

<sup>15</sup> owned 80% by ARAC Healthcare and 20% by Pharmaceutical Industries for Distribution Company.

<sup>16</sup> On December 14, 2023, SPIMACO increased the shareholding in Dammam Pharma by 15% to be its fully owned subsidiary.

<sup>17</sup> There has been no activity in these subsidiaries.

<sup>18</sup> On November 17, 2021, the shareholders of ANORA Trading Company, resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. 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).

SPIMACO Saudi Foundation Algeria	00 B-0011047 16/00 Algerian Republic	Algerian Republic	Importing and trading of pharmaceutical products	100%
SPIMACO Morocco for Pharmaceutical Industries	15555 Kingdom of Morocco	Kingdom of Morocco	Manufacturing, marketing, and selling of pharmaceutical products	72.54%
SPIMACO Misr for Pharmaceutical Industries <sup>19</sup>	137914 Alexandria	Arab Republic of Egypt	Manufacturing, selling, and marketing of pharmaceutical products	90.58%
SPIMACO Misr Company for Distribution <sup>20</sup>	35176 Arab Republic of Egypt	Arab Republic of Egypt	Selling and distribution of pharmaceutical products	100%
SPIMACO Misr Company for Marketing <sup>21</sup>	35177 Arab Republic of Egypt	Arab Republic of Egypt	Selling and marketing of pharmaceutical products	100%
SPIMACO Egypt Company	36022 Arab Republic of Egypt	Arab Republic of Egypt	Importing and trading of pharmaceutical products	100%
Arabian Medical Products Manufacturing Company (ENAYAH)	1010089052 Issued from Riyadh, Saudi Arabia	Saudi Arabia	Production of consumer medical supplies	51%
CAD Middle East Pharmaceutical Industries <sup>22</sup>	1010221859 Issued from Riyadh, Saudi Arabia	Saudi Arabia	Effective raw materials industry in the pharmaceutical industry	46.08%

<sup>19</sup> 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 90.58%.

<sup>20</sup> There has been no activity in these subsidiaries.

<sup>21</sup> There has been no activity in these subsidiaries.

<sup>22</sup> During the year 2018, the partners of Cad Middle East Pharmaceutical Industries decided to increase the company's capital to 266 million riyals, and the regular procedures have not yet been completed.



Tassili Arab Pharmaceutical Company - TAFCO Algeria	0011047 ب 00 Algerian Republic	Algerian Republic	Production, marketing, and sale of medical preparations	22%
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