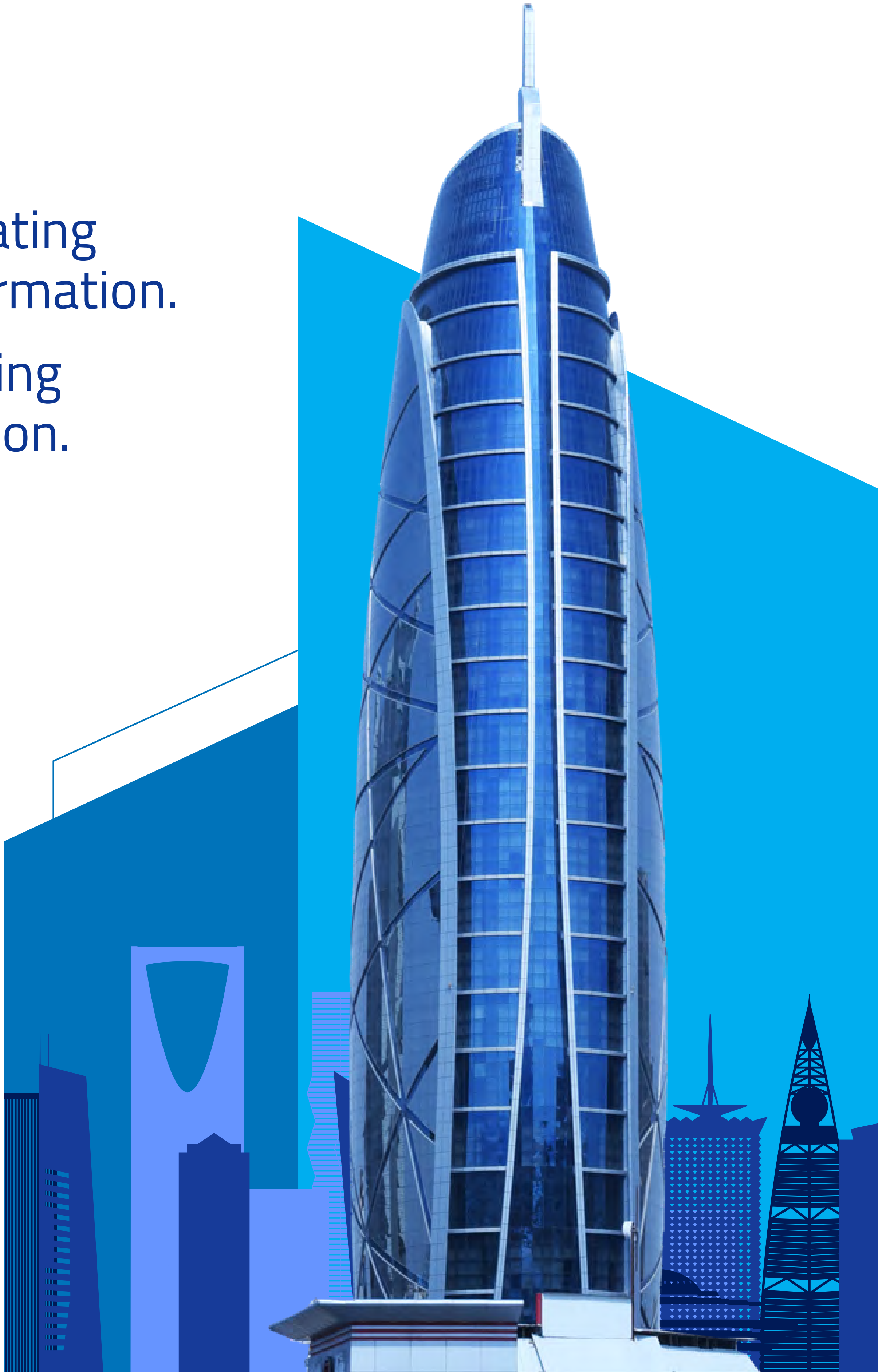
Annual Report
2023

Accelerating Transformation.

Pioneering Innovation.

Driving Impact.



The Custodian of the Two Holy Mosques

King Salman bin Abdulaziz Al Saud

His Royal Highness

Prince Mohammed bin Salman bin Abdulaziz Al Saud

The Crown Prince and the President of the Council of Ministers

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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

Revenue

SAR 1,653m

+16.3% YoY ↑

Gross Profit

SAR 708m

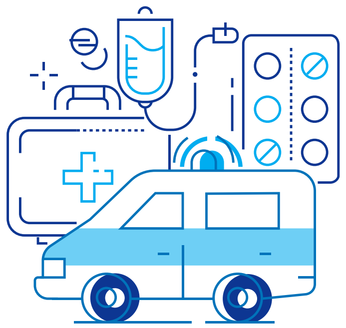
+24.9% YoY ↑

EBITDA

SAR 168m

Net Loss

SAR 3m

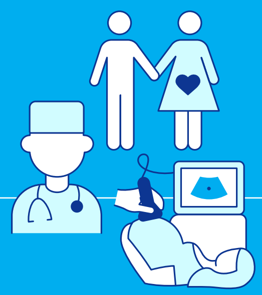


Operational Highlights

Units Produced	Products Launched in the KSA	SKUs Registered in the KSA	KSA Private Market Share
+2.2bn	8	13	7.4%[1]

1. 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.

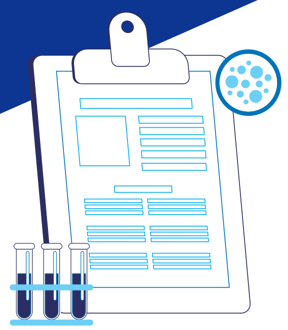
Year in **Review**

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.

FEBRUARY

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.



MARCH

'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.

APRIL

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.

MAY

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.

JUNE

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.

JULY

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.

SEPTEMBER

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.

OCTOBER

Appointment of new CEO

SPIMACO announced the appointment of Mr. Jerome Cabannes as the Acting CEO.

NOVEMBER

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.

DECEMBER

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.

Leading Generics Manufacturer

Global Reach

16 Countries

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%[2] 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 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.

2. IQVIA: Moving Annual Total (MAT) for the period from January 2023 to December 2023

Our **Journey**

SPIMACO's journey, beginning in 1986, has embarked on a remarkable trajectory of growth. From forging strategic partnerships with industry leaders to achieving significant milestones such as ISO: 9001 certification in 1997 and introducing the Middle East's first automated warehouse in 2018, SPIMACO has consistently led the way in advancing healthcare. Today, with pioneering initiatives, SPIMACO continues to shape the future of the pharmaceutical industry.

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[3]	TAFCO Algeria	Oral solids
Egypt	SPIMACO Misr	Oral solids

3. SPIMACO shareholding is 22%

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.

SPIMACO - Qassim

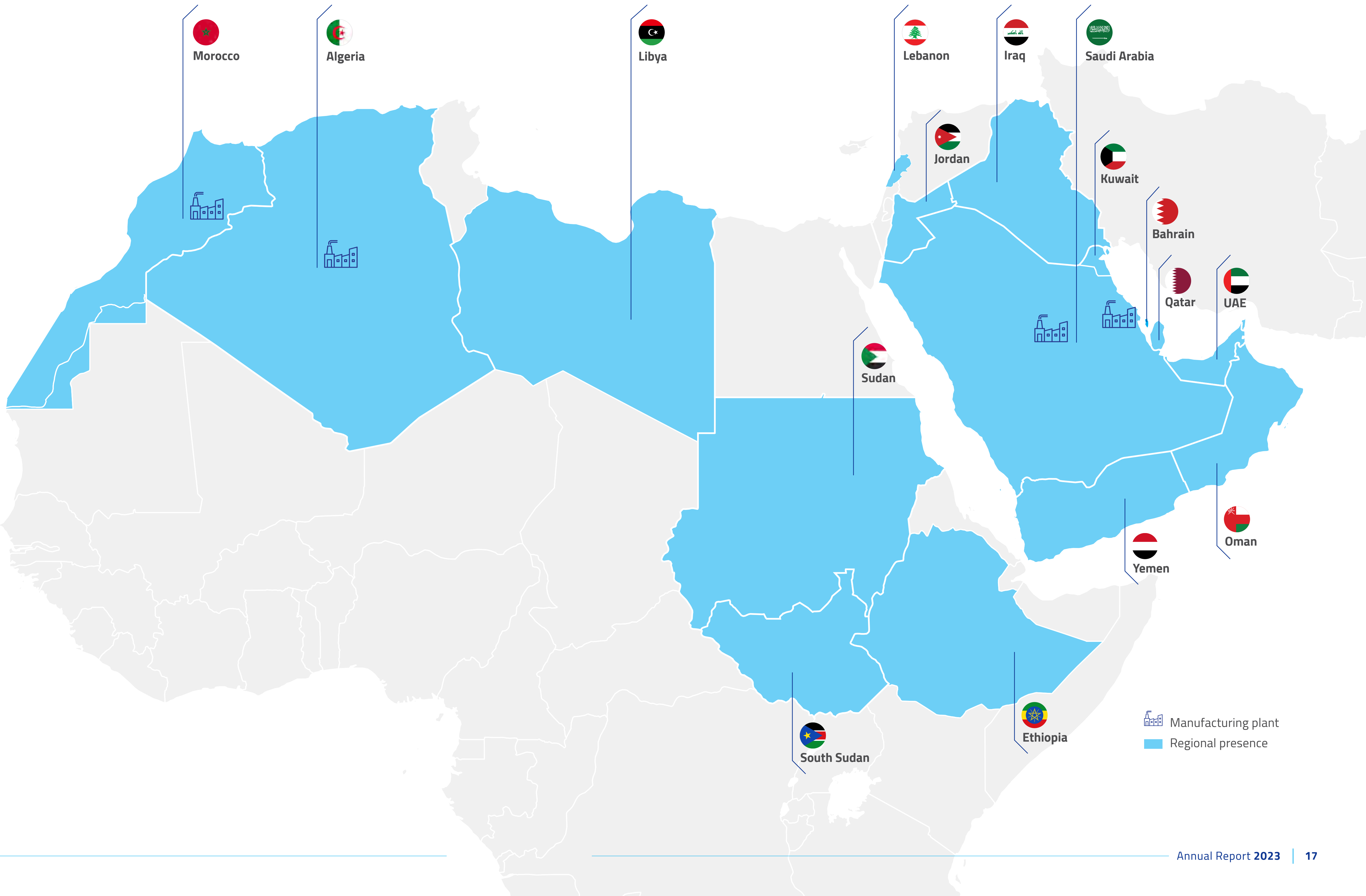
Plant size: 150,000 sqm of which:

- Production facility: 34,000 sqm with capacity of c. 1.8 billion units
- High Potent facility: 2,700 sqm with capacity of c. 275 million units. This SFDA-approved facility, supported by state-of-the-art machinery in compliance with international standards, was developed with AstraZeneca and is expected to start commercial production in 2024.
- Research and Development: 3,700 sqm
- High Bay Warehouse: c. 3,200 sqm with capacity of 14,000 pallets – fully automated.
- Finished Goods Warehouse: c.4,500 sqm with capacity of 5,040 pallets – fully automated.

SPIMACO - Dammam

Plant size: 6,000 sqm of which:

- Production facility: 2,300 sqm with capacity of c. 180 million units



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%[4] 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.

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.

4. IQVIA: Moving Annual Total (MAT) for the period from January 2023 to December 2023

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
Our Engagement Focus	▪ 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.
How We Engage	▪ Regular meetings between our commercial teams with HCPs to highlight our products' medicinal qualities, differentiators, and patient benefits and to better understand their needs. ▪ Medical conferences to launch new products and keep HCPs informed about our products, treatments, and best practices. ▪ Strong pharmacovigilance mechanism to enquire about product features and to report any product-related complaints.	▪ Engagement on matters such as pricing regulation and industrial policy, as well as commenting on policy proposals. ▪ Discuss potential collaboration in funding and investment incentives to boost Saudi Arabia's life sciences sector's capacity for manufacturing and innovation. ▪ Engagement with governments, regarding production of vital vaccines and critical medicines and enhance localization of supply in the Kingdom. ▪ Share our specialist knowledge in working groups to help define regulatory principles.	▪ 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. ▪ Employee engagement surveys. ▪ Virtual and in-person town hall meetings with the opportunity for employees to ask questions. ▪ Annual and semi-annual performance assessments. ▪ Ongoing leadership and learning programs, including support of continuing education and career growth. ▪ Involvement in government programs aimed at creating jobs such as Tamheer.

Stakeholder Group	Investors	Customers	Suppliers, Service Providers, Consultants, and Business Partners
Our Engagement Focus	▪ 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.	▪ 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.	▪ 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.
How We Engage	▪ Ordinary and Extraordinary General Meetings with shareholders. ▪ Quarterly results calls. ▪ In-person and virtual investor conferences. ▪ Dedicated investor microsite which includes detailed Company information. ▪ One-on-one meetings between senior Executives and institutional investors.	▪ Dedicated commercial and marketing teams in Saudi Arabia and abroad. ▪ Qualified direct sales representatives on the various customer groups across private, government, and international channels. ▪ Representatives' participation at relevant conferences to interact with customers. ▪ Implementation of product and brand awareness campaigns and sessions where relevant.	▪ Formalized procurement policies and procedures have been established throughout the Group. ▪ 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. ▪ We conduct regular supplier audits to ensure quality and their support of SPIMACO's strategies and targets.

Stakeholder Group	Contract Manufacturing Partners
Our Engagement Focus	▪ 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 needs and expectations of these customers.
How we Engage	▪ Thorough due diligence ahead of selection and contract finalization to ensure mutual efficiency and shared business objectives. ▪ Transparent and regular communication with these customers for continued updates on project progress, challenges, and timelines. ▪ Welcome periodic site inspections and audits.

Shareholder **Information**

Shareholder engagement serves as a cornerstone in fostering governance and transparency within SPIMACO.

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

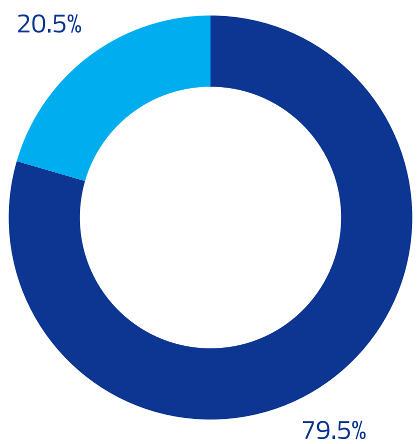
Listing Date	
Exchange	Tadawul – Main Market
Symbol	2070
ISIN	SA0007879188
Number of Shares Issued	120,000,000
Closing Price as of 31 December, 2023	SAR 37.8
Market Capitalization as of 31 December, 2023	SAR 4,536,000,000
Foreign Ownership Limit	49%
Free Float	80%

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

Share Price Performance vs. Benchmark Equity Indices

SPIMACO   Tadawul All Share Index

Shareholders Share



Free Float   Acdima

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

Annual Production

+2.2bn units

7.4%

KSA Private Market Share

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%[5] 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 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.

The pharma market in Saudi Arabia, is projected to grow by 8-9% annually until 2027, driven by factors such as an aging population and changes in lifestyle and diet.

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.

5. 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

Chairman's Statement continued

In 2023, SPIMACO achieved a remarkable 16% growth in revenue, a 25% increase in gross profit, and maintained a solid EBITDA margin of 10.2%, showcasing its commitment to operational excellence and strategic foresight.

Dr. Ahmed Hamdan Aljedai
Chairman

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.

16%
Revenue Growth

10.2%
EBITDA Margin

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 1.65bn, marking an impressive 16% increase compared to SAR 1.42bn 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%[6].

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%[7] 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.

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.

400

Stock SKUs

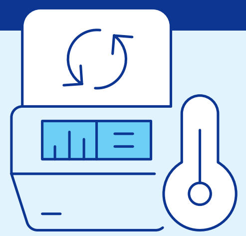
Gross Profit Margin increased to

43%

6. IQVIA: Moving Annual Total (MAT) for the period from January 2023 to December 2023
7. Based on R&D expenses (pre-capitalization) of SAR 52m in 2023.

CEO's Message continued

> **In 2023, SPIMACO advanced its position in the pharmaceutical industry, expanding in the Saudi private market and across the MENA region, with revenues reaching SAR 1.65bn, a 16% increase from 2022.**



Mr. Jerome Cabannes
Chief Executive Officer

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.

Revenues Soared to

SAR **1.65bn**

Operating Expenses Decreased to

37% of Revenue

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.

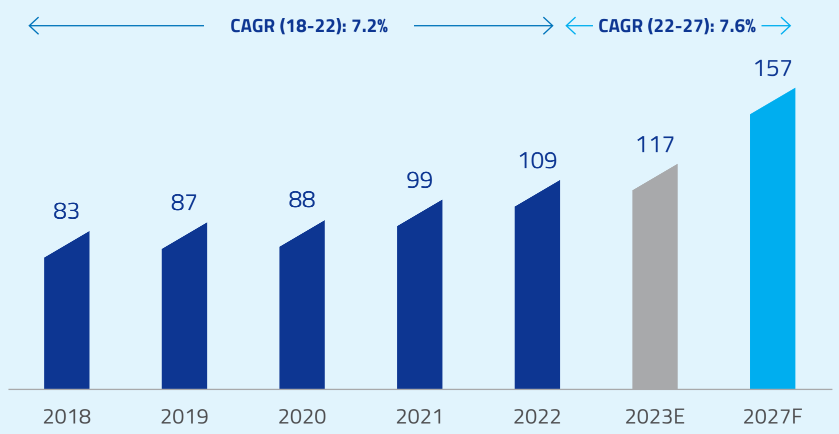
Saudi Arabia Pharmaceutical Industry

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.

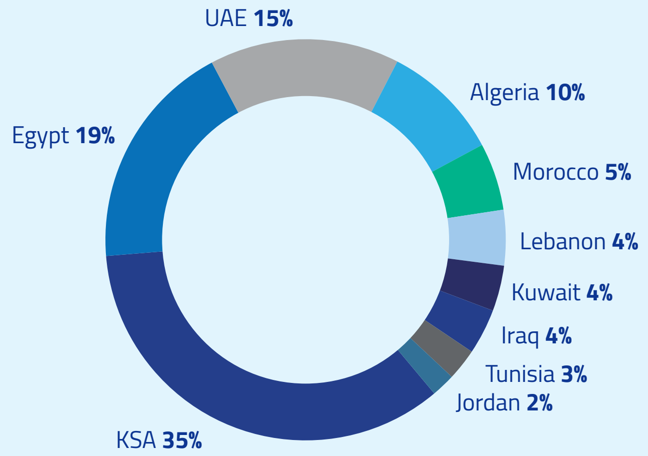
Healthcare services in the Kingdom are predominantly provided by the Ministry of Health (MoH), various government entities, and the private sector. The public sector, under the Government's stewardship, offers free healthcare services at the point of use to Saudi nationals, covering about 80% of all 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.

MENA: Gross Market Size in Sales Value (SAR bn)[8]



MENA: FY23 Gross Market Size in Sales Value by Geography



8. IQVIA Market Prognosis May 2023

Market and Health Sector Overview continued

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.

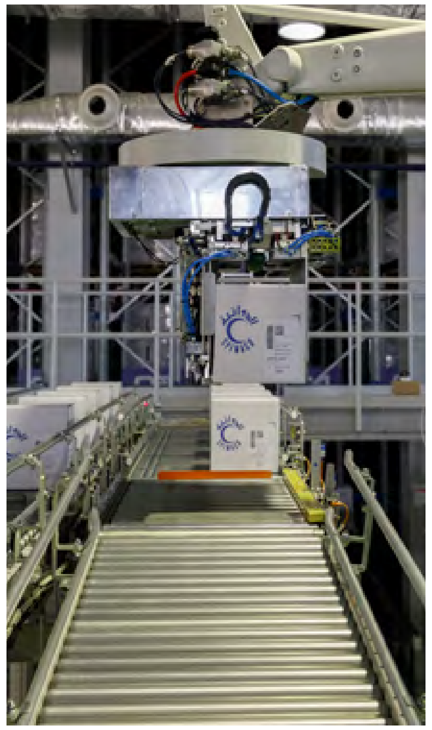
These initiatives aim to meet the growing healthcare needs of the population and reduce dependence on imported medications, contributing to the burgeoning pharmaceutical market and improving drug accessibility.

Population Growth and Rising Healthcare Demand

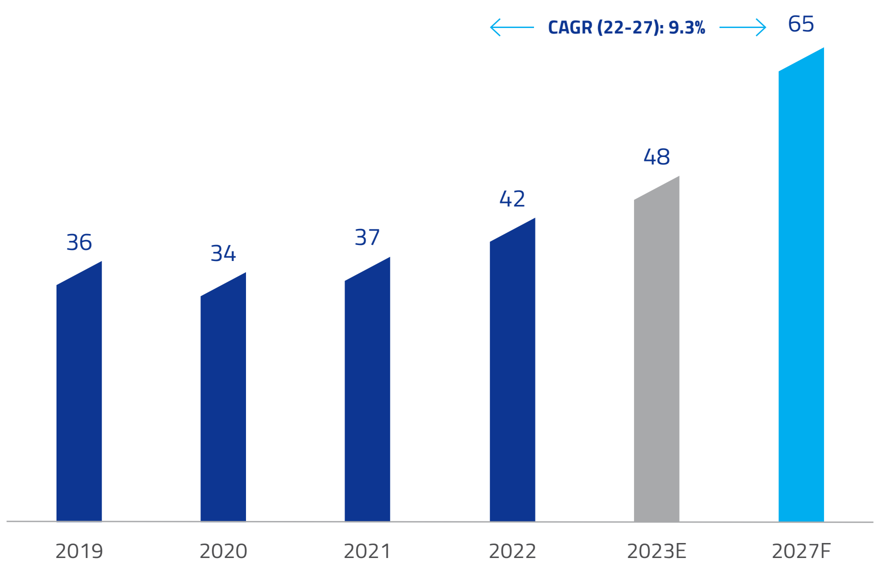
Saudi Arabia's population is growing rapidly, spurred by high birth rates and the arrival of expatriate workers. This growth has led to increased healthcare demands, particularly for pharmaceuticals, as the country faces a surge in chronic diseases and health conditions. The changing demographics and 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)[9]



9. IQVIA Market Prognosis May 2023

In 2023, the global pharmaceutical landscape, including Saudi Arabia, underwent significant changes driven by technological innovations and efforts to modernize healthcare, especially in emerging economies.

CAGR (22-27) for the gross market is projected to grow to

7.6%

in MENA

CAGR (22-27) for the gross market is projected to grow to

9.3%

in Saudi Arabia

Saudi Arabia's sales value accounts for

35%

Saudi Arabia's population is expected to increase by

28%

HSTP is designed to extend inclusive health services to

88%

Business **Model**

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

Our Resources

Capabilities
- Advanced regional manufacturing facilities.
- Vertically integrated operations.
- Vast manufacturing expertise.
- Wide local and regional distribution network.

Human Capital
- Strong leadership team.
- Diverse and inclusive culture.
- Manpower with evolving industry-specific skills.
- Workforce upskilling through increased training and investments.

Relationships
- Strong stakeholder relationships across all markets.
- Partner of choice for global and local industry players.
- Strong governance model.

Financial
- Agile and efficient resource deployment enabling organic and inorganic opportunities.
- CAPEX optimization.
- Secured access to funding.

Our Value Chain Activities

R&D
- Lead product development, acquisition, and registration.
- Facilitate technology and knowledge transfer.
- Ensure quality control.

API Manufacturing
- Capitalize on internal extraction and synthesis capabilities.
- Pharmaceutical grade manufacturing, SFDA approved.
- Regional supplier.

Drug Manufacturing and Packaging
- Formulation.
- Commercial production.
- Versatile production capabilities (oral solid, semi-solid, liquids, and injectables)
- High Potent Manufacturing facility.
- Preferred CMO partner for multinational corporations (MNCs).
- Primary, secondary, and tertiary packaging and labelling.

Commercialization
- Multi-channel model targeting private sector (private pharmacies and hospitals), public sector, and exports.
- Focused sales and marketing of products by specialized sales force.
- Complementary sales and distribution activities through strategic partners.

The Value We Create

Patients and Healthcare Professionals
- Contribute to improving the health and wellness of patients in over 12 countries.
- Provide patients and healthcare professionals access to high quality and affordable medicines.

Government and Pharmaceutical Regulatory Bodies
- Promote effective healthcare systems.
- Support Vision 2030 and the Health Sector Transformation Program through supply of locally produced medicines to achieve localization and self-sufficiency targets.
- Contribute to the advancement of pricing regulation, industrial policy, and regulations.

Employees
- Create and develop employment opportunities in various disciplines across different geographic regions.
- Help upskill and reskill workforce through ongoing learning.
- Offer a diverse and inclusive working environment.

Investors
- Increased revenue growth and profitability.
- Deleveraging balance sheet.
- Working capital improvement.

Customers
- Offer a differentiated value-based engagement with customers based on their individual needs.
- Identifying cross-functional teams needed to deliver a seamless customer experience.

Suppliers, Service Providers, Consultants, and Business Partners
- Economic stimulus through collaboration and partnering opportunities with local and international businesses and consultants.

Contract Manufacturing Partners
- Reinforce position as partner of choice through reliable supply of products to strategic partners.

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

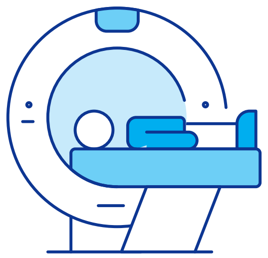
To be the leading pharmaceutical company in the MENA region and an effective global player with a high-quality product portfolio.

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.

Our Strategy continued

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
Description	▪ Strengthen position in core therapeutic areas, in particular chronic and lifestyle diseases and oncology. ▪ Build in-house R&D capabilities for new products with differentiated technologies: Biosimilars and injectables. ▪ Strengthen government sector business and attract new business partners. ▪ Build and strengthen pipeline and accelerate product launches.	▪ Improve commercial practices and customer services. ▪ Improve Sales Force Effectiveness (SFE). ▪ Maximize life cycle management of key brands. ▪ Strengthen relationships with mega-chain pharmacies. ▪ Improve contractual terms of in-license products.	▪ Prioritize the KSA portfolio to build a strong platform for regional expansion. ▪ Improve market share in key MENA markets (UAE, Egypt, and Morocco). ▪ Develop integrated manufacturing/warehousing/distribution network across locations. ▪ Develop CMO outsourcing protocol to meet market demand.	▪ Expand regional footprint and strengthen portfolio in MEA. ▪ Build a proficient corporate development organization (M&A/BD team) for tapping into inorganic growth opportunities. ▪ Acquire targets in established and regulated markets to access advanced and differentiated portfolios.	▪ Implement new reward philosophy and competitive compensation and benefits (C&B) strategy. ▪ Increase overall employee productivity. ▪ Build unique talent pool by following best practices. ▪ Enhance training and development for upskilling employees. ▪ Increase Saudization rate and female representation.	▪ Implement SAP solutions (S/4 HANA) and integrate it across SPIMACO's ecosystem. ▪ Implement SOPs complying with global best practices. ▪ Enhance IT infrastructure, network, security solutions, and modernize IT applications. ▪ Adopt emerging technologies to improve manufacturing, R&D processes, and data-driven decision-making.
2023 Achievements	▪ Launched new products in high value segments, including chronic and lifestyle diseases, and oncology. ▪ Strengthened R&D capabilities to accelerate the diversification of the products portfolio towards high value segments. ▪ Enhanced performance in government sector. ▪ Enriched the new products pipeline with impetus on the 'First-to-market' and 'First-generic' opportunities.	▪ Optimized commercial operations to improve market share and profit margins. ▪ Established improved sales force effectiveness KPIs and metrics. ▪ Life cycle management, with line extensions of key brands, including Formit-XR, Hygex, and Quetta. ▪ Capitalized on strong relationships with mega-chain pharmacies.	▪ Identified and onboarded all key leadership positions to drive international business growth. ▪ Revitalized the Algeria and Morocco business. ▪ Leveraged manufacturing facility in Morocco. ▪ Increased production output coupled with lowering manufacturing costs. ▪ Acquired 100% of Dammam Pharmaceutical Company to integrate and expand manufacturing capabilities.	▪ Strengthened global footprint by entering EU markets with acquisition of majority stake in Swiss-based, Osmopharm. ▪ Formed strategic collaboration with CanSino Biologicals Inc to localize their innovative biopharmaceuticals in the MENA region.	▪ Conducted various professional training programs across different levels of the organization through SPIMACO Academy. ▪ Improved employee engagement and accountability through performance management systems.	▪ Achieved significant progress in implementation of SAP S4/HANA. ▪ Initiated the IT/OT projects. ▪ Upskilled and strengthened the IT team.
KPIs	▪ 8 new high-value products launched. ▪ FY23 government net sales growing at a solid 42%.	▪ Increased overall KSA market share to 5.2%[10]	▪ +35%[11] production output growth.	▪ Acquired 68% share of Osmopharm.	▪ Over 2,160 training hours.	▪ 50% milestones achieved in SAP S4/HANA implementation.

10. IQVIA: Moving Annual Total (MAT) for the period from January 2023 to December 2023
11. In units

Risk **Management**

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.

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.

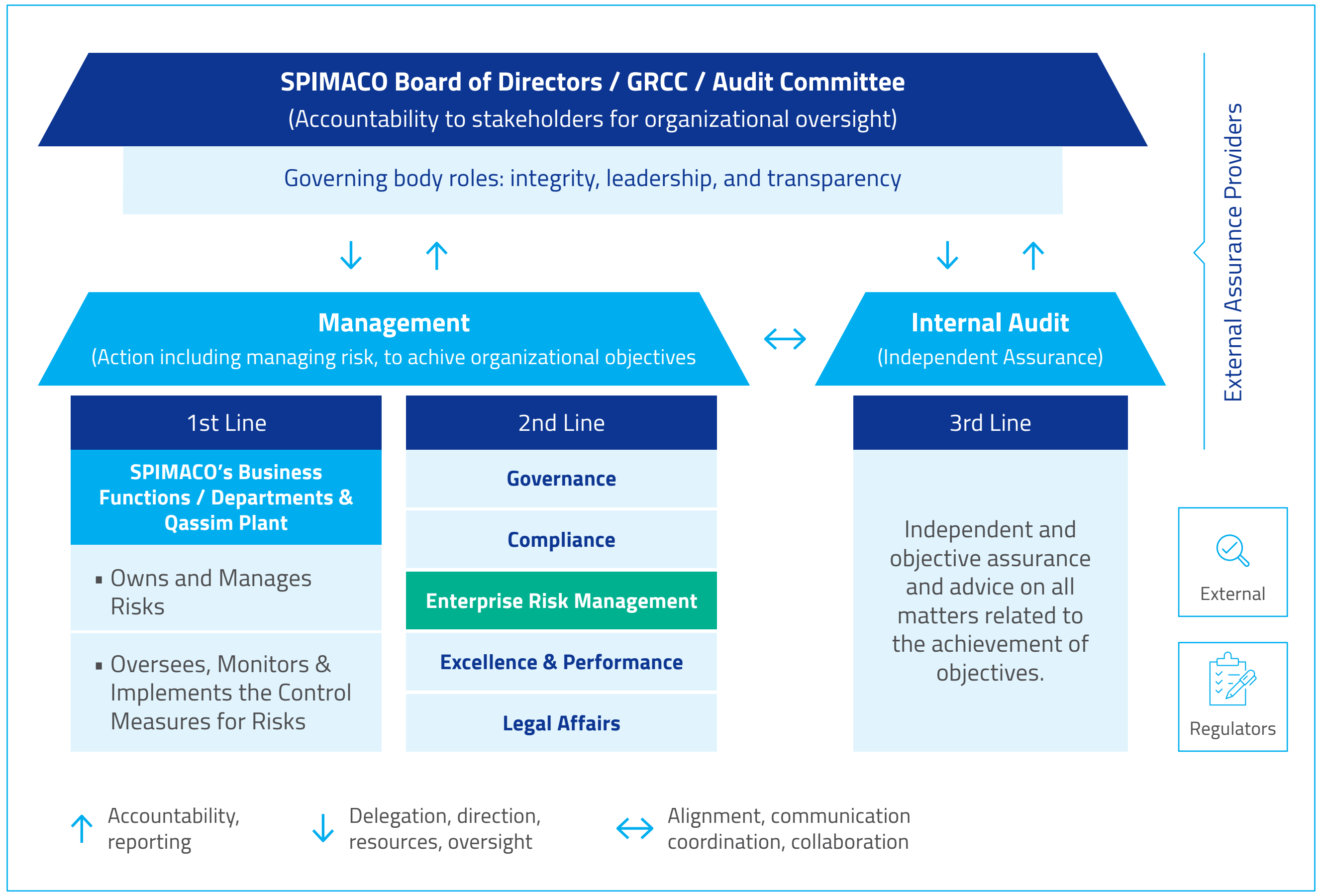
Risk Management Framework

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.



Risk Management continued

Principal Risks

Strategic Risk	
Execution of business strategy	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.
Selection and delivery of new products	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	
Patient safety and product quality	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. 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.
External macro factors	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.
Talent acquisition	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.
Continuity of supply	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.

Financial Risk	
Fulfilling our financial obligations	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.
Customer credit	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.

Regulatory Risk	
Compliance with regulations	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.

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[12]: 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 Ondanion.

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.

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%.

12. Research & Development, Regulatory & Medical Affairs, IP & TM, and Portfolio

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.

In 2023, SFDA approved Endosa, SPIMACO's first local biosimilar, marking a significant milestone in the company's leadership in biosimilar markets.

35%
Growth in Production Output

Qassim facility's utilization rate hits
130%

Dammam facility's utilization rate hits
104%

13
SKUs registered in the Kingdom

78
SKUs registered in International Markets

Operational Overview continued

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.

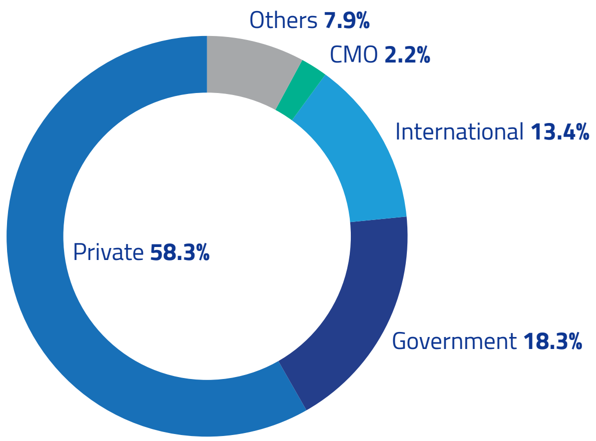
Business and **Financial Review**

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.

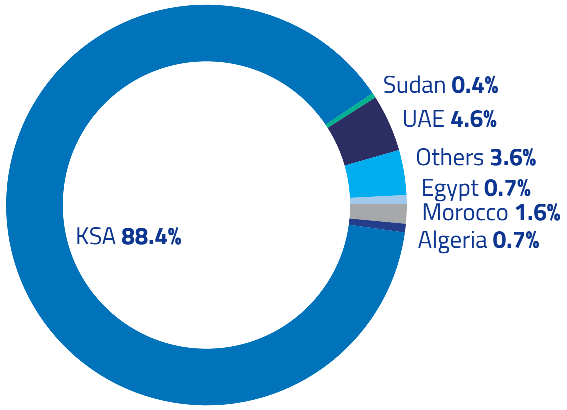
The Group reported a net loss of SAR 2.6m, marking a significant turnaround from the SAR 171.2m loss recorded in FY22. This positive shift was underpinned by structural changes and a revamp of the Group's business strategy, following strategic investments made in 2022. It was further supported by a realignment 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%.

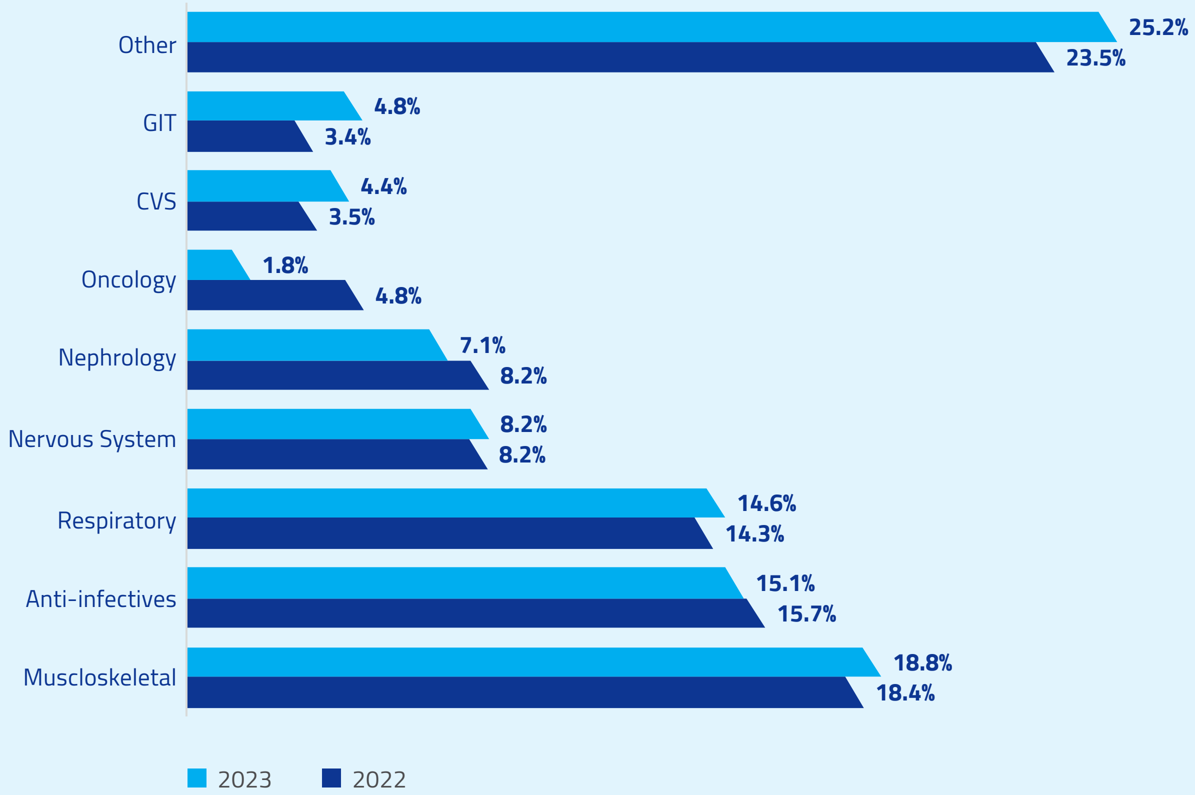
FY23 Net Revenue by Channel[13]



FY23 Net Revenue by Geography



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.

SAR 1.65bn
Revenues

SAR 708.1m
Gross Profit

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

Business and Financial Review continued

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.

Sales (SAR m) | Sales Contribution (%)

2022 691 (55.9%)

2023 803 (58.3%)

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.

Sales (SAR m) | Sales Contribution (%)

2022 178 (14.4%)

2023 252 (18.3%)

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.

Sales (SAR m) | Sales Contribution (%)

2022 192 (16.2%)

2023 184 (13.4%)

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.

Sales (SAR m) | Sales Contribution (%)

2022 12 (2.0%)

2023 26 (2.2%)

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.

Sales (SAR m) | Sales Contribution (%)

2022 143 (11.6%)

2023 109 (7.9%)

Business and Financial Review continued

Financial Review

Summarized Consolidated Statement of Income[14]

SAR m	2023	2022	% change	2021	2020	2019	2018
Net Sales	1,653.1	1,421.8	+16.3%	1,459.8	1,555.3	1,486.8	1,503.3
Gross Profit	708.1	566.3	+24.9%	620.7	690.5	497.6	608.5
Income (Loss) from Operations	89.4	(114.4)	NM	55.5	153.7	(293.3)	78.4
Net Income (Loss)	(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.

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.

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

Summarized Consolidated Balance Sheet

SAR bn	2023	2022	% change	2021	2020	2019
Total Assets	4,023.8	3,831.8	5.0%	4,434.1	4,682.8	4,655.5
Total Liabilities	2,355.8	2,138.6	10.2%	2,440.7	2,611.8	2,541.4
Total Equity	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	1,267,547,237	76.68%
ARAC Healthcare Company	77,991,970	4.72%
ARACOM Medical Company	104,309,869	6.31%
Dammam Pharmaceutical Company	4,086,374	0.25%
Al Qassim Medical Services Co.	161,392,941	9.76%
SPIMACO Misr for Pharmaceutical Industries	0	0.0%
SPIMACO Morocco for Pharmaceutical Company	24,115,792	1.46%
SPIMACO Algeria Company	8,657,390	0.52%
SPIMACO Egypt Company	4,982,437	0.3%
Total	**1,653,084,009**	**100.0%**

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.

In 2023, SPIMACO's People and Culture department continued to attract, develop, and engage talent, driving strategic ambitions with initiatives for excellence and improvement.

+2,160
Training Hours

SPIMACO Collaborated with
+11
Organizations

873
Employees attended Knowledge-Sharing Sessions

240
Employees Enrolled in the English Development Program

1,464
Active Learners on LinkedIn Learning Platform

People and Culture continued

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

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.

People

We are dedicated to fostering an inclusive, healthy, and safe workplace, where every individual is treated with fairness and respect.

Environment

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 around1,920 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.

Sustainability continued

35%

Increase in Production Volumes

8

New Products in Specialized Therapeutic Areas

11,550 kWh

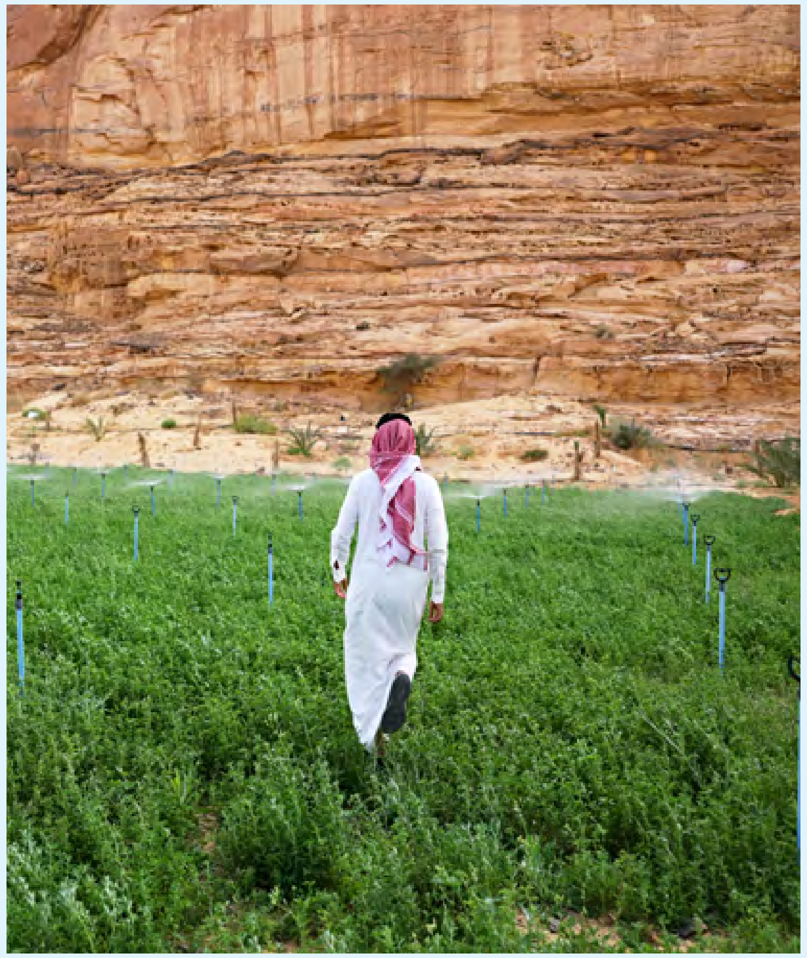
Reduction in Electricity Consumption

7,220 kg

Decrease in CO2 Emissions

400,000 kg

Recycling Paper



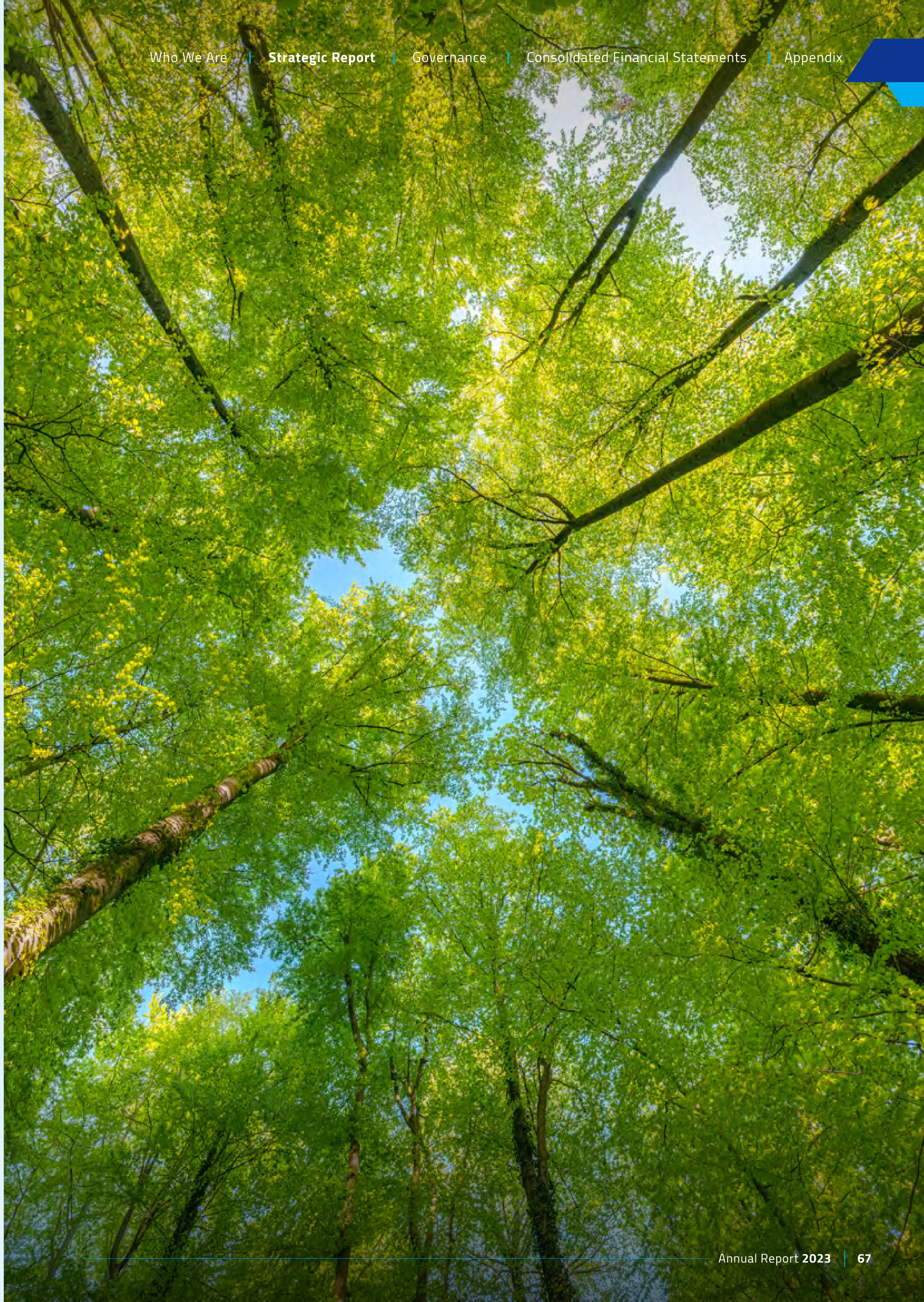
SPIMACO embeds sustainability in its core values, focusing on patients, people, and the environment, aligned with the UN Sustainable Development Goals.

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

Board of Directors

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.

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

Board of Directors continued

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
H.E. Mohammed Bin Talal Al-Nahas*	▪ 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.
Dr. Ahmed Hamdan Aljedai*	▪ 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.
Mr. Ammar Abdulwahed Al-Khudairy	▪ 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.
Mr. Faisal Mohammed Shaker	▪ Partner and CEO of Modern Food Company ▪ Executive Partner for Hadbat Al Emaar Real Estate Development and Investment Company	▪ CEO and Head of Wealth and Investment Management for Audi Capital	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.
Dr. Mohammad Khalil Mohammad	▪ General Manager of the Arab Company for Pharmaceutical Industries and Medical Appliances (Acdima)	▪ CEO of Acdima Center for Bioequivalence and Pharmaceutical Studies	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 College of Pharmacy at the University of Jordan.
Mr. Khalid Bin Abdulrahman Al-Gwaiz	▪ Retired	▪ CEO and Managing Director of Binladin International Holding Group	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. 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).

Board of Directors continued

Name	Current Position	Previous Position	Qualifications and Experience
Eng. Adel Kareem Kak Ahmed	▪ Undersecretary of the Iraqi Ministry of Electricity	▪ Member of the Executive Council of the Arab Industrial Development and Mining Organization	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.
Dr. Fahad Abdulaziz Al Rabiah	▪ Consultant in Infectious Diseases and Viruses at King Faisal Specialist Hospital and Research Center in Riyadh ▪ Vice Chairman of the Board of Directors of Al-Takhassusi International Holding Company and Chairman of the Executive Committee ▪ Chairman of the Resource Development Committee for the Referral Center at the Ministry of Health	▪ Head of Infectious Disease Department at King Faisal Specialist Hospital and Research Center in Riyadh	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 Colombia University. He held several positions including Chairman of the Board of the Saudi Diagnostic Co Ltd.

Name	Current Position	Previous Position	Qualifications and Experience
Dr. Mai Bint Abdullah Al Ajaji	▪ Head of the Research Office at King Saud bin Abdulaziz University for Health Sciences	▪ Associate Dean of the Student Affairs Office at King Abdulaziz Bin Saud University for Medical Sciences	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. 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. 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.

Board of Directors continued

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
H.E. Mohammed Bin Talal Al-Nahas*	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			
Dr. Ahmed Hamdan Aljedai*	N/A					

Board Members	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
Mr. Ammar Abdulwahed Al-Khudairy	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			

Board of Directors continued

Board Members	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
Mr. Faisal Mohammed Shaker	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
Dr. Mohammad Khalil Mohammad	Arab Company for Pharmaceutical Industries (SAIF)	Tunisia	Limited Liability			
	The Arab Company for the Pharmaceutical Industry (Akbitra)	Syria	Limited Liability			
	The Arab Pharmaceutical Company Tassili (Taphco)	Algeria	Closed Joint Stock			
	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			
Mr. Khalid Bin Abdulrahman Al-Gwaiz	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

Board Members	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
	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
Eng. Adel Kareem Kak Ahmed	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			
Mr. Abdulrahman Mohammed Al Thinyan	N/A			Qassim Medical Services Company	Saudi Arabia	Closed Joint Stock
				The Arab Pharmaceutical Company Tassili (Taphco)	Algeria	Closed Joint Stock
Dr. Fahad Abdulaziz Al Rabiah	King Faisal Specialist Hospital International Holding Company	Saudi Arabia	Holding Company	N/A		
Dr. Mai Bint Abdullah Al Ajaji	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.

Board of Directors continued

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
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	-	-

* 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 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 22/03/2023	2nd Meeting 28/03/2023	3rd Meeting 10/05/2023	4th Meeting 08/06/2023	5th Meeting 28/09/2023	6th Meeting 08/11/2023	7th Meeting 09/12/2023
H.E. Mohammed Bin Talal Al-Nahas*	Chairman	Non-Executive	Present	Present	Present	Present	Present	Present	-
Dr. Ahmed Hamdan Aljedai*	Chairman	Independent	-	-	-	-	-	-	Present
Mr. Ammar Abdulwahed Al-Khudairy	Deputy Chairman	Independent	Present	Present	Present	Present	Absent	Present	Present
Mr. Faisal Mohammed Shaker	Member	Non-Executive	Present	Present	Present	Present	Present	Present	Absent
Dr. Mohammad Khalil Mohammad	Member	Non-Executive	Present	Present	Present	Present	Present	Present	Present
Mr. Abdulrahman Mohammed Al Thinyan	Member	Independent	Present	Present	Present	Present	Present	Present	Present
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Member	Non-Executive	Present	Present	Present	Present	Present	Present	Present
Dr. Fahad Abdulaziz Al Rabiah	Member	Independent	Present	Present	Present	Present	Present	Present	Present
Eng. Adel Kareem Kak Ahmed	Member	Non-Executive	Present	Present	Present	Present	Present	Present	Present
Dr. Mai Bint Abdullah Al Ajaji	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
H.E. Mohammed Bin Talal Al-Nahas	Current and previous positions, qualifications and experience have been mentioned earlier.		
Dr. Ahmed Hamdan Aljedai**			
Mr. Ammar Abdulwahed Al-Khudairy			
Mr. Faisal Mohammed Shaker*			
Dr. Mohammad Khalil Mohammad			
Mr. Khalid Bin Abdulrahman Al-Gwaiz*			

* 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
H.E. Mohammed Bin Talal Al-Nahas**	Chairman	Present	Present	Present	Present	-
Dr. Ahmed Hamdan Aljedai**	Chairman	-	-	-	-	Present
Mr. Ammar Abdulwahed Al-Khudairy	Member	Absent	Present	Present	Present	Present
Dr. Fahad Abdulaziz Al Rabiah	Member	Present	Present	Present	Present	Present
Mr. Faisal Mohammed Shaker*	Member	Present	Present	Present	Present	-
Eng. Adel Kareem Kak Ahmed	Member	Present	Present	Present	Present	Present
Mr. Khalid Bin Abdulrahman Al-Gwaiz*	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.

Company Committees continued

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
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Current and previous positions, qualifications, and experience have been mentioned earlier.		
Dr. Mai Bint Abdullah Al Ajaji	Current and previous positions, qualifications, and experience have been mentioned earlier.		
Mr. Ahmed Misfer Al-Ghamdi	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.
Mr. Mohammed Bin Nazzal Al-Khaldi	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 Programs for Maaden Company	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.
Mrs. Munira Abdulaziz Al-Mohammed	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
Dr. Mai Bint Abdullah Al Ajaji*	Chairman	Present	Present	Present	Present	Present	Present	Present	Present
Mr. Khalid Bin Abdulrahman Al-Gwaiz*	Member	Present	Present	Present	Present	Present	Present	Present	Present
Mr. Mohammed Bin Nazzal Al-Khaldi	Member	Absent	Present	Present	Present	Present	Present	Present	Present
Mr. Ahmed Misfer Al-Ghamdi	Member	Absent	Present	Present	Present	Present	Present	Present	Present
Mrs. Munira Abdulaziz Al-Mohammed	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.

Company Committees continued

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
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Chairman	Current and previous positions, qualifications and experience have been mentioned earlier.		
Dr. Khalid Daoud Al-Faddagh	Member	Member of several Boards of Directors and Audit, Risk, and Compliance Committees	▪ 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 a number of memberships of different Boards of Directors and managed the program of quality, specifications, and industrial safety.
Mrs. Kholoud Abdulaziz Al-Dakhil	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.
Dr. Abdullah Bin Sagheer Al Husaini	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.

Company Committees continued

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 on 16/02/2023	2nd meeting on 14/03/2023	3rd meeting on 22/03/2023	4th Meeting on 15/05/2023	5th Meeting on 24/05/2023	6th Meeting on 7/08/2023	7th Meeting on 7/09/2023	8th Meeting on 26/10/2023	9th Meeting on 5/11/2023
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Chairman	Present	Present	Present	Present	Present	Present	Present	Present	Present
Dr. Khalid Daoud Al-Faddagh	Member	Present	Present	Present	Present	Present	Present	Present	Present	Present
Mrs. Kholoud Abdulaziz Al-Dakhil	Member	Present	Present	Present	Present	Present	Present	Present	Present	Present
Dr. Abdullah Bin Sagheer Al Husaini	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
Mr. Faisal Mohammed Shaker	Current and previous positions, qualifications, and experience have been mentioned earlier.		
Dr. Mohammad Khalil Mohammad			
Mr. Abdulrahman Mohammed Al Thinyan			
Mr. Khaldoun Abdullah Al-Fakhri	▪ 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 ▪ Member of the Audit and Risk Committee at the King Salman International Airport Development Company ▪ Member of Risk Management Committee of Saudi EXIM Bank	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.
Mr. Thamer Abdullah Al-Humud	▪ Head of the Governance and Legal Group at Al Rajhi Bank	Director of Legal Affairs at Al Ra'idah Investment Company	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.

Company Committees continued

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
Mr. Faisal Mohammed Shaker	Chairman	Present	Present	Present
Dr. Mohammad Khalil Mohammad	Member	Present	Present	Present
Mr. Abdulrahman Mohammed Al Thinyan	Member	Present	Present	Present
Mr. Thamer Abdullah Al-Humud	Member	Present	Present	Present
Mr. Khaldoun Abdullah Al-Fakhri	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.

Company Committees continued

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
Mr. Khaled Saleh Al-Khattaf	▪ 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.
Mr. Jerome Cabannes*	▪ 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.
Dr. Michael Baum	▪ 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.
Dr. Maged Taha	▪ 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.

Members	Current Position	Previous Position	Qualifications and Experience
Mr. Amjad Ali	▪ 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) ▪ Certified in Risk Management Assurance (CRMA) He received the following certificates from the Information Systems Audit and Control Association (ISACA) based in the US: ▪ Certified Information System Auditor (CISA) ▪ Certified Information Security Manager (CISM) ▪ Certified in Governance of Enterprise IT (CGEIT) ▪ Certified in Risk and Information Systems Controls (CRISC) 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 & ISO 45001:2018). 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 & Young and ACWA Holding.
Mrs. Ana Ruibal	▪ Chief Developer Officer	Business Unit Manager at AstraZeneca	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. 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.
Mr. Mohammed Alassmari	▪ Chief Human Resources Officer ▪ Member of the Board of Directors for ARAC Company	Chief Human Resources Operations Officer at ACWA Power	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.

Company Committees continued

Members	Current Position	Previous Position	Qualifications and Experience
Dr. Jan-Olav Henk	▪ Chief Scientific Officer	Senior Vice Chairman and the Chief Developer at Cyanogen Limited	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.
Mr. Atef Zouari	▪ Executive Director of Operations Asset Performance ▪ Acting Chief Operating Officer	Chief Financial Officer for Al Durrah Sugar Refinery	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.

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
Mr. Khaled Saleh Al-Khattaf	19,000	0	19,000	100%
Mr. Jerome Cabannes	-	-	-	-
Dr. Michael Baum	-	-	-	-
Dr. Maged Taha	-	-	-	-
Mr. Amjad Ali	-	-	-	-
Mrs. Ana Ruibal	-	-	-	-
Mr. Mohammed Alassmari	-	-	-	-
Dr. Jan-Olav Henk	-	-	-	-
Mr. Atef Zouari	-	-	-	-

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

Names	Position	21/06/2023
H.E. Mohammed Bin Talal Al-Nahas	Chairman	Present
Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman	Present
Mr. Faisal Mohammed Shaker	Member	Present
Dr. Mohammad Khalil Mohammad	Member	Present
Dr. Fahad Abdulaziz Al Rabiah	Member	Present
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Member	Present
Mr. Abdulrahman Mohammed Al Thinyan	Member	Present
Eng. Adel Kareem Kak Ahmed	Member	Present
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

Names	Position	14/11/2023
Dr. Ahmed Hamdan Aljedai	Chairman	Present
Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman	Present
Mr. Faisal Mohammed Shaker	Member	Present
Dr. Mohammad Khalil Mohammad	Member	Present
Dr. Fahad Abdulaziz Al Rabiah	Member	Present
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Member	Present
Mr. Abdulrahman Mohammed Al Thinyan	Member	Present
Eng. Adel Kareem Kak Ahmed	Member	Present
Dr. Mai Bint Abdullah Al Ajaji	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.

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

	Fixed Remuneration							Variable Remuneration								
	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 Advisory Activities	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	End of Service Benefits	Total	Expense Allowance*
First: Independent Members																
Dr. Ahmed Hamdan Aljedai	28,889	3,000	3,000	-	-	21,667	56,556	-	-	-	-	-	-	-	-	-
Dr. Fahad Abdulaziz Al Rabiah	200,000	21,000	15,000	-	-	-	236,000	-	-	-	-	-	-	-	-	-
Dr. Mai Bint Abdullah Al Ajaji	200,000	21,000	21,000	-	-	-	242,000	-	-	-	-	-	-	-	-	-
Mr. Abdulrahman Mohammed Al Thinyan	200,000	21,000	9,000	-	-	-	230,000	-	-	-	-	-	-	-	-	5,200
Mr. Ammar Abdulwahed Al-Khudairy	200,000	18,000	12,000	-	-	-	230,000	-	-	-	-	-	-	-	-	2,200
Total	**828,889**	**84,000**	**60,000**	**-**	**-**	**21,667**	**994,556**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,400**
Second: Non-Executive Members																
H.E. Mohammed Bin Talal Al-Nahas	171,111	18,000	12,000	-	-	128,333	329,444	-	-	-	-	-	-	-	-	7,650
Eng. Adel Kareem Kak Ahmed	200,000	21,000	15,000	-	-	-	236,000	-	-	-	-	-	-	-	-	-
Dr. Mohammad Khalil Mohammad	200,000	21,000	9,000	-	-	-	230,000	-	-	-	-	-	-	-	-	10,556
Mr. Faisal Mohammed Shaker	200,000	18,000	21,000	-	-	-	239,000	-	-	-	-	-	-	-	-	1,200
Mr. Khalid Bin Abdulrahman Al-Gwaiz	200,000	21,000	51,000	-	-	-	272,000	-	-	-	-	-	-	-	-	-
Total	**971,111**	**99,000**	**108,000**	**-**	**-**	**128,333**	**1,306,444**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**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

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

Committee Members Remunerations

	Fixed Remuneration (excluding the attendance bonus)	Attendance Bonus	Total
Audit Committee Members			
Mr. Khalid Bin Abdulrahman Al-Gwaiz	200,000	27,000	227,000
Dr. Abdullah Bin Sagheer Al Husaini	200,000	27,000	227,000
Mrs. Kholoud Abdulaziz Al-Dakhil	200,000	27,000	227,000
Dr. Khalid Daoud Al-Faddagh	200,000	27,000	227,000
Total	**800,000**	**108,000**	**908,000**
Executive Committee Members			
H.E. Mohammed Bin Talal Al-Nahas*	171,111	12,000	183,111
Dr. Ahmed Hamdan Aljedai*	28,889	3,000	31,889
Mr. Ammar Abdulwahed Al-Khudairy	200,000	12,000	212,000
Mr. Faisal Mohammed Shaker**	200,000	12,000	212,000
Eng. Adel Kareem Kak Ahmed	200,000	15,000	215,000
Dr. Fahad Abdulaziz Al Rabiah	200,000	15,000	215,000
Mr. Khalid Bin Abdulrahman Al-Gwaiz**	-	3,000	3,000
Total	**1,000,000**	**72,000**	**1,072,000**
Remuneration and Nomination Committee Members			
Mr. Khalid Bin Abdulrahman Al-Gwaiz	-	21,000	21,000
Dr. Mai Bint Abdullah Al Ajaji	200,000	21,000	221,000
Mr. Mohammed Bin Nazzal Al-Khaldi	100,000	18,000	118,000
Mr. Ahmed Misfer Al-Ghamdi	100,000	18,000	118,000
Mrs. Munira Abdulaziz Al-Mohammed	100,000	18,000	118,000
Total	**500,000**	**96,000**	**596,000**
Governance and Risk Committee Members			
Mr. Faisal Mohammed Shaker	-	9,000	9,000
Dr. Mohammad Khalil Mohammad	200,000	9,000	209,000
Mr. Thamer Abdullah Al-Humud	100,000	9,000	109,000
Mr. Khaldoun Abdullah Al-Fakhri	100,000	9,000	109,000
Mr. Abdulrahman Mohammed Al Thinyan	200,000	9,000	209,000
Total	**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

	Fixed Remuneration				Variable Remuneration						End of Service Benefits	Total Executive Remuneration, if any	Total
Committee Members detailed Remunerations	**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 Officer and the CFO	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

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	33,551,211	-	Zakat Payments during YE December 2023	-
Tax	964,219	-	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	-

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

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

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 Riyad Bank, where SPIMACO's former Chairman, H.E. Mohammed Bin Talal Al-Nahas, has an indirect interest, being a former Board member of Riyad 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:

- 8.3m for Delay penalties.
- 2.45m for Technical penalties.
- 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	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: ▪ A university degree in law, finance, accounting, management, or its equivalent, and to have relevant practical experience of not less than 3 years. ▪ Relevant practical experience of no less than 5 years.	▪ Guiding Article ▪ The Secretary of the Board of Directors currently has 3 years of experience in managing the secretariat.
39	▪ The Assessment	▪ Guiding Article
51/c	▪ Audit Committee Formation: B) The Chairman of the Audit Committee shall be an Independent Director.	▪ Guiding Paragraph ▪ The Audit Committee is chaired by a Non-Executive member.
68	▪ Composition of the Risk Management Committee: The Company's Board shall, by its resolution, form a committee to be named the "Risk Management Committee". 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.	▪ Guiding Article ▪ A single committee for Governance and Risk was formed by a decision of the Company's Board of Directors.
80	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: ▪ Compensation: Outlining how stakeholders will be compensated for violations of their rights established in regulations or contracts. ▪ Dispute resolution: Defining a process for settling complaints or disputes that may arise between the Company and stakeholders.	▪ Guiding Article ▪ To be stated in the contracts concluded by and between the Company and the stakeholders.
82/(2- 3)	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: ▪ 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. ▪ Establishing social organizations for the benefit of the Company's employees.	▪ Guiding Article

Number of Article/Item	Content of Article/Item	Reasons for Non-application
84	▪ Social Responsibility: The Ordinary General Assembly, based on the Board's recommendation, shall establish a policy that strikes a balance between its objectives and the communities for purposes of developing the social and economic conditions of the community.	▪ Guiding Article ▪ The Company constantly engages in various social activities to maintain its viability and achieve the 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 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.	▪ Guiding Article ▪ Committee for Governance and Risk was formed by a decision of the Company's Board of Directors.

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.

Consolidated Financial Statements

Independent Auditor's Report

To the Shareholders
Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH)
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Opinion
We have audited the consolidated financial statements of Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH) (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Conduct and Ethics for Professional Accountants, adopted in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements. We have also fulfilled our other behavioral responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (Continued)

To the Shareholders
Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH)

Key audit matters (Continued)

Key Audit Matters	How our audit addressed the key audit matter
Revenue recognition	
The Group recognized revenue of SR 1,653 million for the year ended December 31, 2023 (December 31, 2022: SR 1,422 million). The Group is engaged in the manufacturing and retail of medicines, medical supplies, and medical products related to medicines in addition to medical services. Accordingly, revenues from sales and service arrangements are recognized based on a specific point in time or over a period of time. Revenue recognition is considered a key audit matter due to the risk associated with management's estimates and judgment regarding the revenue recognition and the estimation of contractual discounts and returns, as well as in view of the significance of revenue amount and the inherent risks. Refer to note 6 for the material accounting policy and note 30 for related disclosures.	We have performed the following procedures to address this matter: • Evaluating the appropriateness of the Group's accounting policies related to revenues, taking into consideration the requirements of the relevant international financial reporting standard (IFRS 15). • Evaluating key contractual arrangements by referring to relevant documents and agreements with clients. • Evaluating the design and implementation of the group's controls, and testing their effectiveness in terms of revenue recognition, in accordance with the Group's policy. • Examining a sample of sales transactions made during the year, before and after the year-end to assess whether revenue has been recognized in the correct accounting period along with the supporting documentation. • Conducting analytical procedures and reconciliations between the various reports and examining any resulting material deviations. • Evaluating the adequacy of the Group's consolidated financial statements disclosures in line with the requirements of relevant International Financial Reporting Standard (IFRS 15).

Independent Auditor's Report (Continued)

To the Shareholders
Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH)

Key audit matters (Continued)

Key Audit Matters	How our audit addressed the key audit matter
Expected credit loss on trade receivables	
The gross balance of trade receivables amounted to SR 981 million as at December 31, 2023 (December 31, 2022: SR 881 million) against which the Group has established an expected credit loss (ECL) allowance of SR 79 million as at December 31, 2023 (December 31, 2022: SR 138 million) in accordance with the requirements of IFRS 9, "Financial Instruments." Management has applied the simplified ECL approach to determine the allowance. The loss allowances for the assets are based on assumptions related to default risks and expected loss rates. The group uses judgment in making these assumptions and selecting inputs to calculate impairment, based on the Group's prior experience, current market conditions as well as future estimates at the end of each reporting period. We considered this as a key audit matter due to the level of judgment applied and the estimates made in the ECL calculation. Refer to note 6 for the material accounting policy and note 14 for related disclosures.	We have performed the following procedures to address this matter: • Evaluating the suitability of the Group's policy for determining the allowances for impairment with the requirements of the International Financial Reporting Standard (9) and related disclosures in the consolidated financial statements. • Evaluating the suitability of the expected credit loss model on related financial assets and its suitability to the requirements of the standard. • Obtaining an understanding of management's procedures in establishing the allowance and evaluating the design and implementation of controls in determining the ECL provision. • Verifying the main data sources and inputs used in the ECL model and evaluating the appropriateness of judgments and estimates that were used in the ECL calculation. • Obtaining the ageing report for the trade receivables and making sure of its accuracy and its use in the calculation of the allowance. • Testing the mathematical accuracy of the ECL calculation. • Performing a sensitivity analysis of key assumptions such as historical loss rates and future economic factors.

Other information

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

The Group's annual report for 2023 is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated .

When we read the Group's annual report for 2023, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report (Continued)

To the Shareholders
Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH)

Responsibilities of management and Those Charged with Governance ("TCWG") for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standard as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations of Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report (Continued)

To the Shareholders
Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO - ADDWAEIH)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Baker Tilly MKM & Co.
Certified Public Accountants

Majed Muneer Al Nemer
(Certified Public Accountant - License No. 381)

Riyadh on Ramadan 21, 1445H
Corresponding to March 31, 2024

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	**December 31, 2023**	December 31, 2022
ASSETS			
Non-Current Assets			
Property, plant and equipment	7	**1,271,710**	1,039,968
Assets under construction	8	**583,244**	790,217
Intangible assets	9	**17,066**	20,592
Right-of-use assets	10	**32,204**	35,200
Due from related parties	37	**57,564**	-
Investments in associates and joint venture	11	**58,186**	46,526
Deferred tax assets	12	**28,602**	23,481
Total Non-Current Assets		**2,048,576**	1,955,984
Current Assets			
Inventories	13	**589,208**	494,685
Trade and other receivables	14	**924,093**	833,841
Investments at fair value through profit or loss (FVTPL)	15	**459**	420
Prepayments and other assets	16	**163,534**	165,218
Time deposits		**115,500**	45,000
Cash and cash equivalents	17	**160,066**	335,349
		1,952,860	1,874,513
Assets held for sale	18	**22,425**	1,255
Total Current Assets		**1,975,285**	1,875,768
TOTAL ASSETS		**4,023,861**	3,831,752
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	**1,200,000**	1,200,000
Statutory reserve	20	**360,685**	360,685
General reserve	20	**-**	150,000
Consensual reserve	20	**-**	34,710
Treasury shares	21	**(8,002)**	-
Foreign currency translation reserve		**(42,032)**	(26,785)
Accumulated losses		**(4,002)**	(179,102)
Equity attributable to the Shareholders of the Parent		**1,506,649**	1,539,508
Non-controlling interests	22	**161,382**	153,596
TOTAL EQUITY		**1,668,031**	1,693,104
LIABILITIES			
Non-Current Liabilities			
Loans and borrowings - non-current portion	23	**575,277**	379,832
Lease liabilities - non-current portion	10	**11,295**	18,806
Employees' end-of-service benefit obligations	24	**282,705**	313,238
Deferred income	25	**37,795**	35,367
Contract liabilities	26	**44,132**	42,581
Total Non-Current Liabilities		**951,204**	789,824
Current Liabilities			
Loans and borrowings	23	**525,458**	676,960
Provision for financial guarantees	27	**28,119**	24,945
Lease liabilities - current portion	10	**7,210**	6,145
Zakat and income tax payable	28	**48,450**	33,136
Trade payables and other liabilities	29	**506,992**	403,453
Dividends payable		**158,294**	158,755
Contract liabilities	26	**125,498**	45,392
		1,400,021	1,348,786
Liabilities directly associated with assets classified as held for sale	18	**4,605**	38
Total Current Liabilities		**1,404,626**	1,348,824
TOTAL LIABILITIES		**2,355,830**	2,138,648
TOTAL EQUITY AND LIABILITIES		**4,023,861**	3,831,752

Atef Zouari
Chief Financial Officer

Jerome Cabannes
Chief Executive Officer

Authorized Board Member

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

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	2023	2022
Continuing Operations			
Revenues	30	**1,653,084**	1,421,810
Cost of revenues		**(944,986)**	(854,813)
Gross profit		**708,098**	566,997
Selling and marketing expenses	31	**(349,309)**	(369,516)
General and administrative expenses	32	**(255,359)**	(252,839)
Research and development expenses	33	**(41,459)**	(42,645)
Impairment loss on trade and other receivables	14 & 37	**(13,712)**	(10,049)
Other income (expenses)	34	**41,139**	(6,316)
Operating profit (loss)		**89,398**	(114,368)
Financial guarantee expense	27	**(3,174)**	-
Finance costs	35	**(70,074)**	(42,293)
Share of results of a joint venture	11	**19,995**	20,442
Profit from revaluation of investments at FVTPL	15	**39**	3,634
Profit (loss) before zakat and income tax		**36,184**	(132,585)
Zakat and income tax	28	**(45,260)**	(25,895)
Loss for the year from continuing operations		**(9,076)**	(158,480)
Discontinued Operations			
Profit (loss) from discontinued operations, net of Zakat and income tax	18	**6,489**	(12,753)
Loss for the year		**(2,587)**	(171,233)
Loss from continuing operations attributable to:			
Shareholders of the Parent		**(19,553)**	(152,312)
Non-controlling interests		**10,477**	(6,168)
		(9,076)	(158,480)
Loss for the year attributable to:			
Shareholders of the Parent		**(13,711)**	(165,135)
Non-controlling interests	22	**11,124**	(6,098)
		(2,587)	(171,233)
Basic and diluted loss per share from loss attributable to shareholders of the Parent (SR)			
Loss from continuing operations	36	**(0.16)**	(1.27)
Loss for the year	36	**(0.11)**	(1.38)

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Jerome Cabannes — **Chief Executive Officer**
Authorized Board Member

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SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Note	2023	2022
Loss for the year		**(2,587)**	(171,233)
Items that will be reclassified to profit or loss subsequently:			
Foreign currency translation differences		**(15,247)**	(14,870)
Items that will not be reclassified to profit or loss subsequently:			
Actuarial gain (loss) on employees' end-of-service benefits	24	**10,121**	(17,731)
Share of other comprehensive income (loss) of a joint venture	11	**417**	(912)
Other comprehensive loss for the year		**(4,709)**	(33,513)
Total comprehensive loss for the year		**(7,296)**	(204,746)
Total comprehensive loss attributable to:			
Shareholders of the Parent Company		**(18,678)**	(198,987)
Non-controlling interests	22	**11,382**	(5,759)
		(7,296)	(204,746)
Total comprehensive loss attributable to shareholders of the Parent:			
Continuing operations		**9,075**	(177,104)
Discontinued operation		**(27,753)**	(21,883)
		(18,678)	(198,987)

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Jerome Cabannes — **Chief Executive Officer**
Authorized Board Member

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SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Treasury shares	Foreign currency translation reserve	Retained earnings (Accumulated losses)	**Equity attributable to the Shareholders of the Parent**	Non-controlling interests	**Total equity**
Balance as at January 1, 2022	1,200,000	360,685	150,000	34,710	-	(11,915)	104,282	1,837,762	155,643	1,993,405
Loss for the year	-	-	-	-	-	-	(165,135)	(165,135)	(6,098)	(171,233)
Other comprehensive loss	-	-	-	-	-	(14,870)	(18,982)	(33,852)	339	(33,513)
Total comprehensive loss	-	-	-	-	-	(14,870)	(184,117)	(198,987)	(5,759)	(204,746)
Dividends (note 20.4)	-	-	-	-	-	-	(72,000)	(72,000)	-	(72,000)
Acquisition of non-controlling interest (note 1.1 (e))	-	-	-	-	-	-	(27,267)	(27,267)	3,712	(23,555)
Balance as at December 31, 2022	1,200,000	360,685	150,000	34,710	-	(26,785)	(179,102)	1,539,508	153,596	1,693,104
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(13,711)**	**(13,711)**	**11,124**	**(2,587)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(15,247)**	**10,280**	**(4,967)**	**258**	**(4,709)**
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(15,247)**	**(3,431)**	**(18,678)**	**11,382**	**(7,296)**
Purchase of treasury shares (note 21)	**-**	**-**	**-**	**-**	**(8,002)**	**-**	**-**	**(8,002)**	**-**	**(8,002)**
Transfer from general reserve	**-**	**-**	**(150,000)**	**-**	**-**	**-**	**150,000**	**-**	**-**	**-**
Transfer from consensual reserve	**-**	**-**	**-**	**(34,710)**	**-**	**-**	**34,710**	**-**	**-**	**-**
Changes in non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,168)**	**(3,168)**
Acquisition of non-controlling interest (note 1.1(e))	**-**	**-**	**-**	**-**	**-**	**-**	**(6,179)**	**(6,179)**	**(428)**	**(6,607)**
Balance as at December 31, 2023	**1,200,000**	**360,685**	**-**	**-**	**(8,002)**	**(42,032)**	**(4,002)**	**1,506,649**	**161,382**	**1,668,031**

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SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	2023	2022
OPERATING ACTIVITIES:		
Profit (loss) before zakat and income tax from continuing operations	**36,184**	(132,585)
Profit (loss) before zakat and income tax from discontinued operations	**6,489**	(13,664)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**64,565**	59,722
Depreciation of right of use assets	**4,565**	5,057
Amortization of intangible assets	**9,417**	24,038
Intangible assets written off	**48**	-
Share of results of a joint venture	**(19,995)**	(20,442)
Gain on disposal of property, plant and equipment	**(6,383)**	(135)
Provision (reversal) for sales/services discounts and returns, net	**81,657**	(29,580)
Provision for slow-moving and obsolete items	**49,808**	795
Profit from revaluation of investments at FVTPL	**(39)**	(3,634)
Impairment on trade and other receivables	**13,712**	10,049
Employees' end-of-service benefits incurred	**40,335**	41,097
Amortization of deferred income	**(1,552)**	(1,552)
Finance costs	**70,074**	42,293
Provision for financial guarantee	**3,174**	-
Adjustments to lease liabilities	**1,319**	123
Change in working capital:		
Inventories	**(143,025)**	(76,561)
Trade and other receivables	**(161,739)**	172,692
Prepayment and other assets	**1,684**	(44,370)
Trade payable and other liabilities	**103,539**	(57,959)
Cash generated from (used in) operating activities	**153,837**	(24,616)
Zakat and income tax paid	**(34,516)**	(25,243)
Employees' end-of-service benefit obligations paid	**(71,587)**	(49,438)
Net cash generated from (used in) operating activities	**47,734**	(99,297)
INVESTING ACTIVITIES:		
Additions to property, plant and equipment	**(6,707)**	(7,256)
Net changes in assets under construction	**(104,710)**	(70,955)
Additions to intangible assets	**(5,938)**	-
Additions to time deposits	**(70,500)**	(45,000)
Proceeds from disposal of property, plant, and equipment	**7,533**	645
Dividends from a joint venture	**8,752**	36,304
Proceeds from sale of investments at FVTPL	**-**	570,889
Net cash (used in) generated from investing activities	**(171,570)**	484,627

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SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	2023	2022
FINANCING ACTIVITIES:		
Net changes in loans and borrowings	**43,943**	(213,081)
Finance costs paid	**(58,411)**	(33,405)
Financial guarantees paid	**-**	(20,721)
Lease liabilities paid	**(10,158)**	(7,470)
Net changes in dividends payable	**(461)**	(70,738)
Purchase of treasury shares	**(8,002)**	-
Changes in non-controlling interest	**(3,168)**	3,712
Government grant received	**3,980**	554
Net cash used in financing activities	**(32,277)**	(341,149)
Net changes in cash and cash equivalents during the year	**(156,113)**	44,181
Foreign exchange translation differences	**(16,146)**	(38,495)
Cash and cash equivalents at the beginning of the year	**335,349**	329,663
Cash and cash equivalents at the end of the year	**163,090**	335,349
Non-cash transactions		
Transfers from assets under construction to property, plant and equipment	**307,043**	843

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SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. ORGANIZATION AND ACTIVITY

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

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

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

These Consolidated financial statements include the assets, liabilities and activities of the Company and its following branches:

Commercial Registration No.	Date of registration	Location
4030086146	15-03-1992	Jeddah
1010134224	01-04-1995	Riyadh
2051058378	10-08-2014	Khobar
4031222626	09-02-2019	Makkah
4650207091	09-02-2019	Medina

1.1 The consolidated financial statements comprise the financial statements of the Company and its subsidiaries listed below:

Subsidiary Name	Main activities	Country of incorporation	Ownership 2023	Ownership 2022
ARAC Healthcare Co. (ARAC)	Pharmaceutical products distributor	Saudi Arabia	**100%**	100%
Pharmaceutical Industries Company for Distribution (a)	Pharmaceutical products distributor	Saudi Arabia	**100%**	100%
ARACOM Medical Company	Pharmaceutical products distributor	Saudi Arabia	**100%**	100%
AL-WATAN Arabian Pharmaceutical Industries (b)	Pharmaceutical manufacturer	Saudi Arabia	-	100%
ANORA Trading Company (c)	Pharmacy – retail	Saudi Arabia	**99%**	99%
Dammam Pharmaceutical Co. (d)	Pharmaceutical manufacturer	Saudi Arabia	**85%**	85%
Qassim Medical Service Co.	Healthcare services provider	Saudi Arabia	**57.27%**	57.27%
SPIMACO Saudi Foundation Algeria	Pharmaceutical products distributor	Algeria	**100%**	100%
SPIMACO Misr Company for Marketing (a)	Pharmaceutical products marketing	Egypt	**100%**	100%
SPIMACO Misr Company for Distribution (a)	Pharmaceutical products distributor	Egypt	**100%**	100%
SPIMACO Egypt Co.	Pharmaceutical products distributor	Egypt	**100%**	100%
SPIMACO Misr for Pharmaceutical Industries (e) & (f)	Pharmaceutical manufacturer	Egypt	**90.59%**	78.51%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	**72.54%**	72.54%

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

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. ORGANIZATION AND ACTIVITY (Continued)

1.1 The consolidated financial statements comprise the financial statements of the Company and its subsidiaries listed below (Continued)

(b) On September 16, 2020, the partners of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") (Limited Liability Company) resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. SPIMACO will produce some of the subsidiary's products from the Company's factory in Al Qassim and there is no financial impact from the liquidation of Al-Watan Pharma since the subsidiary did not start its commercial activity and does not have capital projects. Accordingly, the Group stopped consolidating the financial statements of Al-Watan Pharma. As of October 30, 2022, the management approved the liquidation of AL-WATAN Pharma. The liquidation process was completed on September 25, 2023, with the Ministry of Commerce.

(c) On November 17, 2021, the partners of ANORA Trading Company (Limited Liability Company), resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. The financial impact of the liquidation of ANORA Trading Company is immaterial as it has insignificant commercial activity and does not have financial commitments. Accordingly, The Group stopped consolidating the financial statements of ANORA Trading Company. It should be noted that ANORA Trading Company has a paid-up capital of SR 300 thousand, and it is 99% owned by ARAC Healthcare Company (a wholly owned subsidiary of SPIMACO Group).

(d) During the year, Saudi Pharmaceutical Industries and Medical Appliances Corporation ("SPIMACO – ADDWAEIH") ("Parent Company") acquired full ownership in Dammam Pharmaceutical Company through an agreement dated December 14, 2023. By virtue of this agreement, SPIMACO – ADDWAEIH purchased a 15% stake in Dammam Pharmaceutical Company for SR 27 million, from the Moroccan Pharmaceutical Company "Cooper Pharma". In parallel, SPIMACO - ADDWAEIH, as part of its asset consolidation initiative, transferred 20% of Dammam Pharmaceutical Company equity interest from its wholly owned subsidiary "ARAC Healthcare Company (ARAC)", to SPIMACO - ADDWAEIH. The arrangements and associated legal procedures have not been completed as of December 31, 2023.

(e) On August 4, 2022, SPIMACO Misr for Pharmaceutical Industries increased the paid-up share capital from 100,000 shares to 225,000 shares. The Company subscribed to the additional shares bringing the revised percentage holding to 78.51%. On September 19, 2023, the Company concluded the purchase of additional shares in SPIMACO Misr for Pharmaceutical Industries for a cash consideration of SR 6.6 million bringing the revised percentage holding to 90.59%. The transaction was approved by the Board of Directors on June 28, 2021; however, the regulatory process was completed as of said date.

(f) On November 14, 2023, the Group management decided to acquire a 68% equity stake in a Swiss-based pharmaceutical innovator, Osmopharm S.A. ("Osmopharm"), while divesting a shareholding of 76.4% in SPIMACO Misr for Pharmaceutical Industries ("SPIMACO Misr"). The transaction, with a total value of SR 16.1 million, involves a share swap supplemented with a cash consideration and is expected to be completed in the first half of 2024, contingent on regulatory approvals. The Board of Directors of both companies have approved the share swap. Accordingly, the Group stopped consolidating the financial statements of SPIMACO Misr for Pharmaceutical Industries and classified it as discontinued operations.

1.2 Associates and joint venture

Associates and joint venture Name	Main activities	Country of incorporation	Ownership 2023	Ownership 2022
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint venture	Manufacturing of healthcare products	Saudi Arabia	**51%**	51%
CAD Middle East Pharmaceutical Company (CAD) - Associate	Active Pharmaceutical Ingredients manufacturing	Saudi Arabia	**46.08%**	46.08%
Tassili Arab Pharmaceutical Company (TAPHCO) - Associate	Pharmaceutical manufacturer	Algeria	**22%**	22%

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. BASIS OF PREPARATION

The Consolidated financial statements of the Group for the year ended December 31, 2023, have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (IFRS). Details of the Group's material accounting policies are disclosed in note 6.

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value, Defined benefits plan is measured at the present value of future obligations using the Projected Unit Credit Method, and Investment in associates and joint ventures using the equity method accounting. The consolidated financial statements are presented in Saudi Riyals which is also the functional currency of the group, and all amounts are rounded to the nearest thousands of Saudi Riyals (SR), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risk and uncertainties include:
- Risk management of financial instruments Note 38
- Sensitivity analysis disclosures Note 24

3.1 Judgements

In the process of applying the Group's material accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining whether the Group or component of the Group is acting as an agent or principal

Principles of IFRS 15 "Revenue from contracts with customers" are applied by identifying each specified (i.e. distinct) good or service promised to the customer in the contract and evaluating whether the entity under consideration obtains control of the specified good or service before it is transferred to the customer. This assessment requires significant judgment based on specific facts and circumstances.

Joint arrangements

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:
- Joint ventures: where the group has rights to only the net assets of the joint arrangement
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:
- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as equity-accounted investments (i.e. using the equity method).

Impairment of trade receivables

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The allowance for expected credit losses on trade receivables is estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis.

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION
(SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)
3.1 Judgements (Continued)

Leases
Lease liabilities are determined by calculating the present value of the lease payments using an appropriate discount rate. The Group uses the effective interest rate to calculate the present value of lease payments, which represents the long-term incremental borrowing rate.

3.2 Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values of property, plant and equipment and intangible assets
An estimate of the useful lives and residual values of property, plant and equipment and intangible assets is made to calculate depreciation and amortization respectively. These estimates are made based on the expected useful lives of relevant assets. Residual value is determined based on experience and observable data where available.

The useful lives and residual values of the Group's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. Their lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

Extension and termination options of lease agreements
Extension and termination options are included in a number of lease agreements. These terms are used to increase operational flexibility in terms of contract administration. Most extension and termination options held are exercisable by both the Group and the lessor.

In determining the term of the lease, the management considers all facts and circumstances that create an economic incentive to exercise the option to extend, or not to exercise the option to terminate. Extension options (or the periods following the termination options) are included in the lease term only if the lease is reasonably certain to be extended (or not to be terminated). The assessment is reviewed if a significant event or a significant change in the circumstances affecting this assessment occurs and which is within the control of the lessee.

Determining the discount rate for Lease payments
Lease payments are discounted using the Group's Incremental Borrowing Rate ("IBR"). Management exercises judgment in determining IBR at the commencement of a lease.

Impairment of non-financial assets
An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate to calculate the present value of those cash flows. In the process of measuring expected future cash flow management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

Long-term assumptions of employees' end-of-service benefit obligations
employees' end-of -service benefit obligations represent obligations which will be paid in the future upon the termination of employment contracts. Management has to make assumptions about the variables such as discount factor, salary increase rate, mortality rates and employee turnover. The Group's management periodically takes advice from actuaries on these assumptions. Changes in key assumptions could materially affect the provision for employees' end-of -service benefit obligations.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)
3.2 Estimates and assumptions (Continued)

Recognition and measurement of provisions
Key assumptions about the likelihood and magnitude of an outflow of resources.

Revenue recognition
Amounts recorded for revenue deductions can result from a complex series of judgments about future events and uncertainties and can rely heavily on estimates and assumptions. The methodology and assumptions used to estimate rebates, rejection rates, volume discounts, and returns are monitored and adjusted regularly in light of contractual and legal obligations, historical trends, experience, and projected market conditions.

Estimate of Zakat, current and deferred income taxes
The Group's zakat and tax charge on ordinary activities is the sum of the total zakat, current and deferred tax charges. The calculation of the Group's zakat and total tax charge involves a degree of estimation and judgment with respect to certain items whose treatment cannot be finally determined until a resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.

The final resolution of some of these items may give rise to material profits / (losses) and/or cash flows. The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

4. CHANGES TO THE Group'S ACCOUNTING POLICIES
The material accounting policies and methods of computation adopted in the preparation of the consolidated financial statements for the year ended December 31, 2023, are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022, except for the adoption of a new standard and certain amendments which became effective for annual periods starting on or after 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, the following standards and amendments:
- IFRS 17 'Insurance Contracts.
- Amendments to IAS 8: Definition of Accounting Estimates.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- Amendments to IAS 12: International Tax Reform—Pillar Two Model Rules.

These new standards and these new amendments had no material impact on the consolidated financial statements of the Group.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The group intends to adopt these new and amended standards and interpretations, if applicable when they become effective. The following new and amended standards and interpretations are not expected to have a material impact on the Group's consolidated financial statements:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1: Non-current liabilities with covenants
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements
- Amendments to IAS 21: Lack of exchangeability

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6. MATERIAL ACCOUNTING POLICIES

The following are the material accounting policies applied by the Group in preparing its consolidated financial statements:

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the reporting date.

Control is achieved when the Company is exposed or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company directly or indirectly has:

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

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

- Any contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Company’s voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") is attributed to the shareholders of the Company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full-on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

BUSINESS COMBINATIONS AND GOODWILL

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the asset given or liabilities incurred or assumed at the date of acquisition, plus the amount of any non-controlling interests in the acquiree. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested annually for impairment and carried at cost, net of impairment losses, if any. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS AND GOODWILL (Continued)

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is measured at fair value with the changes in fair value in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

FAIR VALUE MEASUREMENT

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

Foreign currency transactions and balances

Foreign currency transactions are translated into functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition, are translated into Saudi Riyals at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Saudi Riyal at the exchange rates at the dates of the transactions.
Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest (NCI).

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation, and any accumulated impairment losses. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. All other repair and maintenance costs are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. The land is not depreciated.

The estimated depreciation rate of property, plant and equipment for current and comparative periods are as follows:

Description	Depreciation rate
Buildings	2% to 3 %
Plant and machinery	4% to 10 %
Furniture and fixtures	10%
Office equipment and computers	25%
Vehicles	25%

The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

Assets under construction

Assets under construction are stated at cost and not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property, plant and equipment or intangible assets. Finance costs on borrowings to finance the construction of qualified assets are capitalized during the period that is required to complete and prepare the asset for its intended use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition.

The cost of internally generated assets is initially recognized at cost when:

- It is probable that there will be future economic benefits from the assets and,
- The cost of the assets can be reliably measured.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Expenditure for an intangible item, excluding capitalized development costs, is not capitalized and expenditure is recognized in the consolidated statement of profit or loss when it is incurred.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

Intangible assets including technologies, software, brand names, and customer lists, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

The significant intangible assets recognized by the Group and amortization rate are as follows:

Intangible asset	Amortization rate
Technologies	14% to 15%
Brand name	14% to 15%
Customers' list	14% to 15%
Computer software	12% to 15%
Deferred charge, product knowledge and licenses	12.5%

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies non-current assets of discontinued operations and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and Disposal Groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs and income tax expenses.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset or Disposal Group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Continued)

Property, plant, and equipment and intangible assets are not depreciated or amortized once classified as assets held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

LEASES

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Group as a lessee

A- Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognized right-of-use assets are depreciated on a straight-line basis over their estimated useful life.

B- Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expenses in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Group's capitalization threshold and are considered to be insignificant for the consolidated statement of financial position of the Group as a whole. Payments for short-term leases and leases of low-value assets are recognized on a straight-line basis in profit or loss.

Group as a lessor

Leases, where the Group does not substantially transfer all risks and rewards of ownership, are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue once they are earned.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

Investments in associates and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After the application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss as impairment loss of an associate and a joint venture' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the remaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or a group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in profit or loss from continuing operations.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Such reversal is recognized in profit or loss.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

Inventories

Inventories are included in the consolidated financial statements at the lower of cost (including raw materials, direct labour, other direct costs and related production overheads) and net realizable value with due allowance for any obsolete or slow-moving items, near-to-expiry products and damages as per Group's policy. The cost of raw materials, consumables, spare parts, and finished goods is determined on a weightage average cost method.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost

After initial measurement, financial assets at amortized cost are measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Derecognition

A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the v also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach to calculating ECLs. Therefore, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, cash in hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases, where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided as a provision.

Employees' end-of-service benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution plans are expensed as the related service is provided by the employee. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plan

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding finance expense) and the effect of the asset ceiling (if any, excluding finance expense) are recognized immediately in other comprehensive income. The Group determines the net finance expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net finance expenses and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

Employees' end of service benefits (Continued)

Defined benefit plan (Continued)

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognized in profit or loss in the period in which they arise.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Borrowings and Murabaha financing

Borrowings and Murabaha financing are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings and Murabaha financing are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the year of the borrowings using the Effective Interest Rate ("EIR") method. Fees paid on loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw down occurs.

Borrowings and Murabaha financing are derecognized from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings and Murabaha financing are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the date of the preparation of the consolidated financial statements.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged cancelled or expires.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and an intent to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

Dividend payments

The Group recognizes a liability to make cash or non-cash distributions to owners of equity when the distribution is authorized, and the distribution is no longer at the discretion of the Group. As per the Companies Regulations, a distribution is authorized when it is approved by the general assembly of shareholders.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Government grants (Deferred revenue)

Government grants, including non-monetary grants at fair value received on capital expenditure, are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of profit or loss or netted against the asset purchased.

Non-monetary assets, such as land or other resources, are assessed for the fair value of the non-monetary asset as of the grant date and accounted for both grant and asset at that fair value as of that date.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the market rate, the effect of this favourable interest is regarded as a government grant.

Statutory reserve

The new Saudi Companies law which became effective on January 19, 2023, removed the requirement of maintaining a statutory reserve which existed in the previous law. The Company is in the process of updating its bylaws to align it with the new law. To date, the company has decided to continue with the old Companies law and maintain the previously established statutory reserve while continuing to transfer 10% of the year's profit to the statutory reserve until this reserve reaches 30% of the share capital. This reserve is not distributable as profits.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in the share premium.

Revenue

The Group receives revenue from the sales of goods to customers against orders received. The majority of contracts that the Group enters into relate to sales orders containing single performance obligation (PO) for the delivery of pharmaceutical and consumer healthcare products. The average duration of a sales order is less than 12 months.

Product revenue

Product revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement but generally occurs on delivery to the customer.

Product revenue represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and legal obligations, historical trends, experience, and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, revenue is adjusted accordingly.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

Revenue (Continued)

Product revenue (Continued)

A contract liability is recognized for expected returns, rebates and volume discounts in relation to sales made until the end of the reporting period.

Value-added tax and other sales taxes are excluded from revenue.

Contract manufacturing services revenue

The Group has arrangements with some licensors to do primary and secondary packaging as well as distribution on behalf of licensors. Revenue under such arrangements is recognized to the extent that the services agreed in the contract with licensors have been rendered.

Distribution services revenue

Revenue is recognised when control of the goods is passed on to the customer after their distribution.

Principal versus Agent considerations

The Group has carried out a comprehensive reassessment of these arrangements to determine whether the Group is acting as a principal or an agent when delivering goods to a customer as this will impact whether revenue is recognized on a gross or net basis.

The Group considered factors like having primary responsibility to provide the goods, assuming inventory risk, and having the ability to establish prices. Where such indicators are met the Group is considered acting as a principal and therefore, sales transactions related to the above are recorded on a gross basis.

Rendering of healthcare services

Revenue from services primarily comprises fees charged for inpatient and outpatient hospital services, net of any discount or rebates and expected rejections at the time of providing services to the patients. These include charges for accommodation, operation theatre, medical professional services, equipment, radiology, and laboratory. These services are sold either separately or bundled together with the sale of medicines and related products to a customer. The Group concluded that revenue from bundled services will be recognized both at a point in time as well as over time.

Dividend income

Dividend income is recognised in the profit and loss when the Group's right to receive the payment is established which is generally when the shareholders of the investee Group approve the dividend.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the consolidated statement of profit or loss.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

ACCOUNTS PAYABLE AND ACCRUALS

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the Group.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

Cost of revenue

Cost of revenue includes direct costs of sales, including costs of materials, contract and healthcare services, and overheads directly attributable to revenue.

Selling, marketing, general and administrative expenses

Selling, marketing, general administrative and other expenses include direct and indirect costs which are not specifically part of the cost of revenues. Allocations between the cost of revenue and other operating expenses are made consistently when required.

Research and development cost

Development cost is capitalized when the following criteria for recognizing an asset are met:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group can sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of revenue in the consolidated statement of profit or loss.

Development expenditures not satisfying the above criteria and expenditures on the research phase of internal projects or the product failing to get approval from the Saudi Foods and Drug Authority are recognised in the consolidated statement of profit or loss as incurred.

Finance income and finance costs

The Group's finance income and finance costs include:

- Murabaha income on Sharia Compliant facilities and profit margin on other facilities;
- Murabaha charges on Sharia Compliant facilities and finance costs on other facilities;
- Finance cost on lease liabilities: and
- Finance cost on loan from Saudi Industrial Development Fund ("SIDF")
- Finance cost resulting from employees' end-of-service benefits

Murabaha income/expense on Sharia Compliant facilities and profit margin/finance cost on other facilities are recognized using the effective interest method in the consolidated statement of profit loss.

Finance cost on SIDF is recognised using the market interest rate in the consolidated statement of profit loss.

Zakat and income tax

The Company and its Saudi Arabian subsidiaries are subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Any differences between the provision and the final assessment are recorded at the approval of the final assessment when the provision is closed. The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law. The foreign subsidiaries are subject to tax regulations in their countries of incorporation. Zakat and foreign subsidiaries' income tax is charged to profit or loss.

Current tax

The current tax comprises the expected tax payable or receivable on the taxable income or loss attributable to the non-Saudi shareholders for the period and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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6. MATERIAL ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences in the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group can control the timing of the reversal of the temporary differences and, probably, they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that future taxable profits will probably be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from how the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value-added tax, except:

- Where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value-added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value-added tax included.

The net amount of value-added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the consolidated statement of financial position.

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7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and Machinery	Furniture and fixtures	Office equipment and computers	Vehicles	Total
Cost:							
As at January 1, 2022	122,050	776,759	869,786	178,424	38,314	18,768	2,004,101
Additions	-	35	2,747	1,560	837	2,077	7,256
Transferred from assets under construction (note 8)	-	397	434	-	12	-	843
Disposals	-	-	(1,228)	-	(343)	(2,522)	(4,093)
Effect of foreign currency translation	(15)	(4,437)	(3,828)	1,161	(161)	(268)	(7,548)
As at December 31, 2022	122,035	772,754	867,911	181,145	38,659	18,055	2,000,559
Additions	**-**	**145**	**4,699**	**1,376**	**351**	**136**	**6,707**
Transferred from assets under construction (note 8)	**-**	**240,534**	**41,211**	**15,995**	**8,731**	**572**	**307,043**
Disposals	**(1,020)**	**-**	**(3,451)**	**(438)**	**(23)**	**(141)**	**(5,073)**
Effect of foreign currency translation	**(61)**	**(1,630)**	**(919)**	**(309)**	**(69)**	**(95)**	**(3,083)**
Attributable to discontinued operations	**(29)**	**(6,092)**	**(15,806)**	**(1,176)**	**(255)**	**(368)**	**(23,726)**
As at December 31, 2023	**120,925**	**1,005,711**	**893,645**	**196,593**	**47,394**	**18,159**	**2,282,427**
Accumulated Depreciation:							
As at January 1, 2022	-	250,739	476,623	130,498	34,354	14,453	906,667
Charge for the year	-	16,871	29,611	9,222	2,242	1,776	59,722
Disposals	-	-	(1,213)	-	(315)	(2,055)	(3,583)
Effect of foreign currency translation	-	(838)	(1,848)	793	(134)	(188)	(2,215)
As at December 31, 2022	-	266,772	503,173	140,513	36,147	13,986	960,591
Charge for the year	**-**	**21,536**	**28,337**	**9,343**	**3,650**	**1,699**	**64,565**
Disposals	**-**	**-**	**(3,437)**	**(429)**	**(19)**	**(38)**	**(3,923)**
Effect of foreign currency translation	**-**	**(379)**	**(332)**	**(229)**	**(55)**	**(77)**	**(1,072)**
Attributable to discontinued operations	**-**	**(1,331)**	**(6,625)**	**(915)**	**(229)**	**(344)**	**(9,444)**
As at December 31, 2023	**-**	**286,598**	**521,116**	**148,283**	**39,494**	**15,226**	**1,010,717**
Net Book Value:							
December 31, 2023	**120,925**	**719,113**	**372,529**	**48,310**	**7,900**	**2,933**	**1,271,710**
December 31, 2022	122,035	505,982	364,738	40,632	2,512	4,069	1,039,968

In 1992, the Governorate of Buraydah granted a plot of land with zero consideration to QMSC to construct and operate the hospital. As per the grant deed, this land is conditional for the construction and operation of the hospital only. In the event of liquidation of QMSC or the closure of the hospital operations, the land will be transferred back to the Governorate of Buraydah without any compensation. The grant deed also provides the renewal option after every 20 years without any additional charge. The subsidiary recorded the land at fair value at the date of grant, determined by an independent valuer amounting to SR 31 million, with the corresponding effect in deferred income as a government grant, which is being amortized over the term of the grant deed. Management determined that there is no impairment in the carrying amount of the Group's property, plant and equipment as at December 31, 2023 (December 31, 2022: SR nil). As at December 31, 2023, a property with a carrying value of SR 7.8 million (December 31, 2022: SR 7.8 million) has been pledged to secure borrowings of an associated entity (refer note 27). As at December 31, 2023, a property with a carrying value of SR 165.6 million (December 31, 2022: SR 156.7 million) has been pledged to secure the borrowings of a subsidiary entity.

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8. ASSETS UNDER CONSTRUCTION

	December 31, 2023	December 31, 2022
Property, plant and equipment	**533,996**	753,811
Intangible assets	**49,248**	36,406
	583,244	790,217

The movement of assets under construction during the years ended December 31, is as follows:

	2023	2022
As at January 1	**790,217**	718,799
Additions during the year	**104,710**	76,950
Transfer to property, plant and equipment (note 7)	**(307,043)**	(843)
Transfer to intangible assets (note 9)	**-**	(49)
Disposals	**-**	(5,995)
Effect of foreign currencies translation	**(3,332)**	1,355
Attributable to discontinued operations	**(1,308)**	-
As at December 31	**583,244**	790,217

9. INTANGIBLE ASSETS

	Brand Name, Clients List, and Technologies	Deferred Charge, Product Knowledge and Licenses	Computer Software	Total
Cost:				
As at January 1, 2022	134,763	2,531	41,498	178,792
Reclassification	-	5,123	-	5,123
Transfer from AUC (note 8)	-	-	49	49
Written off	-	-	(340)	(340)
As at December 31, 2022	134,763	7,654	41,207	183,624
Additions	**-**	**3,620**	**2,318**	**5,938**
Disposals / written off	**-**	**-**	**(49)**	**(49)**
Effect of foreign currency translation	**-**	**-**	**(2)**	**(2)**
Attributable to discontinued operations	**(82,874)**	**-**	**-**	**(82,874)**
As at December 31, 2023	**51,889**	**11,274**	**43,474**	**106,637**
Accumulated amortization:				
As at January 1, 2022	110,955	627	27,752	139,334
Charge for the year	20,151	361	3,526	24,038
Written off	-	-	(340)	(340)
As at December 31, 2022	131,106	988	30,938	163,032
Charge for the year	**-**	**3,738**	**5,679**	**9,417**
Written off	**-**	**-**	**(1)**	**(1)**
Effect of foreign currency translation	**-**	**-**	**(3)**	**(3)**
Attributable to discontinued operations	**(82,874)**	**-**	**-**	**(82,874)**
As at December 31, 2023	**48,232**	**4,726**	**36,613**	**89,571**
Net book value:				
As at December 31, 2023	**3,657**	**6,548**	**6,861**	**17,066**
As at December 31, 2022	3,657	6,666	10,269	20,592

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10. LEASES

10.1 RIGHT OF USE ASSETS

The movement of right-of-use assets during the years ended December 31, is as follows:

	2023	2022
As at January 1	**35,200**	33,830
Additions	**1,569**	6,427
Depreciation charge for the year	**(4,565)**	(5,057)
As at December 31	**32,204**	35,200

10.2 LEASE LIABILITIES

The movement of lease liabilities during the years ended December 31, is as follows:

	2023	2022
As at January 1	**24,951**	24,944
Additions	**1,569**	6,427
Adjustments	**1,319**	123
Finance cost	**824**	927
Paid	**(10,158)**	(7,470)
As at December 31	**18,505**	24,951
Current portion	**7,210**	6,145
Non-current portion	**11,295**	18,806

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

	December 31, 2023	December 31, 2022
Arabian Medical Products Manufacturing Company (ENAYAH)	**58,186**	46,526
Tassili Arab Pharmaceutical Company (TAPHCO)	**-**	-
CAD Middle East Pharmaceutical Company	**-**	-
	58,186	46,526

The movement of investment of Joint Venture during the years ended December 31, is as follows:

	2023	2022
As at January 1	**46,526**	63,300
Share of results during the year	**19,995**	20,442
Share of OCI during the year	**417**	(912)
Dividends, net of zakat and tax	**(8,752)**	(36,304)
As at December 31	**58,186**	46,526

The following table illustrates the summarized financial information of Arabian Medical Products Manufacturing Company (ENAYAH) as at December 31, and for the years then ended:

	December 31, 2023	December 31, 2022
Current assets	**174,788**	183,819
Non-current assets	**12,018**	11,217
Current liabilities	**(54,830)**	(84,840)
Non-current liabilities	**(17,886)**	(18,969)
	114,090	91,227
Company's share in equity (%)	**51%**	51%
Company's share in equity (in SR)	**58,186**	46,526
Investment carrying amount	**58,186**	46,526

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11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (Continued)

The following table illustrates the summarized financial information of Arabian Medical Products Manufacturing Company (ENAYAH) as at December 31, and for the years then ended: (Continued)

	2023	2022
Revenue	**204,000**	198,840
Direct costs	**(131,609)**	(132,147)
Selling and distribution expenses	**(12,538)**	(9,721)
General and administrative expenses	**(15,124)**	(12,285)
Impairment loss on trade receivable and related parties	**(1,711)**	(249)
Other income	**1,002**	400
Profit before tax and zakat	**44,020**	44,838
Zakat and tax expense	**(4,813)**	(4,755)
Profit for the year	**39,207**	40,083
Company's share of results	**19,995**	20,442
Other comprehensive income	**818**	**(1,789)**
Company's share of OCI	**417**	**(912)**

12. DEFERRED TAX ASSETS

The movement in the deferred tax asset during the years ended December 31, is as follows:

	2023	2022
As at January 1	**23,481**	18,929
Income during the year	**4,570**	3,641
Attributable to discontinued operations	**910**	911
Effect of foreign currency translation	**(359)**	-
As at December 31	**28,602**	23,481

Deferred tax assets resulted from the temporary differences from the below items and after applying the tax rate applicable in relevant companies' jurisdictions**.**

	December 31, 2023	December 31, 2022
Temporary differences		
Provision for employee benefits	**11,541**	12,156
Provisions - sales discounts and sales returns	**5,193**	644
Accrued expenses and other liabilities	**4,949**	6,183
Contract liabilities	**2,338**	2,189
Provision for slow-moving inventory and obsolete	**2,120**	881
Depreciation of property, plant and equipment	**1,921**	2,111
Provision for employees' legal claims	**1,653**	-
Provision for financial guarantee	**1,490**	1,283
Provision for expected credit losses	**1,205**	1,304
Deferred income	**1,105**	1,072
Attributable to discontinued operations	**551**	-
Lease liabilities	**396**	462
Right of use assets	**(377)**	(455)
Prepayments and other assets	**(5,483)**	(4,349)
	28,602	23,481

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13. INVENTORIES

	December 31, 2023	December 31, 2022
Finished goods	**375,681**	244,939
Raw materials	**214,046**	216,510
Work in progress	**33,221**	45,385
Stores and spares	**27,564**	23,667
Goods in transit	**2,933**	97
	653,445	530,598
Less: Provision for slow-moving and obsolete items	**(64,237)**	(35,913)
	589,208	494,685

The movement of provision for slow-moving and obsolete items during the years ended December 31, is as follows:

	2023	2022
As at January 1	**35,913**	43,651
Charge during the year	**49,808**	795
Written off during the year	**(20,178)**	(8,533)
Effect of foreign currency translation	**(996)**	-
Attributable to discontinued operations	**(310)**	-
As at December 31	**64,237**	35,913

14. TRADE AND OTHER RECEIVABLES

	December 31, 2023	December 31, 2022
Trade receivables	**981,231**	881,371
Less: impairment provision	**(95,170)**	(154,005)
	886,061	727,366
Due from related parties - current portion (note 37)	**38,032**	106,475
	924,093	833,841

Ageing analysis of trade receivables past due but not impaired is as follows:

	December 31, 2023	December 31, 2022
Up to 3 months	**643,979**	530,537
3 to 6 months	**71,746**	35,775
6 to 12 months	**75,463**	71,104
Over 1 year	**190,043**	243,955
	981,231	881,371

The movement of impairment provision during the years ended December 31, is as follows:

	Specific provision	**ECL provision**	**Total**
As at January 1, 2022	46,353	128,101	174,455
Charges for the year	-	10,049	10,049
Written off during the year	(30,203)	(402)	(30,605)
Attributable to discontinued operations		(69)	(69)
Effect of foreign currency translation	-	176	176
As at December 31, 2022	16,150	137,855	154,005
Impairment reversal for the year	**-**	**(3,751)**	**(3,751)**
Written off during the year	**-**	**(55,275)**	**(55,275)**
Attributable to discontinued operations	**-**	**(20)**	**(20)**
Effect of foreign currency translation	**-**	**211**	**211**
As at December 31, 2023	**16,150**	**79,020**	**95,170**

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15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	2023	2022
As at January 1	**420**	567,675
Revaluation during the year	**39**	3,634
Disposals during the year	**-**	(570,889)
As at December 31	**459**	420

16. PREPAYMENTS AND OTHER ASSETS

	December 31, 2023	December 31, 2022
Advances to suppliers	**97,123**	57,940
VAT refundable	**28,987**	63,603
Prepaid insurance and other expenses	**22,975**	23,731
Due from employees *	**3,831**	8,583
Others	**10,618**	11,361
	163,534	165,218

* These represent advance against salaries and other short-term loans given to employees as per Company policy which are deductible from employees' salaries on a monthly basis or from end services benefits in the case of resignation or termination of the employment contract.

17. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash in hand	**788**	243
Cash at banks	**126,061**	212,150
Short-term deposits *	**33,217**	122,956
	160,066	335,349

* This represents short-term Murabaha deposits held with various banks with profit margins ranging from 4.30% to 5.93% (December 31, 2022: 0.30% to 4.35%) with a maturity of less than 3 months.

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

	December 31, 2023	December 31, 2022
Total cash and cash equivalents	**160,066**	335,349
Cash and cash equivalents from discontinued operations	**3,024**	-
	163,090	335,349

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18. ASSETS HELD FOR SALE / DISCONTINUED OPERATIONS

As disclosed in Note 1.1, the Group resolved to voluntarily liquidate ANORA Trading Company and divest equity stake in SPIMACO Misr. Accordingly, the Group has not consolidated these subsidiaries in these consolidated financial statements and classified them as discontinued operations. The results of the operations of these subsidiaries for the current and previous years have been presented in the consolidated statement of profit or loss as follows:

	2023	2022
Revenue	**2,357**	4,527
Cost of revenue	**(4,850)**	(5,203)
Gross loss	**(2,493)**	(676)
Selling and marketing expenses	**(1,509)**	(3,562)
General and administrative expenses	**(450)**	(12,167)
Impairment (loss) reversal on trade receivables	**(29)**	69
Other income	**10,912**	4,627
Operating profit (loss)	**6,431**	(12,709)
Finance cost	**58**	(955)
Profit (loss) before zakat and income tax	**6,489**	(13,664)
Zakat and income tax	**-**	911
Net profit (loss) for the year from discontinued operations	**6,489**	(12,753)
Earnings (loss) per share (SR) Basic and diluted	**0.05**	(0.11)

The following is the statement of the main classes of assets and liabilities of ANORA Trading Company and SPIMACO Misr as discontinued operations:

	December 31, 2023	December 31, 2022
Assets		
Property, plant and equipment	**15,589**	-
Inventories	**2,105**	1,226
Trade and other receivables	**1,346**	
Prepayment and other assets	**361**	29
Cash and cash equivalents	**3,024**	-
Assets held for sale	**22,425**	1,255
Liabilities		
Employees' end-of-service benefits	**-**	35
Contract liabilities	**1,268**	-
Accrued expenses	**2,427**	3
Deferred tax liability	**910**	-
Liabilities directly associated with assets classified as held for sale	**4,605**	38

The following is the statement of cash flows incurred by ANORA Trading Company and SPIMACO Misr:

	2023	2022
Operating activities	**(1,848)**	(4,756)
Investing activities	**(18)**	-
Financing activities	**(9,203)**	(396)
Net changes in cash and cash equivalents during the year	**(11,069)**	(5,152)

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

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19. SHARE CAPITAL

	December 31, 2023	December 31, 2022
Share capital issued and fully paid @ SR 10 each	**1,200,000**	1,200,000

Percentage of shareholding

	December 31, 2023	December 31, 2022
Saudi Shareholding	**72.78%**	74.30%
Non-Saudi Shareholding – Arab Company for Drug Industries and Medical Appliances - Jordan (ACDIMA)	**20.48%**	20.48%
Non-Saudi Shareholding - others	**6.74%**	5.22%

20. RESERVES

20.1 STATUTORY RESERVE

The new Saudi Companies law which became effective on January 19, 2023, removed the requirement of maintaining a statutory reserve which existed in the previous law. The Company is in the process of updating its bylaws to align it with the new law. To date, the company has decided to continue with the old Companies law and maintain the previously established statutory reserve while continuing to transfer 10% of the year's profit to the statutory reserve until this reserve reaches 30% of the share capital. This reserve is not distributable as profits.

20.2 GENERAL RESERVE

In accordance with the Company's bylaws, the General Assembly can establish a general reserve as an appropriation of retained earnings. This general reserve can be increased or decreased by a resolution of the shareholders.

The Company's Extraordinary General Assembly resolved in its meeting held on Rabi Al'Akhir 30, 1445H (corresponding to November 15, 2023) to transfer from the general reserve balance an amount of SR 150 million to the retained earnings to write off the accumulated losses.

20.3 CONSENSUAL RESERVE

In accordance with the provisions of the Company's bylaws, the Company transfers 5% of the net annual profits to the consensual reserve until this reserve reaches 25% of the share capital. The General Assembly shall determine the purposes for the use of this reserve.

The Company's Extraordinary General Assembly resolved in its meeting held on Rabi Al'Akhir 30, 1445H (corresponding to November 15, 2023) to transfer from the consensual reserve balance and amount of SR 34.71 million to the retained earnings to write off the accumulated losses.

20.4 Dividends

During 2023, the Company did not distribute dividends (2022: SR 72 million) based on the approval of the General Assembly of the Company.

21. TREASURY SHARES

During 2023, the Extraordinary General Assembly in its meeting held on Rabi Al'Akhir 30, 1445H (corresponding to November 15, 2023) approved the purchase of the Company's shares, with a maximum of 815,000 shares. The Company completed the purchase of 244,436 shares for an amount of SR 8 Million to be allocated to the Employees' Long-term Incentives Program and be granted to high-performing employees. The program intends to attract, motivate, and retain employees responsible for the achievement of the Group's goals and strategies. The program provides a share-based payment plan for all eligible employees participating in the program by granting them shares in the Company upon completing the duration of service. The group accounts for the share-based payment plan program as an equity-settled share-based payment. As at December 31, 2023, the program was not launched.

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22. NON-CONTROLLING INTERESTS (NCI)

The following table summarizes the information relating to each of the Group's subsidiaries that have NCI:

December 31, 2023	Dammam Pharmaceutical Company	Qassim Medical Services Company	Anora Trading Company	SPIMACO Misr for Pharmaceuticals Industries	SPIMACO Morocco for Pharmaceuticals Industries	Total
NCI percentage	15%	42.80%	1%	9.41%	27.46%	
Non-current assets	232,208	84,982	-	8,406	177,326	502,922
Current assets	23,028	237,594	-	6,836	43,902	311,360
Non-current liabilities	(96,790)	(23,991)	-	(910)	(30,649)	(152,340)
Current liabilities	(27,526)	(58,348)	(7,087)	23,816	(61,651)	(130,796)
Net assets / (liability)	130,920	240,237	(7,087)	38,148	128,928	531,146
Net assets / (liability) attributable to NCI	19,638	102,821	(71)	3,590	35,404	161,382
Revenue	36,842	161,753	-	2,357	24,116	225,068
(Loss) / profit	(21,042)	36,358	(1,214)	7,703	(7,259)	14,546
Other comprehensive income	366	473	-	-	-	839
Total comprehensive (loss) / income	(20,676)	36,831	(1,214)	7,703	(7,259)	15,385
(Loss) / profit allocated to NCI	(3,156)	15,561	(12)	725	(1,993)	11,124
Other comprehensive income allocated to NCI	55	203	-	-	-	258
Total comprehensive (loss) / income allocated to NCI	(3,101)	15,764	(12)	725	(1,993)	11,382
Operating activities	12,578	34,524	(1,682)	(1,848)	(9,075)	34,497
Investing activities	(913)	(77,388)	-	-	(5,410)	(83,711)
Financing activities	(13,752)	(358)	-	(9,203)	(17,433)	(40,746)
Net decrease in cash and cash equivalents	(2,087)	(43,222)	(1,682)	(11,051)	(31,918)	(89,960)

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22. NON-CONTROLLING INTERESTS (NCI) (Continued)

The following table summarizes the information relating to each of the Group's subsidiaries that have NCI.

December 31, 2022	Dammam Pharmaceutical Company	Qassim Medical Services Company	Anora Trading Company	SPIMACO Misr for Pharmaceuticals Industries	SPIMACO Morocco for Pharmaceuticals Industries	Total
NCI percentage	15%	42.8%	1%	21.49%	27.46%	
Non-current assets	238,625	126,663	-	18,448	176,338	560,074
Current assets	31,236	182,134	1,255	22,243	40,567	277,435
Non-current liabilities	(111,912)	(23,455)	-	(551)	(42,436)	(178,354)
Current liabilities	(28,342)	(45,179)	(7,128)	(74,083)	(33,235)	(187,967)
Net assets / (liability)	129,607	240,163	(5,873)	(33,943)	141,234	471,188
Net assets / (liability) attributable to NCI	19,441	102,725	(59)	(7,294)	38,783	153,596
Revenue	22,047	129,311	-	4,527	20,330	176,215
(Loss) / profit	(31,175)	9,984	(1,001)	(11,755)	(11,493)	(45,440)
Other comprehensive income	879	484	-	-	-	1,363
Total comprehensive (loss) / income	(30,296)	10,468	(1,001)	(11,755)	(11,493)	(44,077)
(Loss) / profit allocated to NCI	(4,676)	4,270	(10)	(2,526)	(3,156)	(6,098)
Other comprehensive income allocated to NCI	132	207	-	-	-	339
Total comprehensive (loss) / income allocated to NCI	(4,544)	4,477	(10)	(2,526)	(3,156)	(5,759)
Operating activities	4,492	19,142	(938)	(3,804)	(9,348)	9,544
Investing activities	(1,404)	(10,438)	-	-	(4,722)	(16,564)
Financing activities	(6,502)	(2,711)	-	(527)	5,316	(4,424)
Net (decrease) / increase in cash and cash equivalents	(3,414)	5,993	(938)	(4,331)	(8,754)	(11,444)

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23. LOANS AND BORROWINGS

	December 31, 2023	December 31, 2022
Short-term loans and current portion of long-term loans		
Islamic financing	**421,425**	400,000
Government loans	**101,982**	79,637
Short-term loans	**2,051**	197,323
	525,458	676,960
Non-current		
Islamic financing	**545,431**	245,856
Government loans	**29,846**	133,976
	575,277	379,832

The Company has a Murabaha financing contracts of SR 3,937 million with local and international banks to finance the working capital needs and operations expansion of the Company. The volume of Murabaha financing used by the Company is SR 967 million as at December 31, 2023 (December 31, 2022: SR 646 million). The unused portion of the total financing contract is SR 2,970 million as at December 31, 2023 (December 31, 2022: SR 2,513 million).

On January 7, 2019, the Company obtained a loan from the Saudi Industrial Development Fund ("SIDF") amounting to SR 287.1 million. The Company obtained this loan to finance the expansion of its manufacturing facility. This loan is repayable in semi-annual instalments over 5 years.

In 2016, a subsidiary of the Group obtained a loan from the Saudi Industrial Development Fund ("SIDF") amounting to SR 54.1 million to finance an expansion project of the Company. The loan is secured against a corporate guarantee from the Parent Company.

Included in Islamic financing borrowing facilities in the form of Tawarruq obtained by a subsidiary of the Group from a local commercial bank to finance the working capital requirements and bear financial charges at the market prevailing rate. These facilities are secured against corporate guarantees. Total outstanding balance as at December 31, 2023, amounted to SR 10 million (December 31, 2022: SR 3 million).

During 2022, a subsidiary of the Group entered into a facility amounting to SR 65 million with a local commercial bank to settle its existing short-term revolving loan of SR 20 million and a long-term loan of SR 45.3 million from another local commercial bank. The facility is repayable in 24 quarterly instalments commencing from December 2024 with a grace period of 2 years. The facility carries financial charges at the market prevailing rate. These loans are secured against the corporate guarantee of the Parent Company.

During 2023, a subsidiary of the Group obtained from local banks short-term bank facilities (Short term Murabaha) amounting to SR 28 million (December 31, 2022: SR 20 million) and (Tawarruq) amounting to SR 27 million (December 31, 2022: SR 25 million), guaranteed by the Parent Company and promissory notes.

In 2023, the Company acquired long-term loans amounting to SR 500 million from two local commercial banks to settle the short-term revolving loans. The facility is repayable in semi-annual instalments over 5 years after a grace period of one to one and a half years. Furthermore, the Company also acquired a loan from Saudi EXIM Bank amounting to SR 150 million, which is being utilised to finance the export operations of the business.

During the year ended December 31, 2023, the Group capitalized finance costs amounting to SR 4.6 million (December 31, 2022: SR 7.6 million).

The covenants of some credit facilities require the Group to maintain a certain level of financial indicators and some other requirements.

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24. EMPLOYEES' END OF SERVICE BENEFIT OBLIGATIONS

The movement in employee end-of-service benefits, a defined benefit plan, during the years ended December 31, is as follows:

	2023	2022
As at January 1	**313,238**	295,887
Expense charged to profit or loss		
Current service cost	**41,047**	38,276
Past service cost	**(712)**	2,821
Finance cost	**10,840**	7,961
	51,175	49,058
Actuarial remeasurement charged to OCI		
Actuarial (gain) / loss	**(10,121)**	17,731
Benefits paid	**(71,587)**	(49,438)
As at December 31	**282,705**	313,238

Significant actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2023	2022
Discount rate	**4.55%**	4.40%
Future salary growth	**7.03%**	4.00%

Sensitivity analysis of key actuarial assumptions are as follows:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2023	2022
INCREASE		
Discount rate (1% movement)	**267,502**	293,459
Future salary growth (1% movement)	**301,111**	335,622
DECREASE		
Discount rate (1% movement)	**299,722**	334,205
Future salary growth (1% movement)	**265,975**	291,845

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

25. DEFERRED INCOME

	December 31, 2023	December 31, 2022
Government grant - SIDF loan	**20,850**	20,850
Government grant - land	**10,864**	12,416
Government grant - plant	**6,081**	2,101
	37,795	35,367

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26. CONTRACT LIABILITIES

	2023	2022
Contract liabilities		
Sales/services discounts:		
As at January 1	**25,909**	62,609
Discounts provision against sales/services	**230,905**	213,069
Actual discounts adjusted during the year	**(153,525)**	(249,769)
As at December 31	**103,289**	25,909
Sales returns:		
As at January 1	**19,483**	21,084
Charge for the year	**2,957**	515
Adjusted during the year	**(231)**	(2,116)
As at December 31	**22,209**	19,483
Contract liabilities - Current	**125,498**	45,392
Contract liabilities - Non-current *	**44,132**	42,581

* This relates to an advance received from AstraZeneca UK Limited per the investment agreement dated June 2018.

27. PROVISION FOR FINANCIAL GUARANTEES

The Company provided financial guarantees against loans issued by financial institutions to its associate, CAD Middle East Pharmaceutical Company (CAD). CAD has been in continuous losses for the past few years and facing significant liquidity difficulties in discharging its financial liabilities. The Company's guaranteed portion of the outstanding balance of total loans amounted to SR 28 million (December 31, 2022: SR 25 million) and the Company has recorded the provision for the same amount in these consolidated financial statements.

28. ZAKAT AND INCOME TAX PAYABLE

28.1 Basis for Zakat and income tax:

The Parent Company is subject to zakat and income tax. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. Income tax is payable at 20% of adjusted profit. The significant components of the zakat base under zakat and income tax regulation principally comprise shareholders' equity, provisions and long-term borrowings at the beginning of the year and adjusted net income, less a deduction for the net book value of non-current assets.

Income tax on foreign subsidiaries is calculated as per each respective country's tax laws.

The provision of zakat is calculated as per the zakat base prepared based on the consolidated financial statements of the Company and its subsidiaries directly or indirectly owned by the Group. The calculated zakat provision is then distributed between the Company and its subsidiaries. Any differences between the provision and the final assessment are recorded at the approval of the final assessment when the provision is closed.

28.2 Zakat and income taxes charged to profit or loss:

	2023	2022
Zakat charge	**48,331**	27,983
Income tax charge	**1,499**	1,553
Deferred tax	**(4,570)**	(3,641)
	45,260	25,895

28.3 The movement in the zakat and income tax payable:

	2023	2022
As at January 1	**33,136**	28,843
Charge for the year	**49,830**	29,536
Paid during the year	**(34,516)**	(25,243)
As at December 31	**48,450**	33,136

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28. ZAKAT AND INCOME TAX PAYABLE (Continued)

28.4 Status of certificates and assessments:

Zakat self-assessments for the Group have been finalized with ZATCA and final zakat certificates obtained for the years up to 2022.

During the 2023 fiscal year, ZATCA issued the final assessment for 2019 and preliminary assessment for 2020, which resulted in additional liabilities of SR 28.7 million while settling SR 8.6 million and finalizing the 2019 status. The Company has objected against the Zakat assessment of 2020 and the management undertakes to accrue the necessary provision and will continue the objection in front of the General Secretariat of Zakat, Tax and Customs Committees (GSZTC) in case the preliminary assessment is not amended by ZATCA.

The Tax and Zakat returns for 2021 and 2022 are currently under audit from ZATCA and the final Tax/Zakat assessment is yet to be issued at the date of these consolidated financials.

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

29. TRADE PAYABLES AND OTHER LIABILITIES

	December 31, 2023	December 31, 2022
Trade payables	**333,486**	223,006
Accrued expenses	**103,043**	58,918
Due from employees	**38,495**	103,967
Provision for terminated employees' legal claims	**14,777**	-
Excess subscriptions	**12,592**	12,592
VAT payable	**2,498**	2,314
Withholding tax	**-**	1,924
Others	**2,101**	732
	506,992	403,453

30. REVENUES

	2023	2022
Product sales (net of rebates, discounts, allowances and returns)	**1,472,807**	1,271,170
Healthcare services	**140,568**	128,380
Distribution services	**13,342**	9,330
Contract Manufacturing / Agency Services	**26,367**	12,930
	1,653,084	1,421,810

31. SELLING AND MARKETING EXPENSES

	2023	2022
Employees' salaries and benefits	**230,642**	266,234
Advertising and promotions	**56,746**	41,887
Depreciation and amortization	**11,620**	11,684
Travel and training	**9,784**	10,779
Freight	**7,824**	12,899
Library expenses	**4,592**	4,876
Utilities	**4,537**	4,782
Repair and maintenance	**4,504**	3,528
Legal and professional fees	**4,436**	5,204
Entertainment expenses	**3,664**	-
Distribution expenses	**2,704**	-
Communications	**2,635**	4,013
Others	**5,621**	3,630
	349,309	369,516

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32. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Employees' salaries and benefits	**140,066**	151,158
Depreciation and amortization	**29,641**	16,138
Legal and professional fees	**23,723**	19,427
Subscriptions	**11,619**	12,744
Utilities	**9,746**	11,521
Repairs and maintenance	**8,980**	6,159
Board of Directors expenses	**7,417**	8,357
Communications	**4,283**	3,333
Travel and training	**3,886**	10,877
Stationery	**3,034**	1,732
Meals and entertainment expenses	**3,010**	2,796
Insurance	**2,309**	1,046
Non-commercial expenses	**1,260**	-
Others	**6,385**	7,551
	255,359	252,839

33. RESEARCH AND DEVELOPMENT EXPENSES

	2023	2022
Employees' salaries and benefits	**20,745**	18,607
Clinical trials	**5,587**	4,456
Depreciation and amortization	**4,742**	5,064
Product registration	**3,866**	2,224
Laboratory expenses	**3,806**	3,721
Write off research expenses	**-**	5,995
Others	**2,713**	2,578
	41,459	42,645

34. OTHER INCOME (EXPENSES)

	2023	2022
Bad debts recovered	**15,778**	-
Scrap Sales	**6,444**	293
Gain on disposal of property, plant and equipment	**6,383**	135
Amortization of deferred income	**1,552**	1,552
Foreign exchange loss	**(4,322)**	(14,381)
Terminated employees' legal claims (note 34.1)	**(20,467)**	-
Other income (note 34.2)	**35,771**	6,085
	41,139	(6,316)

34.1 During the year, certain claims have been filed by terminated employees and the Group is working with external legal counsels to assess the validity and potential liabilities associated with these claims. Based on the opinion of the Group's legal advisors, provisions have been made in the consolidated financial statements to account for the potential liabilities arising from these labour law claims. These provisions are subject to reassessment as new information becomes available or as the legal proceedings progress. Furthermore, some of these claims have been decided against the Group by the Labor Law Court, and the associated costs have been recorded in the consolidated statement of profit or loss. These costs represent the actual financial impact of the resolved claims. The Group has taken steps to ensure that the consolidated financial statements accurately reflect the potential financial impact on its financial position, results of operations, and cash flows. Also, refer to contingent liabilities note 40.

34.2 As per the Board of Directors' decision, it was resolved not to pay any bonuses to employees for the years 2022 and 2023. Accordingly, all 2022 accrued expenses related to bonuses have been reversed to other income.

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35. FINANCE COST

	2023	2022
Loans and borrowings	**58,411**	33,405
End-of-service benefit obligations	**10,840**	7,961
Lease liabilities	**823**	927
	70,074	42,293

36. LOSS PER SHARE

The following reflects the loss for the year and share date used in the basic and diluted loss per share computations:

	2023	2022
Loss for the year attributable to the Shareholders of the Parent	**(13,711)**	(165,135)
Weighted average number of ordinary shares	**119,969,446**	120,000,000
Loss per share from loss for the year attributable to the Shareholders of the parent (SR)	**(0.11)**	(1.38)
Loss from continuing operations for the year attributable to the Shareholders of the Parent	**(19,553)**	(152,312)
Weighted average number of ordinary shares	**119,969,446**	120,000,000
Loss per share from loss from continuing operations attributable to the Shareholders of the Parent (SR)	**(0.16)**	(1.27)

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

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

Basic loss per share has been calculated by dividing the loss attributable to the Shareholders of the Company over the weighted average number of outstanding ordinary shares during the year.

37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

37.1 Transactions

Related party	**Relation with the**	**Nature of transactions**	**2023**	2022
CAD Middle East Pharmaceutical Co.	Associate	Finance / Expenses	**21,938**	9,158
Arabian Medical Products Manufacturing Co. (ENAYAH)	Joint Venture	Dividend	**8,752**	36,304
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Key foreign shareholder	Dividends / Tax	**2,398**	14,752
		Research cost	**1,625**	4,175
Tassili Arab Pharmaceutical Co. (TAPHCO)	Associate	Sales	**1,947**	3,539

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37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

37.2 Due from related parties

Related party	**Nature of balance**	**December 31, 2023**	December 31, 2022
CAD Middle East Pharmaceutical Co.	Non-commercial	**42,444**	18,672
Tassili Arab Pharmaceutical Co. (TAPHCO)	Commercial	**35,426**	31,538
Tassili Arab Pharmaceutical Co. (TAPHCO)	Non-commercial	**32,583**	34,293
Arabian Medical Products Manufacturing Co. (ENAYAH)	Non-commercial	**2,606**	21,972
		113,059	106,475
Less: impairment loss		**(17,463)**	-
		95,596	106,475
Non-current		**57,564**	-
Current portion (note 14)		**38,032**	106,475

The movement of impairment provision during the years ended December 31, is as follows:

	2023	2022
As at January 1	**-**	-
Charge during the year	**17,463**	-
As at December 31	**17,463**	-

37.3 Remuneration of key management personnel

Related party	**2023**	2022
Remuneration of key management personnel	**17,152**	12,198

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

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38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

38.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

December 31, 2023	**Total**	**Financial assets/liabilities at amortized cost**	**Financial assets/liabilities at FVTPL**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets							
Non-current:							
Due from related parties	**57,564**	**57,564**	-	-	-	-	-
Current:							
Investments at FVTPL	**459**	**-**	**459**	**459**	**-**	**459**	**-**
Trade and other receivables	**924,093**	**924,093**	**-**	**N/A**	**-**	**-**	**-**
Time deposits	**115,500**	**115,500**	**-**	**-**	**-**	**-**	**-**
Total financial assets	**1,097,616**	**1,097,157**	**459**	**459**	**-**	**459**	**-**
Financial liabilities							
Non-current:							
Loans and borrowings	**575,277**	**575,277**	**-**	**N/A**	**-**	**-**	**-**
Lease liabilities	**11,295**	**11,295**	**-**	**N/A**	**-**	**-**	**-**
Current:							
Loans and borrowings	**525,458**	**525,458**	**-**	**N/A**	**-**	**-**	**-**
Trade payables	**333,486**	**333,486**	**-**	**N/A**	**-**	**-**	**-**
Lease liabilities	**7,210**	**7,210**	**-**	**N/A**	**-**	**-**	**-**
Dividends payable	**158,294**	**158,294**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**1,611,020**	**1,611,020**	**-**	**-**	**-**	**-**	**-**

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38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

December 31, 2022	Total	Financial assets/liabilities at amortized cost	Financial assets/liabilities at FVTPL	Fair value	Level 1	Level 2	Level 3
Financial assets							
Current:							
Investments at FVTPL	420	-	420	420	-	420	-
Trade and other receivables	833,841	833,841	-	N/A	-	-	-
Time deposits	45,000	45,000	-	N/A	-	-	-
Total financial assets	879,261	878,841	420	420	-	420	-
Financial liabilities							
Non-current:							
Loans and borrowings	379,832	379,832	-	N/A	-	-	-
Lease liabilities	18,806	18,806	-	N/A	-	-	-
Current:							
Loans and borrowings	676,960	676,960	-	N/A	-	-	-
Trade payables	223,006	223,006	-	N/A	-	-	-
Lease liabilities	6,145	6,145	-	N/A	-	-	-
Dividends payable	158,755	158,755					
Total financial liabilities	1,463,504	1,463,504	-	-	-	-	-

38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of Financial Instruments

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to the risks that arise from its use of financial instruments. This note describes the Group's objectives, policies, and processes for managing those risks and the methods used to measure them. Further quantitative information with respect to these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial risk arises, are as follows:

- Due from realted parties.
- Trade and other receivables
- Time deposits
- Cash and cash equivalents
- Investments at fair value through profit or loss (FVTPL)
- Trade payables and other liabilities
- Loans and borrowings
- Lease liabilities

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices.

The Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references.

The Management Committee determines concentrations of credit risk by monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis. In monitoring the customers' credit risk, customers are grouped according to their credit characteristics.

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38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of Financial Instruments (Continued)

Credit risk also arises from cash and cash equivalents and short-term deposits with banks and financial institutions. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	December 31, 2023	December 31, 2022
Cash at banks (note 17)	**162,302**	335,106
Time deposits	**115,500**	45,000
Trade receivables - third parties (note 14)	**886,061**	727,366
Trade receivables - related parties (note 37)	**95,596**	106,475
Investments at FVTPL	**459**	420
	1,259,918	1,214,367

The carrying amount of financial assets represents the maximum credit exposure.
Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings.
- Trade receivables are shown net of allowance for impairment of trade receivables.
- The financial position of related parties is stable.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. Trade receivables outstanding balance comprises 87% in KSA, 9% in the Middle East and 4% in Africa.

Refer to note 14 for trade receivables ageing and movement in the allowance for impairment in respect of trade receivables.

The Risk Management Committee monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss.

Market risk

Market risk arises from the Group's use of interest-bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in commission rates (commission rate risk), foreign exchange rates (foreign currency risk) or other market factors (other price risks). The details related to these risks are more fully described below:

Commission rate risk

Fair value and cash flow interest rate risks are the exposures to the various risks associated with the effect of fluctuations in the prevailing interest rates on the Group’s financial position and cash flows. The Group is not exposed to fair value and cash flow commission rate risks as investments in long-term Murabaha finance have a fixed income rate or a fixed finance rate.

Management of the Group does not enter into future agreements to hedge its interest rate risk. However, these are monitored on a regular basis and corrective measures are initiated wherever required.

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38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of Financial Instruments (Continued)

Foreign Currency risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency) with the cash generated from their operations in that currency. Where group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The Group is predominantly exposed to currency risk on purchases and sales made from major suppliers and customers based in countries other than the Kingdom of Saudi Arabia and denominated in Egyptian pounds, Euros, Algerian Dinars, Moroccan Dinars and US dollars. Management of the Group does not enter into future agreements to hedge its currency risk. However, these are monitored regularly and corrective measures are initiated wherever required.

Apart from these particular cash flows, the Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

The summary of quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

December 31, 2023	EGP	EUR	DZD	MAD	USD
Cash and cash equivalents	**23,690**	**1,349**	**3,374**	**2,699**	**20,471**
Trade receivables	**4,239**	**2,462**	**4,928**	**10,925**	**162,539**
Due from related parties	**-**	**-**	**35,426**	**-**	**-**
Right-of-use assets	**-**	**-**	**107**	**15,643**	**-**
Lease liabilities	**-**	**-**	**-**	**(2,438)**	**-**
Deferred income	**-**	**-**	**-**	**(6,081)**	**-**
Loans and borrowings	**-**	**-**	**-**	**(26,619)**	**-**
Trade payable and other liabilities	**(3,759)**	**(7,879)**	**(44,943)**	**(18,126)**	**(37,102)**
Net statement of financial position exposure	**24,170**	**(4,068)**	**(1,108)**	**(23,997)**	**145,908**
December 31, 2022					
Cash and cash equivalents	34,988	3,275	3,517	518	1,188
Trade receivables	4,183	-	5,801	11,288	130,397
Due from related parties	-	-	65,832	-	-
Right-of-use assets	-	-	105	-	-
Lease liabilities	-	-	-	-	-
Deferred income	-	-	-	(1,550)	-
Loans and borrowings	(5,084)	-	-	(35,972)	-
Trade payable and other liabilities	(4,937)	(15,222)	(28,381)	(19,424)	(23,174)
Net statement of financial position exposure	29,150	(11,947)	46,874	(45,140)	108,411

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38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of Financial Instruments (Continued)

Sensitivity Analysis

A reasonably possible strengthening (weakening) of the Egyptian Pound, Euros, Algerian Dinars, Moroccan Dinars and US dollars against all other currencies at year-end would have affected the measurement of financial instruments denominated in a foreign currency and would have increased / (decreased) equity by the amounts shown below. This analysis assumes that all other variables, in particular commission rates, remain constant and ignore any impact on forecast sales and purchases.

	Strengthening	Weakening
December 31, 2023		
EGP (1%)	**(242)**	**242**
EURO (1%)	**65**	**(65)**
DZD (1%)	**11**	**(11)**
MAD (1%)	**240**	**(240)**
USD (1%)	**(1,459)**	**1,459**
December 31, 2022		
EGP (1%)	(292)	292
EURO (1%)	(33)	33
DZD (1%)	(469)	469
MAD (1%)	451	(451)
USD (1%)	(1,316)	1,316

Price risk

The risk is that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to price risk with respect to strategic equity investments in other companies where those complement the Group's operations. The directors believe that the exposure to market price risk from this activity is acceptable in the Group's circumstances.

Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet the monitoring of liquidity ratios and maintaining debt financing plans.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

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38. FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

38.2 Risk Management of Financial Instruments (Continued)

December 31, 2023	**Up to three months**	**More than three months and up to a year**	**More than one year and up to five years**	**More than five years**	**Total**
Financial liabilities					
Loans and borrowings	**-**	**525,458**	**575,277**	**-**	**1,100,735**
Financial guarantees	**3,174**	**-**	**24,945**		**28,119**
Lease liabilities	**7,210**	**-**	**11,295**	**-**	**18,505**
Employees' end-of-service benefits	**-**	**-**	**282,705**	**-**	**282,705**
Trade payables and other liabilities	**-**	**506,992**	**-**	**-**	**506,992**
Dividends payable	**-**	**158,294**	**-**	**-**	**158,294**
	35,329	**1,190,744**	**869,277**	**-**	**2,095,350**
December 31, 2022					
Financial liabilities					
Loans and borrowings	-	676,960	379,832	-	1,056,792
Financial guarantees	-	-	24,945	-	24,945
Lease liabilities	6,145	-	18,806	-	24,951
Employees' end-of-service benefits	-	-	313,238	-	313,238
Trade payables and other liabilities	-	403,452	-	-	403,452
Dividends payable	-	158,755	-	-	158,755
	31,090	1,239,167	711,876	-	1,982,133

39. SEGMENT INFORMATION

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

The Board of Directors (BOD), which has been identified as the Chief Operating Decision Maker (CODM), monitors the operating results of its reportable segments separately to make decisions about resource allocation and performance assessment. Transactions between the operating segments are on terms approved by the management.

The following table represents the segregation of revenue by type:

Revenue

Type of revenue	**2023**	2022
Revenue from sale of products	**1,472,806**	1,271,169
Revenue from services	**180,278**	150,641
	1,653,084	1,421,810
Other revenue		
Share of results of a joint venture	**19,995**	20,442
	19,995	20,442
Total revenue	**1,673,079**	1,442,252

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39. SEGMENT INFORMATION (Continued)

In the following table, revenue is disaggregated by the primary geographical market. The table also includes a reconciliation of the disaggregated revenue with the Group's four strategic divisions, which are its reportable segments.

December 31, 2023	**Pharmaceutical Manufacturing**	**Trading & Distribution Services**	**Healthcare Services**	**Other**	**Total**
Kingdom of Saudi Arabia	**1,127,093**	**183,691**	**161,393**	**-**	**1,472,177**
Middle East	**143,151**	**-**	**-**	**-**	**143,151**
Egypt	**-**	**4,982**	**-**	**2,357**	**7,339**
Morocco	**24,116**	**-**	**-**	**-**	**24,116**
Algeria	**-**	**8,658**	**-**	**-**	**8,658**
	1,294,360	**197,331**	**161,393**	**2,357**	**1,655,441**
Timing of revenue recognition					
At a point in time	**1,294,360**	**197,331**	**49,237**	**2,357**	**1,514,382**
Over time	**-**	**-**	**112,156**	**-**	**141,059**
	1,294,360	**197,331**	**161,393**	**2,357**	**1,655,441**
December 31, 2022					
Kingdom of Saudi Arabia	227,449	877,278	129,311	195	1,234,233
Middle East	137,478	-	-	-	137,478
Egypt	-	15,005	-	4,527	19,532
Morocco	20,330	-	-	-	20,330
Algeria	7,479	7,479	-	-	14,958
	392,736	899,762	129,311	4,722	1,426,531
Timing of revenue recognition					
At a point in time	392,736	899,762	36,990	4,722	1,308,714
Over time	-	-	92,321	-	117,817
	392,736	899,762	129,311	4,722	1,426,531

Selected financial information categorized by these business segments as follows:

December 31, 2023	**Pharmaceutical Manufacturing**	**Trading & Distribution Services**	**Healthcare Services**	**Other**	**Total**
Revenues	**1,294,360**	**197,331**	**161,393**	**2,357**	**1,655,441**
Depreciation and amortization	**(63,193)**	**(2,205)**	**(12,007)**	**(1,142)**	**(78,547)**
Share of results of a joint venture	**19,995**	**-**	**-**	**-**	**19,995**
Profit / (loss) for the year	**22,082**	**(68,146)**	**36,989**	**6,488**	**(2,587)**
Profit / (loss) attributable to Shareholders of the Parent	**27,491**	**(68,146)**	**21,168**	**5,776**	**(13,711)**
Total Assets	**3,204,818**	**474,142**	**322,478**	**22,423**	**4,023,861**
Total Liabilities	**1,938,935**	**330,060**	**82,230**	**4,605**	**2,355,830**

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39. SEGMENT INFORMATION (Continued)

December 31, 2022	Pharmaceutical Manufacturing	Trading & Distribution Services	Healthcare Services	Other	Total
Revenues	392,737	899,763	129,311	4,722	1,426,533
Depreciation and amortization	(58,266)	(2,087)	(12,762)	(17,158)	(90,273)
Share of results of a joint venture	20,442	-	-	-	20,442
Profit / (loss) for the year	(137,694)	(42,740)	(1,001)	10,202	(171,233)
Profit / (loss) attributable to Shareholders of the Parent	(127,243)	(42,740)	(991)	5,839	(165,135)
Total Assets	2,677,874	888,765	1,255	263,858	3,831,752
Total Liabilities	1,821,992	241,113	7,128	68,415	2,138,648

40. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

As at December 31, 2023, the Group has letters of guarantee amounting to SR 192.51 million (December 31, 2022: SR 87.3 million).

In addition, the Group has contingent liability amounting to SR 9.78 million which has been issued on behalf of the Group in the normal course of business (December 31, 2022: SR 6.8 million).

Legal Contingencies

Terminated Employees' Legal Cases

As mentioned in note 34.1, certain claims have been filed by terminated employees during the period and the Group is working with external legal counsels to assess the validity and potential liabilities associated with these claims. Due to the inherent uncertainty of litigation, the financial impact on the Group cannot be reliably estimated at this stage. It is important to note that the ultimate resolution of these legal cases, including potential settlements, judgments, or dismissals, may have a material impact on the Group's financial position, results of operations, and cash flows in future reporting periods. The Group will provide updates as significant developments occur or when more information becomes available.

Other Legal Contingencies

Also, during its normal business operations, some cases arise against the Group and are currently being defended, but the ultimate outcome of these cases cannot be currently determined with certainty. The management believes that the results of these cases will not have a material impact on the Group's consolidated financial statements for the year ended December 31, 2023.

Capital commitments

As at December 31, 2023, the Group has capital commitments amounting to SR 142.55 million (December 31, 2022: SR 83.6 million).

41. SUBSEQUENT EVENTS

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

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts in thousands of Saudi Riyals unless otherwise stated)

42. COMPARATIVE FIGURES

Certain amounts of the prior year have been reclassified to conform with the presentation of the current year, the below table represents all changes in comparative figures:

42.1 Consolidation statement of financial position as at December 31, 2022:

	December 31, 2022	Reclassification	December 31, 2022
	As previously		After reclassification
Property, plant and equipment	1,040,186	(218)	1,039,968
Intangible assets	15,251	5,341	20,592
Prepayments and other assets	170,341	(5,123)	165,218

42.1 Consolidation statement of profit or loss for the year ended December 31, 2022:

	2022	Discontinued Operations	2022
	As previously	(note 18)	After reclassification
Revenues	1,426,337	(4,527)	1,421,810
Cost of revenues	(860,016)	5,203	(854,813)
Gross profit	566,321	676	566,997
Selling and marketing expenses	(373,078)	3,562	(369,516)
General and administrative expenses	(265,006)	12,167	(252,839)
Research and development expenses	(42,645)	-	(42,645)
Impairment loss on trade and other receivables	(9,980)	(69)	(10,049)
Other income (expenses)	(1,689)	(4,627)	(6,316)
Operating profit (loss)	(126,077)	11,709	(114,368)
Finance costs	(43,248)	955	(42,293)
Share of results of a joint venture	20,442	-	20,442
Profit from revaluation of investments at FVTPL	3,634	-	3,634
Profit (loss) before zakat and income tax	(145,249)	13,664	(132,585)
Zakat and income tax	(24,984)	(911)	(25,895)
Loss for the year	(170,233)	12,753	(158,480)

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on Ramadan 19, 1445H (corresponding to March 29, 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
Dammam Pharmaceutical Company	Riyad Bank	Medium-term	-	-	-	-
		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	28,000,000	-	48,000,000
ARACOM Medical Company	Banque Saudi Fransi	Short-term	25,000,000	17,000,000	-	42,000,000
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 Pharmaceutical Industries	BMCE Bank	Medium-term	21,832,699	-	4,131,655	17,701,043
SPIMACO Morocco for Pharmaceutical Industries	ATTIJARI Bank	Medium-term	10,856,515	1,210,945	6,637,022	5,430,438
		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	-
Total borrowings of the Company and its subsidiaries (SAR)			**1,056,792,233**	**1,493,021,657**	**1,449,079,232**	**1,100,734,657**

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[15]	1010438142 Riyadh	Saudi Arabia	Wholesale and retail trading of medicines, cosmeceuticals, and food supplements	100%
Dammam Pharmaceutical Company[16]	2050088711 Issued from Dammam, Saudi Arabia	Saudi Arabia	Manufacturing, marketing, and selling of pharmaceutical products	85%
Qassim Medical Services Company	1131011745 Saudi Arabia	Saudi Arabia	Owning, managing, and maintaining hospitals	57.27%
Pharmaceutical Industries Company for Distribution[17]	1010219722 Issued from Riyadh, Saudi Arabia	Saudi Arabia	Distribution of pharmaceutical products	100%
ANORA Trading Company[18]	1010932393 Saudi Arabia	Saudi Arabia	Owning and managing retail pharmacies	99%
SPIMACO Saudi Foundation Algeria	00 B-0011047 16/00 Algerian Republic	Algerian Republic	Importing and trading of pharmaceuticals 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[19]	137914 Alexandria	Arab Republic of Egypt	Manufacturing, selling, and marketing of pharmaceutical products	90.58%
SPIMACO Misr Company for Distribution[20]	35176 Arab Republic of Egypt	Arab Republic of Egypt	Selling and distribution of pharmaceutical products	100%
SPIMACO Misr Company for Marketing[21]	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[22]	1010221859 Issued from Riyadh, Saudi Arabia	Saudi Arabia	Effective raw materials industry in the pharmaceutical industry	46.08%
Tassili Arab Pharmaceutical Company -TAFCO Algeria	00 ب 0011047 Algerian Republic	Algerian Republic	Production, marketing, and sale of medical preparations	22%

15. owned 80% by ARAC Healthcare and 20% by Pharmaceutical Industries for Distribution Company.
16. On December 14, 2023, SPIMACO increased the shareholding in Dammam Pharma by 15% to be its fully owned subsidiary.
17. There has been no activity in these subsidiaries.
18. 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).
19. 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%.
20. There has been no activity in these subsidiaries.
21. There has been no activity in these subsidiaries.
22. 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.

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