Strengthening the Core to **Deliver the Future**

Annual Report
2022

The Custodian of the Two Holy Mosques

King Salman bin Abdulaziz Al Saud

His Royal Highness Crown Prince

Mohammad Bin Salman Bin Abdulaziz Al Saud

At a Glance

A Year Of Change

Financial Highlights

Revenue
SAR
1,426 m
-2% YoY

Gross Profit
SAR
566 m
-9% YoY

Net Loss
SAR
-171 m

Operational Highlights

Units Produced
1.6 bn

Products Launched in KSA
10

Products Registered in KSA
13

Market Share[1]
7.5%

Products Registered in International Markets
27

[1] KSA Private Market: IQVIA Q4FY22 Market Report

Strengthening the Core to Deliver the Future

SPIMACO and the pharmaceutical industry in our region stand on the cusp of a new era. New technologies and processes are transforming possibilities for the future. With support from the Kingdom's leadership, Vision 2030 is driving the sector forward, creating new opportunities for the private sector to provide healthcare for a rapidly expanding and ageing population.

In order to reach our full potential in this buoyant environment, SPIMACO, with its subsidiaries (collectively the Group or SPIMACO), has embarked on what is nothing less than a revolution in the way we think and act. This root and branch overhaul of everything we do is set to transform our prospects. It will propel our Group to greater heights of leadership as we strengthen our core offering to meet the challenges of unprecedented growth and change.

We aim to become a National Champion in the Saudi Pharma industry and the most prominent pharmaceutical player across the MENA region in our chosen sectors.

In 2022, we took significant steps towards this goal, in the initial stages of a revitalizing process that will play out over the next five years as our ambitious strategy unfolds.

We are fortunate that we have so much history to build on and have already created a track record of excellence across many areas and amongst all our stakeholders.

We are committed to strengthening and revitalizing SPIMACO to lead and reach the heights of our industry.

Our progress in 2022 was unmatched in the 36-year history of our Group.

- Transforming Our Culture & Furthering Our Expertise
- Optimizing Our Assets & Improving Our Infrastructure
- Streamlining Our Value Chain
- Revamping Our Pipeline & Diversifying Our Portfolio
- Restructuring Our Commercial Operations

Year in Review

- SPIMACO announces a SAR 240 million 8-year agreement with Swiss-based Vifor Pharma to locally produce Ferinject, an iron replacement injection.

- SPIMACO and Saudi Glaxo extend their continued partnership through signing a cooperation agreement to localize the manufacture of Augmentine, an antibiotic to treat bacterial infection, to support pharmaceutical security in the Kingdom.

- SPIMACO announces a co-marketing agreement with MSD for products Glipten® Sitagliptin and Gliptamet® Sitagliptin-metformin to treat non-insulin dependent type-2 diabetes, with partial manufacturing at the Qassim facility.

- Inauguration of SPIMACO's landmark new facility for oncology and high potent drugs at the Qassim facility, the first of its kind in Saudi Arabia and a milestone in the Kingdom's pharmaceutical history, in partnership with Astra Zeneca with a total investment of SAR 272 million.

- SPIMACO's CAD facility manufacturing active pharmaceutical ingredients (APIs) returns to production with expanded capacity and prospects for new sales pipelines and partnerships.

- SPIMACO upgrades its existing facility in Morocco and takes steps to commence operations at another facility, as part of its drive to increase sales both to the Moroccan and wider African markets.

- The European Patent Office grants its first ever patent to SPIMACO for its innovative product Hilarido, which treats hemorrhoids and related injuries, developed through the Group's expertise in research, development, and innovation.

- Completion of technical and engineering works at SPIMACO's new tower in Al-Sahafa district in Riyadh, with all licenses received for the Group to move into its new headquarters. The Group relocated to the new Head office in January 2023

- SPIMACO and SABIC, through Nusaned™, sign an MoU to support localization of the active pharmaceutical ingredient (API) sector. Nusaned™ role is represented in the support provided through SABIC Technology Centers, providing technical solutions and support for the development and production of some API, and promote the plant's operational efficiency. Nusaned™ will provide an advanced training to enhance the capabilities of labor force at the plant.

- SPIMACO announces completion of an internal review of its business and the launch of a revamped 5-year strategy to restructure its business portfolio and leverage long-term sustainable market opportunities, with further details announced in February 2023 during SPIMACO's Capital Markets Day.

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Who We Are

About SPIMACO

Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO) is the leading vertically integrated pharmaceutical manufacturer in Saudi Arabia with a regional presence across 16 countries. SPIMACO, with its subsidiaries (collectively the Group or SPIMACO), specializes in providing patients in the Kingdom and the region with generic, high-quality pharmaceuticals across more than 60 therapeutic chemical classes.

The Group's success is underpinned by its unparalleled asset base in KSA and the region and its solid, strategic partnerships with global, regional, and local stakeholders. To build on this, SPIMACO embarked during 2022 on a series of transformation initiatives led by its new, global management team with the ambition to revitalize the business model to better suit market outlook and demand.

In a pivotal achievement during the year, SPIMACO introduced the region's first-of-its-kind Oncology and High Potent Drugs facility. 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 2023. This addition complements the Group's existing facilities in KSA, Egypt, Morocco, and Algeria (minority stake) with the flagship site in Qassim, spanning 150,000 sqm. This is further complemented by an extensive distribution operation in the GCC and wider MENA region supporting solid export growth.

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

7.5%
Market Share[2]

5
Manufacturing Sites

1,200+
Employees

380
Registered SKUs in KSA

Close to
1,000
Total Registered SKUs

[2] KSA Private Market: IQVIA Q4FY22 Market Report

Our Journey

1986
Saudi Pharmaceutical Industries & 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 centre 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

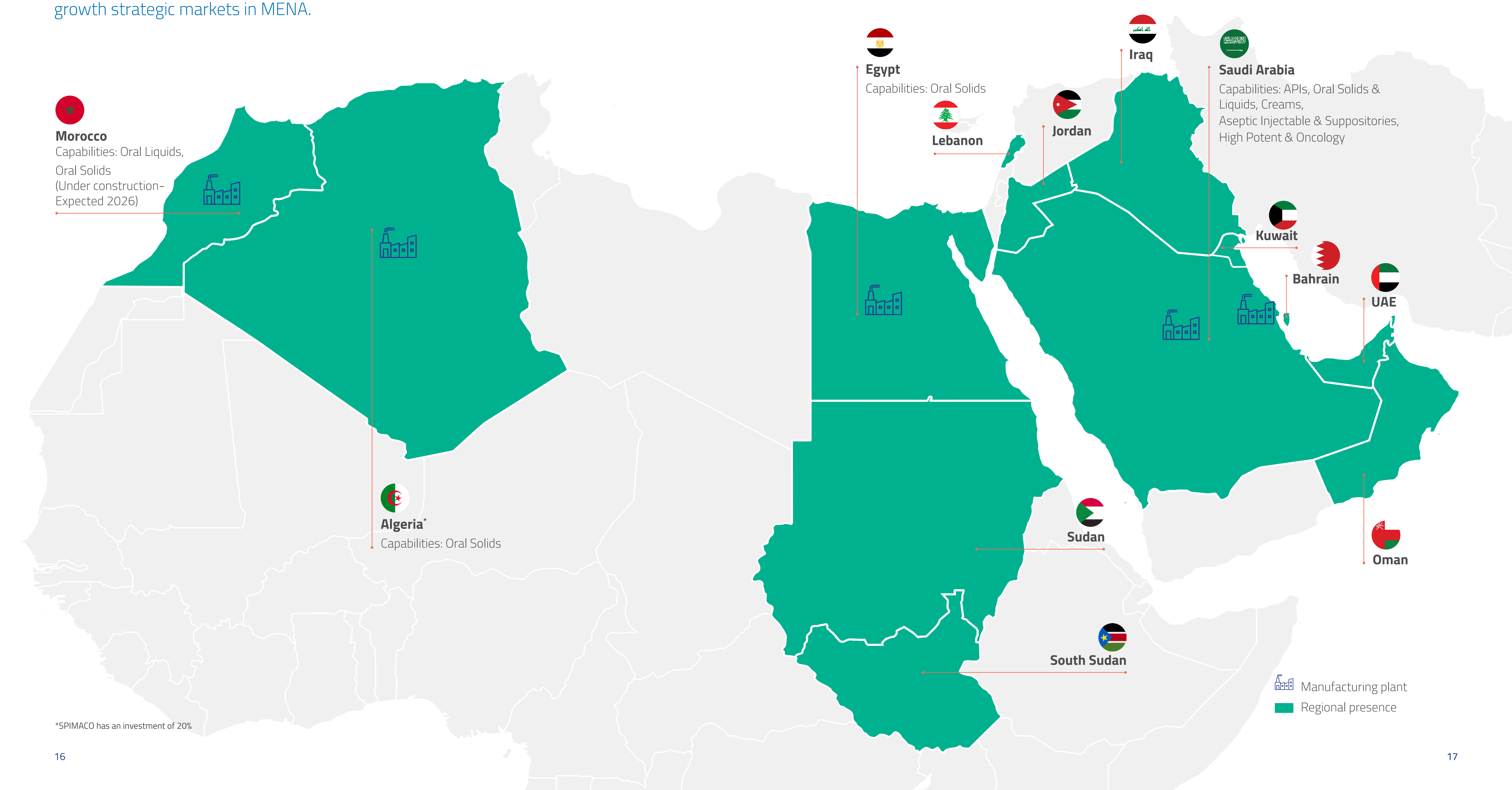
2021
Registered with the SFDA the first biosimilar product in KSA

2022
Inauguration of high potent and oncology manufacturing facility in Qassim

Our Regional Footprint

SPIMACO's mission of ensuring patients' well-being through efficiently and effectively developing innovative and sustainable solutions is supported by our manufacturing capabilities, which are strategically located in KSA and in high-growth strategic markets in MENA.

SPIMACO's manufacturing facilities provide a range of production capabilities including oral solid, semi-solid, liquids, and API manufacturing.



*SPIMACO has an investment of 20%

Competitive Advantage

SPIMACO is the leading pharmaceutical manufacturer in Saudi Arabia, with a market share of 7.5% in the private sector, and the first choice for brand partners seeking exposure to the Kingdom and strategic markets.

The Group offers quality access to Saudi Arabia's fast-growing generics pharmaceutical sector, to the Kingdom's nascent biologics space and to a growing presence across select high-growth strategic markets.

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

Attractive sector dynamics

Saudi Arabia presents strong structural growth opportunities, with growing patient base, increased chronic diseases and favourable regulatory environment

Track record and operations

Established track record with aleading market share, outstanding production facilities, and a recognized partner of choice

Transformation and growth

Comprehensive transformation to the core of the Group to realign it to achieve our long-term strategic targets by 2027

Increasingly diverse and upgraded medicine portfolio

Growing generics presence in fast-growing, high value therapeutic areas with a well-diversified scope of biosimilar and innovative medicines

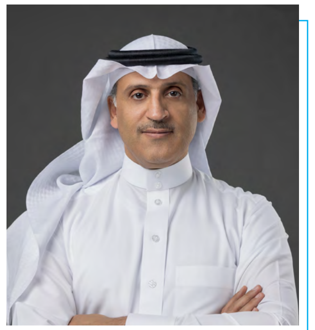
Management and governance

Refreshed, highly experienced management team grounded within solid corporate governance framework

Strong corporate culture

Revamped organizational design and culture to foster efficiency and drive quality while being aligned with the Kingdom's social and economic agendas

Leadership



Mr. Khaled Alkhattaf
Chief Executive Officer - Joined in 2021

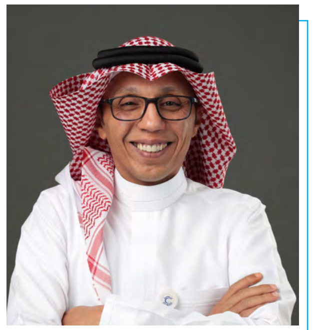
Mr. Khaled Alkhattaf holds a Master's degree in Finance, International Business and a Master of Science in Accounting from University of Colorado in the US.

He has over 30 years of experience in senior management and Board positions in a variety of organizations including Lafana Investment Holding, Samba Capital, Al Ra'idah Investment Company, Nomura, Saudi Stock Exchange, SAMA, KSA; World Bank, US.

Dr. Michael Baum
Chief Financial Officer - Joined in 2022

Dr. Michael Baum holds a Master of Business Administration and a Doctorate degree from University of Bradford, UK.

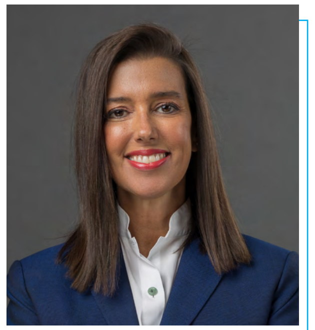
Dr. Baum has 25+ years of professional experience in Bayer, including country CFO positions in China and Brazil, senior headquarters roles in Germany including Global Head of Risk Management.



Mohammed Alassmari
Chief People and Culture Officer - Joined in 2021

Mr. Mohammed Alassmari has 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.

He previously held the position of Head of People Operations at Almarai and Head of HR Operations and Shared Services in Tasnee. He recently held the position of Director of HR Operations and Shared Services at Acwa Power.



Ana Ruibal
Chief Corporate Development Officer - Joined in 2021

Mrs. Ana Ruibal holds an MBA from INSEAD, France, a BS in Business and Econimics and a CPA degree from University of Belgrano, Argentina.

She has 27+ years of professional experience at Andersen, Novartis, AstraZeneca and SPIMACO in different functional areas including Finance, Strategy, Risk and Internal Audit, and Commercial.

She has held several managerial and executive roles in Risk Management, Internal Audit, Strategy, Innovation, and Commercial.

Dr. Maged Taha
Chief Commercial Officer - Joined in 2022

Dr. Maged Taha holds a post-graduate degree from the American University, Cairo, and a Bachelor's degree in Science, Medicine and General Surgery from Cairo University.

He has more than 25 years of extensive experience and leadership positions in multiple organizations in the Middle East, including EVP for Sales and Marketing at Tabuk pharmaceuticals, KSA.

Dr. Jan-Olav Henk
Chief Scientific Officerr - Joined in 2022

Dr. Jan-Olav Henk holds a Doctorate in Natural Sciences from Innsbruck University, Austria.

With his extensive professional experience across a variety of organizations, his last position was Senior Vice President at Syngene International Limited.

Jerome Cabannes
Chief of Operations - Joined in 2022

Mr. Jerome Cabannes holds a Master's degree in Biomedical Engineering from Paul Sabatier University, France; Finance, Strategy, MA certifications from Oxford and Cambridge Universities, UK.

He has 30+ years of professional experience in healthcare industry, including leadership positions in Servier Group, BIOGARAN, Stago Group, France, and AJ Group in various geographies.

Strategic Report

Chairman's Statement

"The transformation of our Group, which began in 2022, will drive us to the heights of excellence as we pursue new technologies and processes"

His Excellency Mohammed Talal Al Nahas

SPIMACO is taking radical steps that will propel us to a leadership role in delivering the future of the pharmaceutical sector in Saudi Arabia and across the region. We are comprehensively strengthening our core services and infrastructure, following a root and branch review our business conducted in the past year. This complete revamping of the way we roll out our strategy positions us to play a dominating role in many new and dynamic market sectors in coming years, including advanced and high-value products and new geographies.

The transformation of our Group, which began in 2022, will drive us to the heights of excellence as we pursue new technologies and processes. We will spare no effort in our commitment to meeting the changing needs of communities and nations as demographic change and new health conditions require imaginative new solutions and more effective delivery.

A Sustainable Strategy for the Long Term

The future of SPIMACO lies in building a long-term and sustainable business. We are committed to identifying and pursuing prospects that offer profound rewards over significant timescales, rather than focusing on short-term opportunities that may not last the course.

Through this mindset, SPIMACO has already begun to take advantage of the tremendous potential that is offered by the profound changes that are underway across the pharmaceutical landscape. We will stand at the forefront of technological and business excellence, as we develop and market new products that can quickly make old solutions obsolete. We are ensuring that we will possess the facilities and expertise required to meet all the challenges of growth that lie ahead. Supported by our core strengths, we will be equipped to prosper and flourish across the growing range of sectors in which we will play a prominent role.

Alignment with Vision 2030

Our strategy aligns SPIMACO closely with the Vision 2030 initiative, which is fundamentally upgrading and restructuring the healthcare sector in Saudi Arabia. This national effort is creating a more effective and integrated wellness support system, based on the health of the individual and society. Among its goals are a significant shift towards domestic manufacturing of critical healthcare products, alongside the creation of a world class knowledge and skills base within the country. In both these aims SPIMACO is set to increase its role as a national leader.

As we expand our commitment to the nation's healthcare, we are further deepening our relationship with the Saudi Food and Drug Authority as well as the Ministry of Health and other government bodies. This cooperation is smoothing our path towards our further development and expansion.

Executing the Roadmap

In 2022 we executed the first crucial steps in our new roadmap for the future. These included a high-level organizational restructuring that was necessary to begin reviving the fortunes of the Group, following previous years in which we did not reach our full potential. Our new structure has already had a profound and dynamic impact on our ability to set and achieve our corporate goals.

As a result, we are on course to build on the undoubted strengths that we have built up in our 36-year history, such as our excellent infrastructure, the high quality of our production and our dominance in the Saudi private market. International and regional companies have long seen us a first stop for engaging with the Saudi pharmaceutical sector. Our comprehensive roadmap is now giving us the right vision and the right resources to fully capitalize on this extensive network and the goodwill that we enjoy.

Our ambitions require us to make significant financial investments for the future. We embarked on this program in 2022. In line with our long-term strategy, we are confident that these investments will bear fruit over many years to come.

An Active Period Ahead

In 2023, we will roll out further elements of our roadmap towards ultimately becoming the leading pharmaceutical Group in the MENA region and a role model for others to follow. It will be an eventful and rewarding journey that will take us past many significant milestones.

I wish to express my gratitude to the Custodian of the Two Holy Mosques and his Crown Prince for the immense support they are providing the industrial sector in the Kingdom of Saudi Arabia and for their continuous guidance to all sectors to enhance pharmaceutical security in the Kingdom.

My thanks also goes to all the stakeholders who will accompany us along the w ay. Starting with the Board of Directors, commercial partners, valued staff and shareholders. I look forward to us all achieving long-term success together.

CEO's Message

> The overriding aim is to meet society's changing healthcare needs and promote the wellness of the community, in line with Vision 2030's Health Sector Transformation Program

Mr. Khaled Saleh Al-Khattaf

Dynamic and unprecedented change is reshaping the pharmaceutical environment in Saudi Arabia and the MENA region. This transformation presents many new opportunities for SPIMACO as well as many challenges. To succeed in this new world, and fulfil our ambition to reinforce our leadership role in the sector, we have recognized that we need to completely upgrade, remold and reboot the delivery of our corporate strategy.

Accordingly, we completed a strategic review of our business in 2022 in which we committed to fundamentally revitalizing our value chain.

Our north star in this process was the Vision 2030 to move the country forward. With this as our guide, we decided that many of our existing products, procedures, and ways of doing business, that may once have served a purpose and filled a need, were simply no longer relevant in the conditions that now prevail. We realized that we needed to restructure our business on many levels, not hesitating to relinquish some of our old practices and behaviors that no longer served the Company and its stakeholders.

The overriding aim is to meet society's changing healthcare needs and promote the wellness of the community, in line with Vision 2030's Health Sector Transformation Program, while also supporting Group revenues and profitability.

Far-Reaching Steps to Deliver Our Roadmap

Rising to this urgent challenge, SPIMACO has developed a completely new roadmap which lays the foundation for achieving our upgraded 5-year strategy. It repositions us in the national and regional markets, with a goal that is nothing less than becoming the pioneering leaders of change within the pharmaceutical sector.

In 2022, we took many vigorous and far-reaching initial steps to deliver on our roadmap to revitalize business excellence across the entire value chain and the Group's overall ecosystem. Prominent among these was organizational change. This took place at a fundamental level, with the introduction of new corporate structures and methods of working internally as well as with external stakeholders. We have lifted operational capabilities, optimized our assets, and energized our performance across the board.

We attracted a number of key senior executives during the year, bringing in fresh ideas and know-how that are helping to enrich and reinvigorate our company. From R&D and scientific roles to finance, they have brought valuable experience from some of the world's leading pharmaceutical players.

Moving Up the Value Chain

Drawing on this expanded and powerful team, we began a concerted and permanent upwards shift by SPIMACO in the pharmaceutical value chain. We accelerated the diversification of our portfolio towards high value segments, including specialty medication and high molecular segments, having registered 13 new valuable products at the Saudi Food and Drug Authority (SFDA), 27 new products in international markets, and with close to 110 products currently in the pipeline.

By streamlining our manufacturing and operations, we increased production by 18% despite global supply chain challenges. We eliminated important capacity bottlenecks, including through increasing utilizations, which exceeded the 105% mark at our Qassim facility.

We also reengineered our commercial operations to become more marketing-driven, matching resources more effectively with the product portfolio lifecycle. We optimized sales staff numbers and introduced effective incentive schemes.

A Landmark for Saudi Arabian Healthcare

The inauguration of our oncology and high-potent facility at our Qassim complex was a landmark for Saudi Arabian healthcare. Now awaiting final regulatory validation, the facility is the result of many years of intense preparation and international cooperation. It is a unique achievement that will move the Kingdom towards raising the the number of advanced and high technology products made in the Kingdom..

We strengthened our commitment to the crucial high-value active pharmaceutical ingredients (API) market by signing an MoU with SABIC to support localization. We also reopened our CAD API facility.

Partnerships Are Key to the Future

As we enter a new era at SPIMACO, we are focusing increasingly on the quality of our partnerships. Both within the Kingdom and abroad, we intend to seek out private and public sector entities that share our vision of the future and our commitment to the health and wellbeing of communities. Solid and reliable long-term commercial and technological relationships will follow.

Our roadmap to turn around and expand our Company will be strengthened by the early 2023 comprehensive relaunch of our strategy. Our ambitions are well within our grasp as we combine our 36-year track record of excellence with our vision of renewal and pursuit of new horizons.

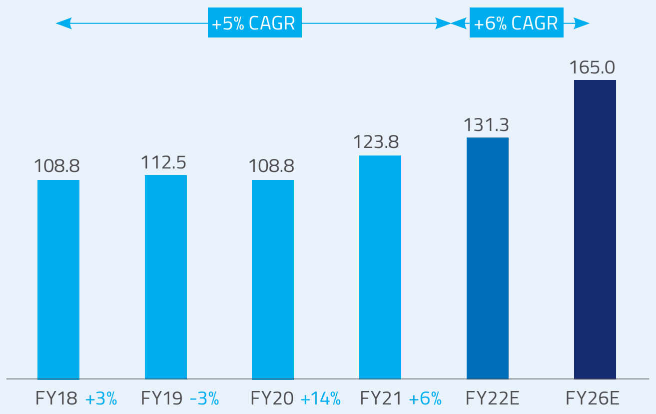
Under our strategy, the investments that impacted our Company's financial results in 2022 will start to bear fruit in 2023 as they help to take our Company to the next level.

I would like to profoundly thank all our stakeholders, involved in current change and future development, including our hard-working staff, the members of the Board of Directors, and our valued investors, for their continued and vital support. I look forward to the next stage of our successful growth.

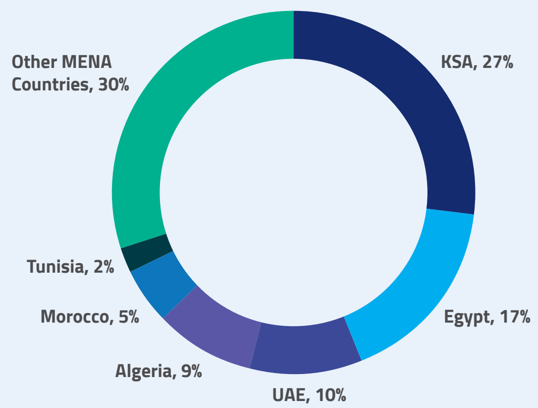
Market and Health Sector Overview

Prospects for the healthcare industry in Saudi Arabia and many other countries in MENA look exceptionally buoyant over the coming years. Pharmaceutical companies, especially producers of generic drugs, are likely to be a major beneficiary of this trend as demand for their products increases rapidly. This comes on the back of an increasing shift towards value-based care, together with payers and consumers seeking ways to cut healthcare costs. Overall, MENA is one of the fastest-growing pharma markets having grown at a CAGR of 5.1% since 2018 to an estimated market size of SAR 131.3 billion (USD 35.0 billion) in 2022 with an accelerated adoption of generics.

Gross Market Size in Sales Value (SAR bn)[3]

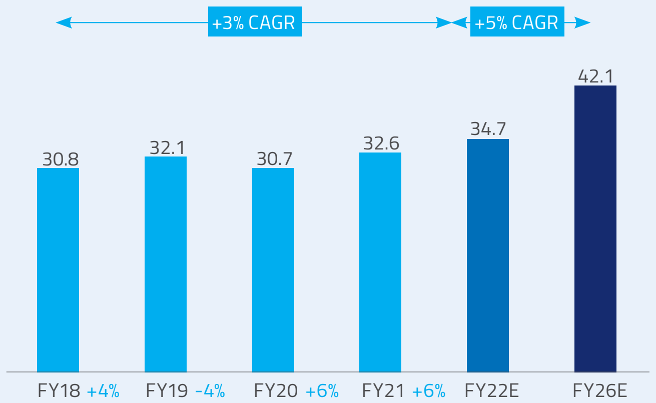


2022 Market Split by Geography[4]



The Saudi pharmaceutical market is the largest in MENA, standing at an estimated SAR 34.7 billion (USD 9.3 billion) in 2022. It has been growing at 3.1% and is expected to accelerate to 4.9% growth to reach SAR 42.1 billion in 2026. Several forces are driving this upturn, ranging from demographic change and an increase in certain chronic diseases and ailments, to technological advances and structural transformation of the health and pharmaceutical sector driven by government policy and regulation.

KSA: Gross Market Size in Sales Value (SAR bn)[5]



[3,4,5] IQVIA Market Prognosis 2021–26 (May 2022)

A Rising Ageing Population

The population of Saudi Arabia is both growing and ageing. From 33.5 million in 2018 the number of citizens and residents is expected by the Ministry of Health to reach 39.5 million by mid-2030. In addition, the age bracket of 60 years and above is expected to more than double from 1.96 million in mid-2018 to 4.63 million in mid-2030 with life expectancy targets at birth, for both males and females, set to ensure it increases to 80 years by 2030 from 75 years in 2015[6]. This is mostly attributed to an improvement in the quality of healthcare coupled with awareness programs, increased accessibility to healthcare facilities and other governmental initiatives.

Shift in Disease Burden to Chronic Diseases

As the population matures in age, there will be a growing need to treat several significant health conditions including lifestyle diseases that often require costly and repeated treatment. These conditions include cardiovascular disease, diabetes, obesity in addition to cancer. The opportunities for pharmaceutical companies to support the community with effective products in these areas will be considerable.

The therapy areas with the highest forecast spending in 2026 are oncology, immunology, and anti-diabetics, followed by neurology. The two leading global therapy areas — oncology and immunology — are forecast to grow at 9-12% and 6-9% CAGR, respectively, through 2026, lifted by significant increases in new treatments and medicine use and offset by the impact of biosimilars[7]. Diabetes treatments are another growth area, with prevalence across the GCC currently estimated at 20%.

Greater Adoption of Generics and Biosimilars

Since its inception, the global Generic and – more recently – Biosimilar medicines industry has brought about significant contributions in enhancing access and improving global health outcomes. As of 2021, Generics generated 20% of global pharma sales and represented close to 50% of all medicine volume sales[8].

In emerging markets where affordability has been a challenge, the emergence of affordable Biosimilars will further help enhance growth of the market. The market is also likely to see a pronounced buildup of the Biosimilars product map with a strong loss of exclusivity pipeline with an over the next decade, particularly in spaces like oncology and autoimmune diseases. As a result, cumulative savings from biosimilars are expected to reach USD 215 billion globally over the next 5 years[9].

Incentives for local production

One of the most significant government policy drivers in KSA is a move towards greater localization of manufacturing and supply of pharmaceuticals to enhance the resilience of the national healthcare systems, through facilitating access to needed medicines and decreasing exposure to imports and international supply chains.

Furthermore, localization also impacts the development of the skilled labor force, knowledge- and technology-driven industries, and research and development—driving innovation and global competition.

Further localization will support the health security of the Kingdom. The importance of this was underlined by the Covid-19 pandemic, when global supply chains including vaccines faced uncertainty and volatility in many countries. Reduced import costs and the ability to export to other countries are further benefits of localization.

Domestic manufacturers are well positioned to take the lead in the localization push, including by expanding their own facilities and capabilities organically, and by forming partnerships with international companies to move production into the Kingdom.

Increasing Shift to Value-Based Care

Also underpinning this unprecedented increase in spending are the far-sighted and dynamic healthcare policies of the Saudi government, which is putting the highest priority on the wellbeing of nationals and residents. The Health Sector Transformation Program, part of Vision 2030, is promoting the adoption of value-based care, which ensures transparency and financial sustainability while improving access to health services as well as their quality. Initiatives in the Kingdom include the NUPCO procurement project, private insurance lists, the Council of Cooperative Health Insurance, and the Wasfaty e-service. These programs support the overall restructuring of the health sector in Saudi Arabia to be more comprehensive, effective and integrated than today, supporting both individuals and society as a whole.

Pharmaceutical companies in Saudi Arabia are working successfully with the Saudi Food and Drug Authority to ensure that the regulatory environment supports protection of consumers, while enabling effective innovation in the industry and adequate supply of products that the market requires. The future of the sector as a whole looks very promising for 2023 and in coming years, particularly for those companies that are most productive and strategically agile.

[6] NCBI, Saudi Ministry of Health
[7] IQVIA: The Global Use of Medicines 2022 (Outlook to 2026) – January 2022
[8] IQVIA: Audited MIDAS Data, MAT Q4 2019-2021, price at ex-mfg
[9] IQVIA: The Global Use of Medicines 2022 (Outlook to 2026) – January 2022

Our Business Model

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

Our Verticals

- Private Sales
- Government Sales
- International
- CMO[11]
- Others

Our Resources

Capabilities

- Vertically integrated operations
- Vast manufacturing expertise
- Regional manufacturing facilities and distribution activities

Human Capital

- Strong leadership team
- Diverse and inclusive culture
- Manpower with evolving Industry-specific skills
- Workforce upskilling through Increased training and investments

Values

- Integrity
- equal opportunities
- Innovation
- Performance excellence

Relationships

- Strong stakeholder relationships across all our markets
- Partner of choice for global and local industry partners
- Strong governance model

Financial

- Agile and efficient resource deployment enabling organic and inorganic opportunities
- CAPEX optimization
- Ready access to funding

Our Value Chain Activities

R&D

- Lead product development, acquisition, and registration
- Facilitate technology and knowledge transfer
- Ensure quality control

Facilities:
- SPIMACO Development Centre

API Manufacturing

- Capitalize on our own extraction and synthesis capabilities
- Pharmaceutical grade manufacturing, SFDA approved
- Regional supplier

Facilities:
- CAD Middle East

Drug Manufacturing & Packaging

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

Facilities:
- SPIMACO KSA
- Dammam Pharma
- SPIMACO Misr
- SPIMACO Morocco
- Tapchco[12]
- Enayah

Commercialization

- Generation of organic growth through focused sales and marketing of our products by our teams
- Multi-channel model targeting private sector (private pharmacies & hospitals), public sector, and exports
- Sales and distribution through strategic partners

Facilities:
- ARAC
- ARACOM
- Our partners in the GCC
- SPIMACO Morocco
- SPIMACO Algeria
- SPIMACO Egypt

The Value we Create

Patients & Healthcare Professionals

- Contribute to improving the wellbeing and wellness of our patients who use our medicines in over 12 countries
- Provide patients and healthcare professionals access to high quality and affordable medicines

Close to **1,000** Total Registered SKUs

Human Capital

- Create and develop employment opportunities in various disciplines across the different geographic regions in which we operate in
- Offer a diverse and inclusive working environment

53% Saudization Rate

+10% of workforce are Women

Stakeholders

- Economic stimulus through collaboration and partnering opportunities with local businesses
- Reinforce our position as Partner of Choice through reliable supply of products to our strategic partners

SAR 140 mn worth of signed or renewed agreements

Government & Regulatory Bodies

- Contribute to KSA Vision 2030 and Health Sector Transformation Program through supply of locally produced medicines to achieve localization and self-sufficiency targets
- Promote effective healthcare systems

Local Content Score **30.7%**

Investors and Creditors

- Servicing and repayment of debt
- Working Capital Improvement

28% decrease in net debt

[11] contract manufacturing organization

[12] SPIMACO has an investment of 20%

Our Strategy

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

During 2022, and as SPIMACO was going through an entire transformation of its operating model, management was keen on delivering on its action plans across all its strategic objectives.

Six objectives driving our strategy with clear actionable targets

1 Sustainable, faster-than-market growth

- Strengthen position in core therapeutic areas particularly in 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

2 Customer-centric organization

- Improve Commercial practices & Customer services
- Improve Sales Force Effectiveness (SFE)
- Maximize life cycle management of key brands
- Strengthen relationship with mega-chain pharmacies
- Improve contractual terms of in-license products

3 Perceived as a leading local player in MENA big markets

- Focus on prioritizing KSA portfolio to build strong platform for regional expansion
- Improve market share in key MENA markets (UAE, Egypt & Morocco)
- Develop integrated manufacturing/ warehousing/ distribution network across locations
- Develop CMO outsourcing protocol to meet market demand

4 Global presence

- Expand regional footprint and strengthen portfolio in MEA
- Build a proficient corporate development organization (M&A/ BD team) for tapping inorganic growth opportunities
- Acquire targets in established & regulated markets to access advanced & differentiated portfolios

5 An employer of choice

- Implement new reward philosophy and competitive compensation & benefits (C&B) Strategy
- Increase overall employees' productivity
- Build unique talent pool by following the best practices
- Training & development for upskilling employees
- Increase Saudization rates and female representation

6 An automated, digitally-driven organization

- Implement SAP solutions (S/4 HANA) and integrate it across SPIMACO ecosystem
- Implement SOPs complying with global best practices
- Enhance our IT infrastructure, network, security solutions, and modernize IT applications
- Adopt emerging technologies to improve manufacturing, R&D processes and data-driven decision making

2022 Performance

Sustainable, faster-than-market growth

1

- Inaugurated our high-potent and oncology facility and reopened our CAD facility
- 10 products added to our new product pipeline

Customer-centric organization

2

- 13 new products (22 SKUs) registered in the Saudi market
- Initiated discussions with mega-chain pharmacies
- Signed 4 new agreements with GSK, Vifor, and Bluepharma
- Renegotiated 6 strategic alliances with MSD and other partners

Perceived as a leading local player in MENA big markets

3

- Registered 27 new products (54 SKUs) in international markets
- Completed full review of assets in Morocco and Algeria across the value chain from portfolio design to manufacturing capabilities

Global Presence

4

- Strengthened the M&A team with new hires with international experience who will be able to widen our screening universe to global targets
- Early-stage discussions with vaccine and specialty bio-generics players

An employer of choice

5

- Rollout of new organisation structure design, change management and new compensation & benefits policy in 2022
- The hiring of over 20 new leaders in key positions
- Implementation of the new improved Performance Management system
- Clear Training & Development roadmap with individual development plans, and the new E-Learning System were introduced

An automated, digitally-driven organization

6

- Established cybersecurity department and improved NCA results
- Enterprise structure is ready, and partners are being chosen for SAP S4HANA implementation

Risk Management

SPIMACO operates within an operating environment which is complex, highly regulated, and inherently embeds significant risk.

The Group's ability to adopt a resilient business model and grow successfully depends on mitigating risk as well as on capitalizing on value creation opportunities as we navigate an uncertain future.

As such, risk management at SPIMACO involves a series of coordinated activities designed to effectively identify, analyze, and appropriately respond to these the risks facing the Group and which could ultimately affect business and financial performance.

Following the introduction in 2021 of an integrated enterprise risk management (ERM) system and processes, the Group during 2022 expedited its rollout across SPIMACO and all its subsidiaries.

The effectiveness of the ERM system was further ensured through the set-up of a 3-line defense framework involving: operational departments and units who are responsible for risk management and internal controls; Risk Management function, alongside other functions such as cyber, quality, EHS, which support, monitor, and report on risk management activities and prioritize risks; and Internal Audit which provides independent assurance. To this end, a series of training and awareness sessions have been provided during the year to SPIMACO C-suites and Risk Champions.

The responsibility of implementing the ERM policy rests with the CEO while the Governance, Risk, and Compliance Committee of the Board of Directors is responsible for overseeing the ERM system and processes.

Key Risk Factors

Strategic	
Execution of business strategy	Various risks could impact the development and execution of our business strategy which eventually could impact business performance. Change in business dynamics affecting demand for our products, increased competition as the Kingdom is resolved on strengthening the pharma 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, its 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 by regulatory risk, 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	
External macro factors	We are a regional Group and 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	The Group operates 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 pharma 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, of specialized packaging material, or of manufacturing components and services. Product supply could also be impacted by contracted third-party manufacturers or API suppliers.
Financial	
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 cost, or if the repayment of any loans in respect of financing taken by the Group cannot be refinanced, this may have an adverse impact on the Group's cash flows and financial results.
Customer credit	As part of our ongoing commercial practices, we offer products to a number of customers. The Group is subject to the risk of non-payment for the products it has supplied, primarily through accounts receivables.
Compliance	
Regulatory Compliance	The pharmaceutical industry in specific is governed by strict regulations, which are continuously evolving, and 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

After the new management team was shaped in 2022, the Group worked tirelessly on turning around the business and strengthening its core elements, with the objective of revitalizing business excellence across the entire value chain and the Group's overall ecosystem. These decisive actions were necessary to address legacy issues within the organization and key operational challenges, but more importantly to realign the Group for future growth.

Science Organization[13]

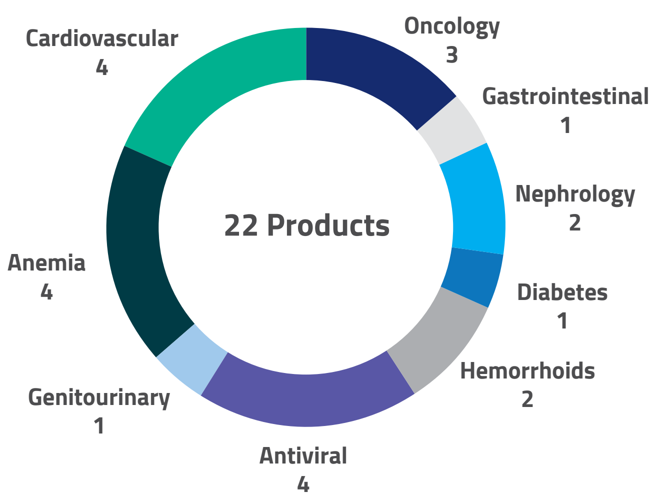
During the year, the Science department, under the lead of the new Scientific Officer, achieved a major shift in its operations aimed at accelerating the diversification of the Group's portfolio towards high value segments, including specialty medication and high molecular segments, Super Generics and Injectables. Overall, the Group invested SAR 43 million into R&D during 2022 with plans to increase these investments going forward to support the Group's growth plans.

The department doubled down on its efforts to optimize and streamline the R&D and Regulatory Affairs workstreams, and increased its collaboration efforts with the rest of the value chain.

The first offshoot of these efforts was the acceleration in product registrations in KSA and abroad. In 2022, the registration timeline in KSA was reduced to 18 months, down from 24 months, with the aim to further this timeline in 2023. To this end, the Group registered 22 SKUs at the Saudi Food and Drug Authority (SFDA) within fast growing therapeutic areas, namely: Metabolic diseases, Oncology, and Cardiovascular diseases. In addition, it submitted registration files for 26 SKU's, which were still under revision by the regulator.

SPIMACO also succeeded in registering 54 SKUs for international markets with the respective regulatory authorities, the highest number of registrations for the Group to date. This marked a new milestone for the Group and a renewed commitment from our end to support the international segment. In addition, the Group submitted registration files for 118 SKU's, which were being reviewed by the authorities.

FY22: KSA Registered Products by Therapeutic Areas



This will advance the gradual shift of the portfolio from mature therapeutic areas and related products to new and in-demand therapeutic areas in line with the growing needs of the patient population in KSA and the region.

The department also continued to build on its strong relationships with the SFDA and the various regulators in the markets in which we are present, in a collaborative manner to promote a science-based approach in developing the regulatory frameworks.

[13] Research & Development, Regulatory & Medical Affairs, IP & TM, and Portfolio

5 Production Facilities

7 Production Lines

1.6 bn Output Units

105% Utilization

Operations Department – Manufacturing and Packaging

In 2022, the Operations Department was reset across the Group's various subsidiaries with the objective of streamlining operations and optimizing assets within KSA and abroad, in order to increase output and efficiency, unlock synergies, and reduce cost.

The new onboarded team led by the new Chief Operations Officer focused primarily on extracting value from the overall SPIMACO asset base, without the need for major capex investments. This was achieved by optimizing resource allocation throughout the value chain – from API to Final Goods – and by consolidating processes across the subsidiaries. In addition, the team managed to overcome operational hurdles such as disruption in imports and availability of raw materials as well as staffing shortages.

The Group resolved capacity bottlenecks and achieved an 18% annual growth in production output, exceeding 1.6 billion units during 2022. This was achieved through contracting manufacturing to other entities, which entailed: 1) transferring products to the Dammam facility, 2) concluding deals with third party factories for CMO partnership at competitive cost, 3) improving productivity of the Dammam facility by increasing utilization.

This success was enabled by a series of internal restructurings to optimize resources. To this end, the department prioritized the production plan for each line to ensure highest machine availability with reference to demand, increased the batch size to reduce the required production hours, and outsourced packaging activities of some items to the Dammam plant. Furthermore, the department mitigated the disruption in raw material due to the global supply shortage by qualifying alternative suppliers (mainly in India & China) to overcome the increased lead time and prices. Overall, produced BUM cost dropped 17% annually in 2022, with quality release lead time improved from 18 to 11 days with increased outbound delivery at less cost.

To continue extracting value from the Group's asset, a new assets department was set up to follow-up to get support from Group and ensure KPIs achievement.

CAD

During the year, SPIMACO increased its ownership in CAD as the Group continued to reorganize its asset base to unlock value. Following a series of audits and refurbishments alongside a complete revamp of its organizational structure and authority matrix, the Group relaunched its CAD facility, which was a pivotal development and a key differentiator for SPIMACO, that shows a renewed commitment to grow localization of the active pharmaceutical ingredient (API) industry in the Kingdom. The facility currently has 11 APIs in the pipeline and a total portfolio of 17 APIs/products.

The relaunch involved optimizing and expanding SPIMACO's resources and capabilities across the manufacturing value chain. This commitment was reinforced by the memorandum of understanding that the Group signed with SABIC, which will provide technical support and solutions for the development and production of some APIs and is geared towards building new sales pipeline and working on partnership with well-established companies in the API business.

Morocco

In 2022, SPIMACO initiated the full reorganization of its 2 Moroccan sites, Berchid and Tangiers, which are considered key assets in SPIMACO's manufacturing portfolio.

During the year, the Group restarted the Berchid project by resolving pending legal and supplier issues with the target to get the facility ready for manufacturing by 2026. In conjunction, the GMP upgrade of tangiers site was also initiated to maintain the liquid line operational for our leading product Osmosine.

In parallel, the Operations team began the process of restructuring the business operation with the aim to develop the top line contribution from these facilities. This involves enriching the portfolio in the coming years with SPIMACO star products in oncology and liver disease as well as with new products sourced by the business development team.

High Potent Facility at Qassim

2022 marked the completion of the first High Potent (HP) manufacturing unit in the Kingdom whilst also receiving the SFDA approval. This key milestone was achieved thanks to Process Equipment's commissioning, including installation and operational qualification for both big and small suite machines, the Commissioning, Installation and Qualification for clean and black utilities, as well as Performance Qualification for both big and small suit process equipment.

The 2 suites will support a versatile need of HP products with different batch size and increasing our development abilities of cutting-edge products.

During the year, SPIMACO also launched High Potent API product development activities at the High Potent Facility at Qassim, with 10 products currently in the formulation development pipeline.

Commercial Operations Department

During 2022, SPIMACO Commercial Operations focused primarily on ramping up their efforts to further enhance business excellence and lay the necessary foundation for 2023 growth plans.

The commercial operations are led by the newly appointed Chief Commercial Officer with a mandate to develop a solid commercial strategy for the next 5 years that is focused on maximizing profit through 3 key pillars: Enhance commercial excellence, optimize resources, and reshape the portfolio into a favorable mix while revitalizing customer relationship management.

In the changing and dynamic pharma landscape and based on the division's foresight and deep understanding of diversified market needs and expectations, it was imperative to re-engineer SPIMACO's strategy to a focused marketing-driven approach to fuel future growth and secure a leading position.

Ending 2022, an updated Go-To-Market model was introduced to ensure the Group's resources – manpower, portfolio, channels – are best utilized to deliver a unique value proposition to patients and build on SPIMACO's competitive advantage, while at the same time maximizing profitability, extending the portfolio life cycle, increasing productivity, and introducing profit focused KPIs. Future profitability will be further supported by the restructuring of the commercial team that took place in 2022. This also included several new hires with extensive experience in the local and regional market across the different business segments.

2022 was a year of transformation as we re-balanced and strengthened our business to position ourselves for future growth. SPIMACO was able to renegotiate current agreements with customers, including the payment terms, to increase profitability and reduce the DSO by 30 days. The team also optimized the current portfolio with increased focus on our key therapeutic areas (Chronic medications – CVs, CNs, and Diabetes), improved operating processes and systems (introduce new expenses management system), reviewed customers deals, and enhanced resources.

Optimization efforts extended to streamlining commercial operations between SPIMACO and its subsidiaries, including ARAC. On this front, and starting 2023, the distribution of all SPIMACO and Dammam Pharma products will be moved under SPIMACO while ARAC will continue to distribute non-SPIMACO products. The integration is intended to capture synergies, reduce cost, limit operational redundancies, and improve economies of scale.

Corporate Development Function

To support SPIMACO's turnaround, a new department called Corporate Development was established. The department is responsible for leading the Group's key inorganic growth: business development and investments.

In business development, the Group reinforced its position as the Partner of Choice in KSA, with 10 strategic agreements with international and multinational companies, either signed or amended during the year, with an average annual revenue of SAR 140 million. These agreements allow SPIMACO to obtain and extend the rights of manufacturing, licensing, and distribution for new products, to enrich the Group's product portfolio and pipeline.

During the year, SPIMACO signed 4 new agreements for an average annual revenue of c. SAR 50 million with GSK, Vifor, and Bluepharma.

In KSA, the Group successfully renegotiated 6 strategic alliances with MSD and other partners for an average annual revenue of close to SAR 90 million, while generating savings of c. SAR 13 million.

On the investments front, the Group strengthened its M&A team with new hires from global investment banks to identify investment targets that would assist the Group in accelerating its growth.

Challenges and Opportunities

Undoubtedly, 2022 was a challenging year for the Group on the back of a complete and comprehensive internal restructuring and transformation of our operations, and the revamp of our business model at the time when the overall pharma industry was facing a multitude of challenging trends.

Throughout the year, global supply chain disruptions continued to pose a challenge, leading the Group to retain excess inventory and in turn increase warehousing space and cost. The shortages also forced manufacturers to seek and qualify other supply sources, which in many cases necessitated additional cost to ensure consistent quality and quantity.

Inflationary trends further exacerbated the pressures, and led to additional cost across the entire value chain; from labor, raw materials, and transportation. The Group is also facing talent shortages and qualified manpower availability, especially in the areas involving specialty medicines and specialized therapeutic areas.

Nevertheless, and as a local Saudi manufacturer, SPIMACO is set to benefit from Government incentives encouraging localized production, as well as favorable regulatory changes that are generally favoring local producers, in addition to overall increased acceptability of generics and biosimilars.

In addition, and supported by the ongoing adoption of flexible and agile manufacturing processes, as well as the increased acquisition of the necessary new technology and knowhow, SPIMACO aims for a strong presence in core therapeutic areas and differentiating capabilities in Biosimilars, and injectables at a later stage, which will enable SPIMACO to address the increased demand from the shifting disease burden to chronic and lifestyle diseases.

Outlook

Following a year of transformation, which involved reconfiguring the way SPIMACO operates across its entire value chain, the Group is confident of its ability to deliver a promising performance in 2023.

The Science Organization Department sees great potential in 2023, building on the turnaround of the product portfolio development where over 100 products are currently in the pipeline in fast growing, high margin therapeutic areas, including CVS and Oncology. The Science department will focus on further optimizing pipeline development activities from idea generation to launch, developing the portfolio towards more valuable modern medicines such as super-generics, and developing the technology platform for the injectables portfolio.

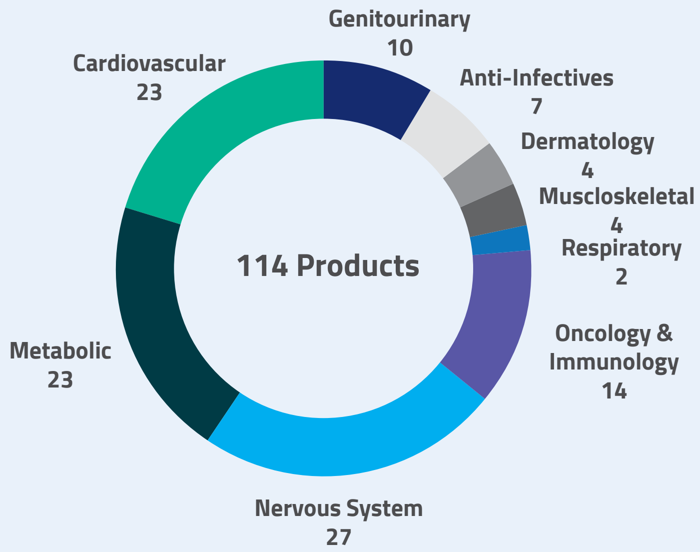
Going into 2023, the Operations Department's focus will be on improving product availability by freeing capacities to support the production of new and in-demand products. Output volumes, as well as utilization rates, are expected to increase, as well as the restructuring of the Operations Department start to bear fruit. This will be accompanied by potential for higher profitability, as costs will continue to be contained.

For the Commercial operations, the transformations initiated in 2022 were essential to modernize our commercial business and will be instrumental to the success of the Group's revamped strategy. In 2021, with an agile, efficient, and focused operation, the commercial team will have the capacity to maximize the portfolio potential and accelerate new launches' introductions, and increase direct channels' share from SPIMACO revenue, to improve margins while keeping patients' needs and products quality as the key success factor.

The Corporate Development department will continue to strengthen the team with additional hires as it seeks to expedite its uptake of new deals on both the business development front as well as the investments front.

To this end, the team has initiated discussions with Global pharmaceutical companies for the localization of a wide range of vaccines and specialty bio-generics players. This comes as SPIMACO continues to support government initiatives, which includes USD 3.4 billion investments in the vaccine and biomedical drugs sector, part of the Kingdom's push towards achieving pharmaceutical security and making Saudi Arabia a more prominent hub for the sector[14]. SPIMACO is well positioned to be a major player in this field, building on its strong and successful track record of partnerships with global pharmaceutical companies, as well as its robust and versatile asset base.

Pipeline Products by Therapeutic Areas



[14] https://www.reuters.com/world/middle-east/saudi-arabia-invest-34-bln-vaccine-biomedical-drugs-sector-2022-06-24/

Business and Financial Review

The Group utilized 2022 to successfully lay the groundwork for turning around the business while in parallel navigating a challenging operating environment with ongoing supply chain disruptions and soaring inflation.

For the full year 2022, the Group reported revenues of SAR 1.43 billion, a drop of 2.3% year-on-year (YoY), and a gross profit of SAR 566.3 million registering a gross profit margin of 39.7%. This came despite the Group ramping up its sales volume which saw a 22% annual increase, which was overshadowed by the repricing of some products by SFDA, unfavorable sales mix, as well as a decrease in sales of one of our licensor products which had an overall negative impact affecting margins and value sales.

Notwithstanding this top line performance, the Group reported a net loss of SAR 171.2 million during the year due to lower gross profit and exacerbated by higher operating expenses and research expenses on the back of a series of investments attributed to the turnaround of the business model.

Revenue

SAR

1.43 bn

▼ -2.5% YoY

Gross Profit

SAR

566.3 m

Gross Profit Margin

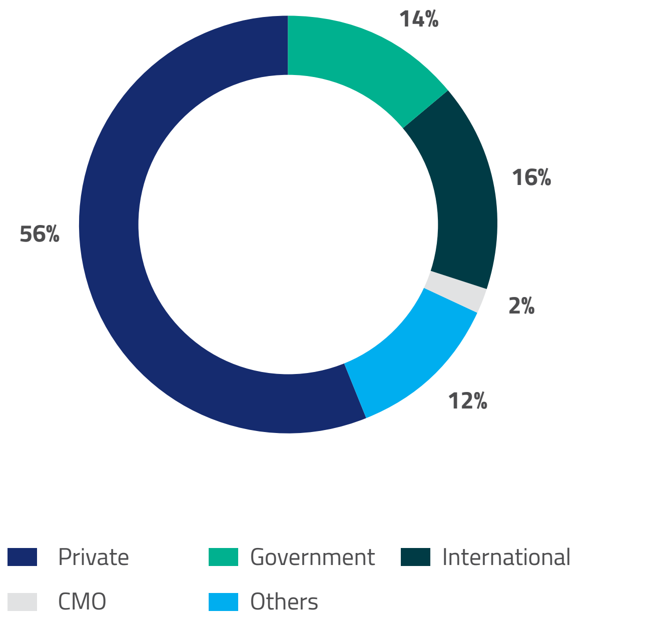
39.7%

Sales volume
Annual increase

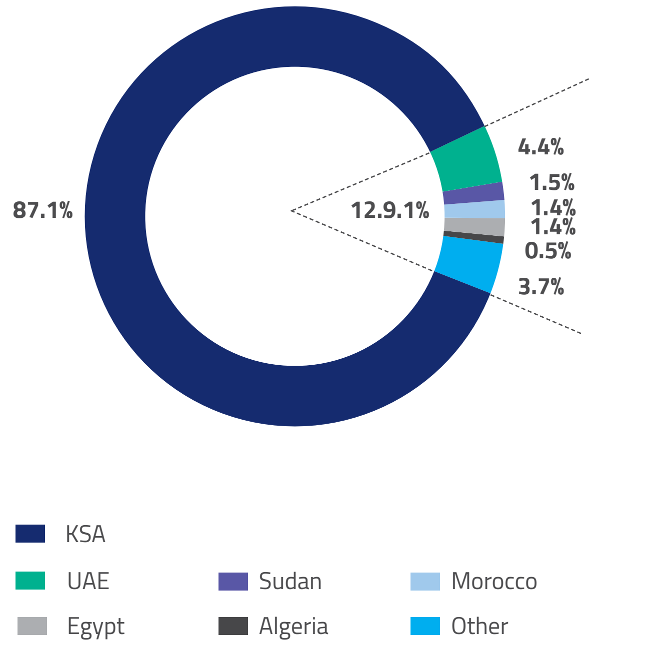
▲ **22%**

The Private channel continued to contribute the lion's share of sales at 56% followed by the International channel at 16% with KSA remaining our key market at 87%.

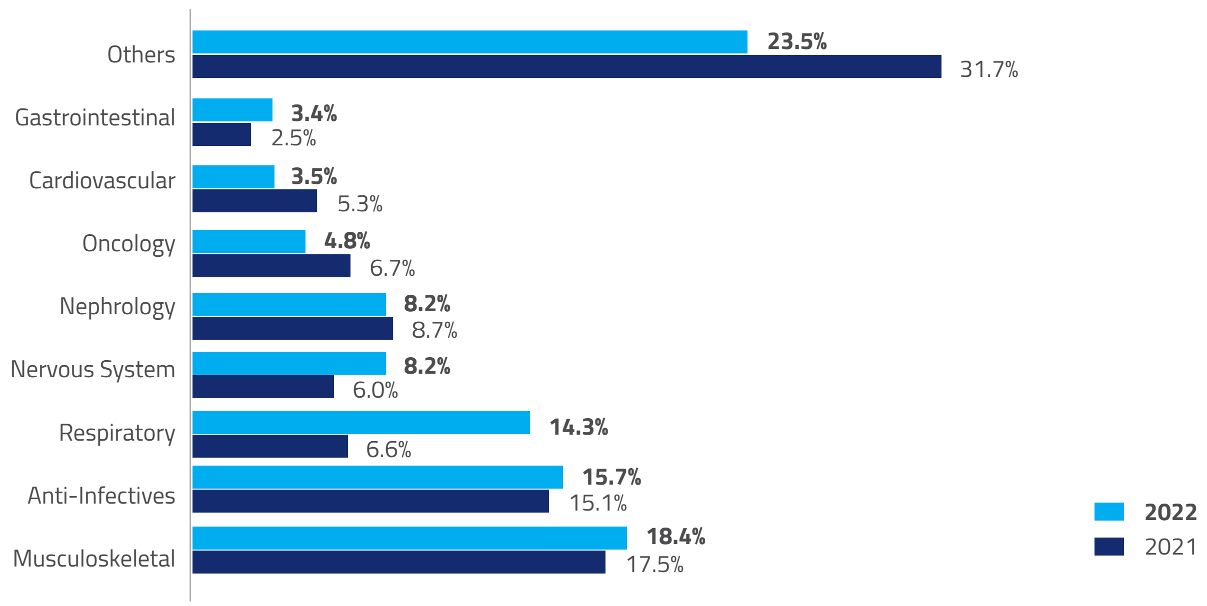
FY 22 Net Revenue by Channel[15]



FY 22 Net Revenue by Geography



FY 22 Net Revenue by Therapeutic Area[15]



Our key therapeutic areas continued to show favorable performance on strong market demand across channels with respiratory and CNS reporting solid growth during the year with their contribution to total sales increasing to 14% and 8% respectively, Meanwhile, our musculoskeletal and anti-infectives products remained resilient with their combined contribution standing at 34%. On the other hand, oncology showed some decline on the back of decreased sales of one of our licensor products while nephrology witnessed slower market demand.

[15] Based on pharmaceutical revenue

Business Review

SPIMACO commercializes its products across various channels taking advantage of its robust sales and marketing commercial team. During the year, the Group reorganized its commercial resources to align with the fast-changing customer needs, who are currently looking for superior experiences, and an evolving healthcare landscape. This involved a revamp of the Go-to-Market model which is based on a better understanding of market segments including disease states, patient populations, and products. This in turn helps in strategizing early enough to affect targeting and engagement with both patients and healthcare professionals before and during launch, to ultimately enhance success rates at launch.

SPIMACO's Sales Channels

Private

Covers sales of SPIMACO's own products and under licensed products either: Directly by SPIMACO or through agents to private-owned hospitals, pharmacies, polyclinics through dedicated strong private commercial team.

Government

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.

International

Covers sales of SPIMACO's own products in markets outside KSA such as GCC, Levant, North Africa in both private and government channels either: directly by SPIMACO's own distribution network or through contracted distributors.

CMO

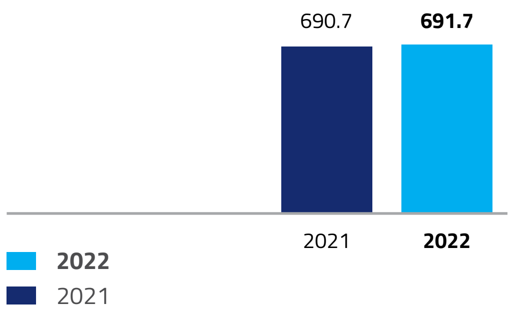
Includes sales of products manufactured in SPIMACO sites for third-party companies.

Others

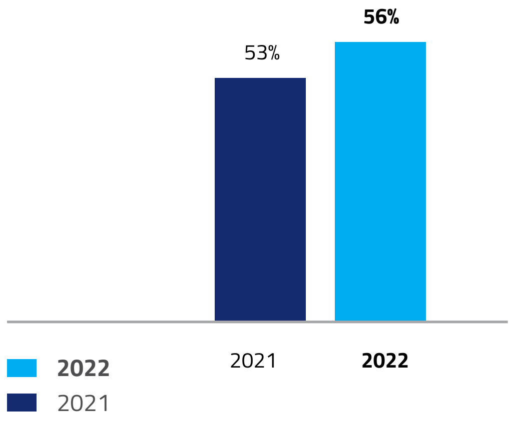
Include sales of non-pharma products such as cosmetics, vet, API

Private Sales Channel

Net Sales (SAR mn)



Sales Contribution



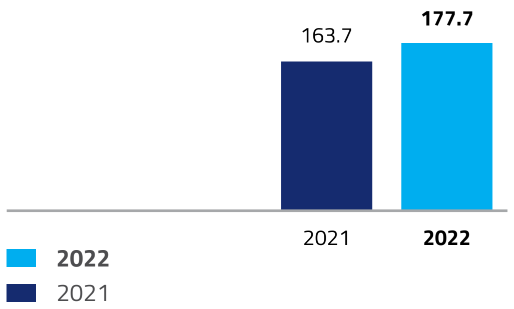
During 2022, SPIMACO solidified its leadership position in the Saudi private market, achieving a 7.5% market share and maintaining its number one ranking among its peers within the segment.

Total sales from the channel reached SAR 691.1 million, flat over the previous year. Despite an overall increase in commercial volume sold, topline was negatively impacted by the SFDA reducing prices of certain products as part of their price unification project.

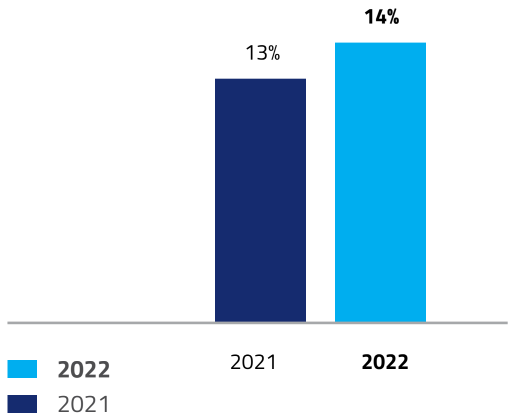
Moving forward, the Private channel will remain a key focus area for the Group and is set to benefit from the updated Go-To-Market model, more focused customer approach initiatives led by the new commercial team launched in Q4 FY22.

Government Sales Channel

Net Sales (SAR mn)



Sales Contribution

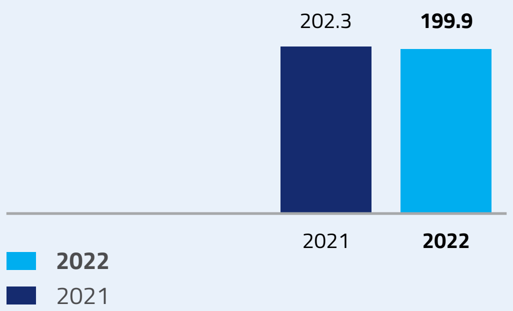


Overall, the Government channel reported a good year with net sales increasing 9% YoY to SAR 177.7 million with contribution to total net sales increasing to 14% on higher demand for SPIMACO products. This performance was supported by higher volume sales of certain products, including Paracetamol, due to regulatory updates which included limitation of export for this molecule. Government channel sales picked up towards the end of the year also on some tender advanced deliveries that helped boost overall volumes and margins.

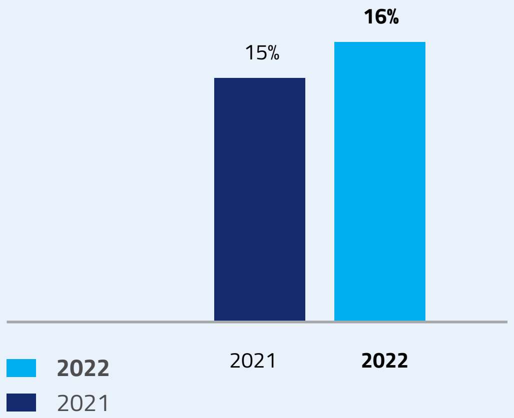
The commercial team plans to maintain this positive momentum within this channel building on the ongoing optimization in the product portfolio while in parallel working on continuously improving profitability.

International Sales

Net Sales (SAR mn)



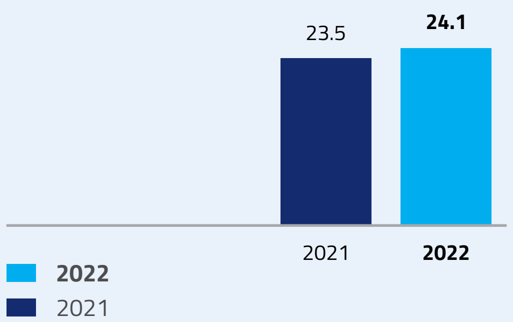
Sales Contribution



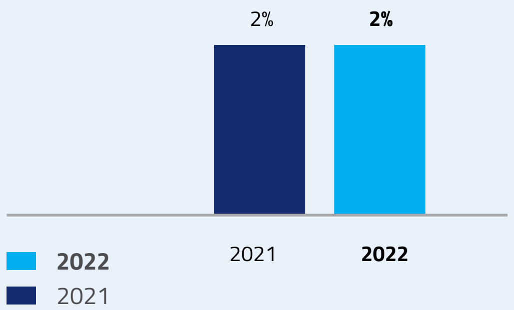
The Group reports in its International sales both its export business as well as revenue from its international operations. The Group reported SAR 199.9 million , flat year-over-year, with contribution to top line increasing to 16% on introduction of new products in Egypt markets as well as higher demand for our products in GCC region (UAE and Oman).

CMO Sales

Net Sales (SAR mn)



Sales Contribution

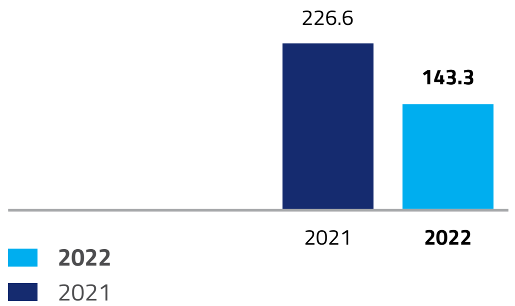


The Group saw an increase in revenue from its CMO operations of 3% to SAR 24.2million as a result of increased demand in some therapeutic areas, in specific respiratory.

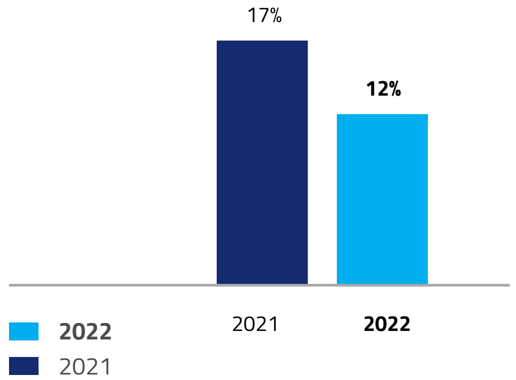
Going into 2023, CMO contribution is expected to increase inline with the Group's strategy to utilize excess capacity.

Others

Net Sales (SAR mn)



Sales Contribution



The net sales from the Others channel which includes sale of non-Spimaco products, cosmetics, and API, decreased by 16% down to SAR 143.3 million primarily due to a reduction in the sales of one of our licensor products in 2022.

In line with the Group's plans to refocus its business model, the contribution from this segment is expected to remain controlled as the Group expands its business in the Government and Private channels.

Financial Review

Summarized Consolidated Statement of Income[16]

SAR mn	2022	2021	% change	2020	2019	2018
Net Sales	1,426.3	1,459.8	-2.3%	1,555.3	1,486.8	1,503.3
Gross Profit	566.3	620.7	-8.8%	690.5	497.6	608.5
Income (Loss) from Operations	(126.1)	55.5	NM[17]	153.7	(293.3)	78.4
Net Income (Loss)	(171.2)	18.1	NM	109.5	(484.0)	48.7

Net Sales

The Group reported revenues of SAR 1.43 billion for 2022, a drop of 2.3% year-on-year (YoY) on the back of slightly weaker pharma revenue which was partially offset by stronger non-pharma[18] revenue growth.

Pharma revenue reported a drop of 5.4% down to SAR 1.24 billion due to the repricing of some products by SFDA as well as a decrease in sales of one of our licensor products which had an overall negative impact on value sales. This was partly compensated by an increase in volume sales of 22% YoY to 94 million packs up, up from 77 million packs last year.

On the other hand, non-pharma revenue reported a strong annual growth of 27.4% supported by robust performance from the Qassim Medical Services Company.

Gross Profit

Full year 2022 gross profit came in at SAR 566.3 million versus SAR 620.7 million reported last year.

This drop was primarily due to an unfavorable change in sales mix, price revisions from the SFDA, lower sales for one of licensor products coupled with ongoing inflationary pressures on cost. This translated to a FY22 gross profit margin of 39.7% versus 42.5% for last year.

Income from operations

Loss from operations of reached SAR 126.1 million, compared to a profit of SAR 55.5 million in 2021. This was attributed to the lower gross profit but also to an increase in overall Selling, General and Administrative expenses (SG&A) and Research expenses in line with the implementation of the Group's transformation plan. SG&A increased for the full year increased by 15.9%, the equivalent of SAR 87.3 million, to SAR 638.1 million predominantly on the back of the revised salary scheme which saw salaries adjusting in line with market benchmark, termination benefits impact as well as an increase in sales and promotion and training expenses. Whereas research expense increased by 46.4% YoY, the equivalent of SAR 13.5 million, on the back of increased salaries and benefits due to the recalibration of the science organization team.

Net Income (Loss)

Bottom line came in at a loss of SAR 171.2 million affected by the losses from operations and normalized zakat and tax expenses coming from a low base in 2021 which benefitted from overprovisioning in 2020.

In 2022, SPIMACO completed a series of capability upgrades to "fix the core". These initiatives were necessary to jump-start the business recalibration process and have prompted incremental investment, which overall weighed on profitability during the year. However, this was critical to lay a strong foundation that would foster the Company's 5-year revamped strategy which was launched during its Capital Markets Day on February 7, 2023.

SPIMACO's patient-centric strategy is built around a combination of organic growth, business development, and M&A, and focuses on extending the Company's leadership position in KSA and key regional markets. The strategy focuses on building the National Champion in the Saudi pharma industry by capitalizing on long-term opportunities offered by the conducive market outlook, while aiming at improving the wellbeing of patients and benefiting all groups of the Company's stakeholders in the long-term.

[16] Some of the figures of previous years have been reclassified to match the 2022 rating as described in the consolidated financial statements.
[17] Not meaningful
[18] Non-IFRS measure. Pharmaceutical revenue excludes other types of revenue such as revenue from hospital business, etc. Total pharmaceutical revenue represents 86.4% of Total revenue in FY22 (89.5% in FY21).

Summarized Consolidated Balance Sheet

SAR bn	2022	2021	% change	2020	2019	2018
Total Assets	3,831.8	4434.1	-13.6%	4,682.8	4,655.5	4,770.3
Total Liabilities	2,138.6	2440.7	-12.4%	2,611.8	2,541.4	2,014.1
Total Equity	1,693.1	1993.4	-15.1%	2,070.9	2,114.1	2,756.2

Total Assets

Total assets decreased by 13.6% over last year to SAR 3.83 billion. During the year, the Group proactively aimed at reducing non-core investments with almost full divestment from mutual funds held at FVTPL. Moreover, the trade receivable balance decreased by 18.0% during the year as the teams expedited collection efforts across all channels. This was partially offset by higher inventory balance by end of the year as the Group hoarded additional stock to fuel growth anticipated in 2023.

Total Liabilities

Total liabilities dropped by 12.4% in 2022 to SAR 2.14 billion on the back of repayment of loans and borrowings which in turn decreased 16.8% during the year. The Group during the year successfully secured additional facilities to support the growth plans for the Group in 2023.

SPIMACO signed a credit facility agreement (Sharia compliant) with Al-Rajhi Bank amounting to SAR 250 million and another Sharia compliant credit facility agreement with SABB Bank amounting to SAR 650 million, SAR 500 million of which are long term facilities.

A detailed overview of the total loan portfolio as of 31 December 2022 can be found in the Appendix.

Total Equity

Equity attributable to the equity holder of the parent was SAR 1.5 billion compared to SAR 1.8bn in 2021, a drop of 16.2%. This decrease stemmed from the losses reported during the year, unrealized losses booked in other comprehensive income as well as dividends paid.

The following are the revenues of subsidiaries (inside and outside Saudi Arabia) for 2022:

Companies	Net Revenue (SAR mn)	% of Total Revenue
SPIMACO KSA	389.3	27.3%
ARAC Healthcare Co.	793.4	55.6%
ARACOM Medical Company	65.6	4.6%
Dammam Pharmaceutical Company	1.4	0.10%
Al Qassim Medical Services Co.	129.3	9.0%
SPIMACO Misr Pharmaceutical Industries	4.5	0.3%
SPIMACO Morocco for Pharmaceutical Company	20.3	1.4%
SPIMACO Algeria Company	7.4	0.5%
SPIMACO Egypt	15.0	1.1%
Total	**1,426.3**	**100.0%**

People and Culture

The People and Culture (P&C) function is responsible for developing a vision and managing the organization and human capital of SPIMACO and its network of subsidiaries, in order to improve overall organizational effectiveness, attract and retain the best calibres in the relevant markets, develop the existing talent, and improve overall organizational performance and culture.

As an outcome of the Synergy Project conducted in 2021-2022, the shape of the P&C function was redesigned to help SPIMACO achieve its strategical direction, and to raise the bar for HR strategical and operational performance.

Since the launch of Synergy transformation project, the P&C department has played a leading role in the Group's turnaround into a leading regional pharmaceutical leader.

Following the conclusion of the Synergy Project in Q2 FY22, the shape of the P&C function was redesigned and the team developed a clear way forward to enable the Group to achieve its strategic objective of becoming An Employer of Choice.

This strategy is embedding a performance-driven and talent-focused culture. We are investing in and nurturing our staff by providing wide-ranging and international exposure and training across all our activities. Our holistic employee value proposition is centered on rewards, career development, and §Group culture.

Our human capital strategy leverages 5 strategic pillars grounded in our human capital policies, reporting frameworks, and governance.

HR Governance

Develop and implement new HR policies to promote and uplift the Group's culture

Improve internal alignment and communication to drive the consistent implementation of our strategic initiatives and ways of working

Culture

Initiate brand-building activities that position SPIMACO as a multinational pharmaceutical leader and employer of choice

Set up a graduate/ future leaders› program

Workforce and Organisational Design

Develop and rollout the updated organizational design

Regularly assess required changes to adapt to the dynamic nature of the pharmaceutical indsutry

Talent Management

Cascade performance management system

Develop the technical competency of our human capital

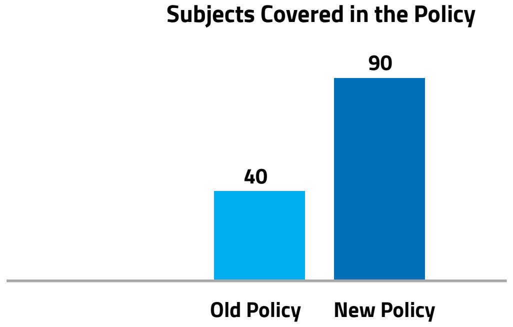
Rewards

Design compensation and benefits structure that is equitable, fair, and consistent and competitive with the market

2022 Performance

HR Governance 1

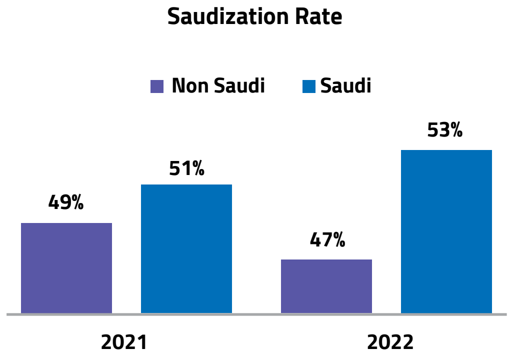
P&C developed, implemented, and communicated the enhanced the HR Policies and Procedures Manual, expanding its coverage to SPIMACO work locations across Saudi Arabia and other countries. The number of subjects covered in the enhanced policy increased.



Culture 2

P&C revamped the Group's culture through a series of new hires across all levels, while succeeding in attracting 7 new C-suite members from global and leading pharma companies.

The team also managed to further align the Group with Vision 2030, increasing female participation to more than 10% of total workforce, with 13 women currently holding managerial positions. Saudization rates were also increased to 53%.



2022 Executive and Staff Hiring

7	**11**	**234**
C-suite	Director	Staff

Workforce and Organizational Design 3

P&C developed and rolled out the Group's organizational restructuring. This included updating functional statements, positional structures, and set-up of new departments. The team identified new and enhanced capabilities to activate the new structure.

22
New Policies

15	**372**	**339+**
Job Families	Job Evaluations	Job Descriptions

Talent Management 4

In order to align staff performance with SPIMACO's strategic direction, P&C refined and rolled out the SPIMACO Academy curriculum and teaching.

SPIMACO academy conducted around 70 training sessions for more than 1000 employees in 2022, delivering around 150 in-class training days and around 110 trainings days in external classroom programs during the year. In early 2023, SPIMACO received an the LinkedIn Talent Awards as a learning champion within the MENA region in recognition of SPIMACO's Academy learning & development initiatives.

In addition, the Group made significant investments in funding the executive education of 11 Executives at Insead and Michigan Ross.

Rewards 5

P&C introduced an updated Performance Management System as well as automating the process.

In addition, the salary scale is upgraded to be more attractive for talents, and the salary structure was enhanced to guarantee more efficient distribution of benefits to the staff.

The newly upgraded Short-term Incentive Plan compensates employees for their efforts during the year based on their individual performance and that of their business unit, in order to incentivize employees and recognize the top performers, as well as to reduce turnover.

P&C also introduced for the first time a Long-term Incentive Plan for employees in key and strategic positions. This plan aims to ensure stability at the top management level and stability in the overall operations of the business.

Going forward, the P&C team will strengthen its focus on further aligning HR practices with the Group's business strategy and driving functional and operational excellence.

Sustainability

As SPIMACO reimagines its business models, manufacturing processes, and supply chains, it is also undergoing a comprehensive assessment of its sustainability ambitions. The Group is determined on undergoing a fundamental transformation to further embed sustainability into SPIMACO's business practices.

The Group is committed to accelerating the pace of change to expediate its contribution to long-term economic sustainability in line with the Kingdom's Vision 2030 targets. It aims to continue providing patients and the community with accessibility to affordable, high-quality medications, but also in a more sustainable manner, based on a concern for economic and environmental sustainability, a sense of responsibility toward stakeholders and society, and a sound and effective corporate governance.

Our Corporate Social Responsibility Strategy has been developed in alignment with the United Nations' 17 Sustainable Development Goals (SDGs) and, in 2022, focused predominantly on supporting and sponsoring initiatives that aim to promote and improve the health and wellbeing of our communities.

Principle 1

End poverty in all its forms everywhere

For the second year in succession, SPIMACO supported the National Platform for Charitable Work (Ehsan) in 2022, with an annual donation of SAR 1 million.

The Platform was launched in 2021 by the Saudi Data and Artificial Intelligence Authority (SDAIA) to enable and encourage charitable donations in the Kingdom, and to enhance the role of the private sector in community, charity, and sustainability initiatives.

SPIMACO is proud to continue its support of this valuable platform and its work in the Kingdom.

Principle 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities

SPIMACO understands the importance of being engaged with the educational sector to promote the transfer of knowledge to the future generation. We have successfully trained over 80 graduates and learners through a combination of internships and our Human Resources Development Fund program, Tamheer.

Principle 5

Achieve gender equality and empower all women and girls

SPIMACO affirms the vital roles women play in the development of society at large, and more specifically, their role in the contribution to the local communities. More than 10% of SPIMACO's workforce are women. Furthermore, several of our female employees are in decision-making positions, in alignment with the Kingdom's Vision 2030.

Principle 6

Ensure availability and sustainability management of water and sanitation for all

SPIMACO takes the environmental protection proactively, as we continuously monitor our water consumption and wastewater discharge to meet and exceed the National Center for Environmental Compliance (NCEC) requirements. Our monthly discharge of wastewater amounts to less than 10% of the total wastewater discharged to the industrial area; the wastewater is collectively treated in the wastewater treatment facility and used in nonhuman impacted industries such as brick and cement industries as cooling water. Thus, SPIMACO supports to have a positive impact on water stress and ensures no impact on local aqua systems.

Principle 8

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

The Children With Disability Association provides professional medical, rehabilitative, and educational services to children with disabilities, and supports children and their families to help improve their lives. In 2022, SPIMACO was proud to be invited to sponsor the Association's Children's Drawings and Creativity Program. The Program is an innovative initiative that helps children develop their artistic and creative talents, while also providing an additional revenue scheme for the Association.

All revenue and income from the sale of the artistic products is used to help fund other worthwhile Association initiatives. SPIMACO is committed to supporting initiatives that help the young people in our society, improving their lives and helping to build a brighter future for our Kingdom.

Governance

Introduction

The Board of Directors of Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO ADDWAEIH) is pleased to present the Annual Report for the Financial Year ended 31st December 2022 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 favorable and ethical workplace that bears witness to its core values. SPIMACO puts a strong emphasis on fair and proper conduct in its relationship with its shareholders, employees, clients, governmental authorities, and public entities.

Board of Directors

Members of the Board:

Pursuant to the SPIMACO Articles of Association, the Board of Directors for its 11th term was composed of 9 members: 6 are Non-Executive and 3 are independent directors. The members were elected by the General Assembly for a term of 3 years from 3rd April 2019 to 2nd April 2022. Below are the names and description of the Board members for its 11th term:

Members of the Board	Description	Membership
H.E. Mohammed Bin Talal Al-Nahas	The Chairman	Non-Executive
Mr. Ammar Abdulwahed Al-Khudairy	The Vice Chairman	Non-Executive
Mr. Faisal Mohammed Shaker	Member	Non-Executive
Dr. Mohamed Khalil Mohamed	Member	Non-Executive
Mr. Saleh Abdullah Al Hanaki	Member	Independent
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Member	Non-Executive
Mr. Thamer Abdullah Al-Humud	Member	Independent
Eng. Adel Kareem Kak Ahmed	Member	Non-Executive
Mr. Turki Abdullah Al Jawini	Member	Independent

In conformity with the SPIMACO Articles of Association, the Board of Directors for its 12th term is formed of 9 members: 4 are independent and 5 are Non-Executive. The members were elected by the General Assembly for a term of 3 years from 3rd April 2022 until 2nd April 2025. Below are the names and descriptions of the members:

Members of the Board	Description	Membership
H.E. Mohammed Bin Talal Al-Nahas	The Chairman	Non-Executive
Mr. Ammar Bin Abdel Wahid Al Khudairi	Vice Chairman	Independent
Mr. Faisal Bin Mohammed Shaker	Member	Non-Executive
Dr. Mohammed Khalil Mohammed	Member	Non-Executive
Mr. Abdulrahman Bin Mohammed Al Thaniyan	Member	Independent
Mr. Khalid Bin Abdulrahman Al Gwaiz	Member	Non-Executive
Dr. Fahd Bin Abdulaziz Al rabiah	Member	Independent
Eng. Adel Karim Kak Ahmed	Member	Non-Executive
Dr. Mai Bint Abdullah Al Ajaji	Member	Independent

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	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. Currently, he is the Governor of the General Organization for Social Insurance.
Mr. Ammar Bin Abdulwahed Al-Khudairy	General Director of Amwal AlKhaleej	Chairman of the Board of Directors at Samba Financial Group	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 and Managing Director of Amwal Al Khaleej Investment Company. Additionally, he held memberships in several companies' Boards and committees, including Chairman of the Board of Directors for Samba Financial Group. He is currently the Chairman of the Board of the Saudi National Bank.
Mr. Faisal Mohammed Shaker	Partner and CEO of Modern Food Company	CEO and Head of Wealth and Investment Management for Audi Capital	He 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, and CEO and Head of Wealth and Investment Management at Audi Capital. Currently he is the Partner and CEO of Modern Food Company.
Dr. Mohamed Khalil Mohamed	General Manager of the Arab Company for Pharmaceutical Industries and Medical Appliances – Acdima	CEO of Acdima Center for Bioequivalence and Pharmaceutical Studies	He completed his bachelor's degree in Pharmacy and PhD in Medicinal and Pharmaceutical Chemistry at 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, and Executive Director of the ACDIMA Center for Bioequivalence and Pharmaceutical Studies. Currently, he is General Manager of the Arab Company for Pharmaceutical Industries and Medical Appliances – ACDIMA.

Name	Current Position	Previous Position	Qualifications and Experience
Mr. Saleh Bin Abdullah Al Hanaki	CEO of Nitaq Finance	CEO of Mohamed Ibrahim Al Subaie & Sons Investment Company (MASIC)	He holds a bachelor's degree in Administrative Sciences from King Saud University, a master's degree in Economics from the University of Colorado, and a Master of Science in Mathematics from the University of Michigan, US. He began his career as a Portfolio Manager at Al-Rajhi Bank and occupied other positions including General Manager of Asset Management at Falcom Financial Consulting and CEO at Alinma Investment Company. He was the CEO of Mohamed Ibrahim Al-Subaie and Sons Investment Company (MASIC).
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Retiree	CEO of Binladin International Holding Group	He obtained his bachelor's degree in Urban Planning from the University of Washington Seattle, US. He began his career at the Saudi Industrial Development Fund and assumed several leadership positions. He worked at Tawuniya Insurance Company in the insurance, underwriting and claims departments. His final position in Tawuniya was Director of the Financial and Administration Affairs Department. Moreover, he was awarded a fellowship by the British Insurance Institute in Britain. 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 to CEO of Astra Industrial Group, before becoming Managing Director of the Arab Company for Water and Energy Development (ACWA Group). In addition, he was previously the CEO of Binladin Holding Group.
Mr. Thamer Bin Abdullah Al-Humud	Director of Legal Affairs at Al Ra'idah Investment Company	Director of the Board's Decisions and Instructions Unit at the Capital Market Authority	He 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. Currently, he is the Director of Legal Affairs at Al Ra'idah Investment Company.

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	He earned a bachelor's degree in Engineering in 1983, and now holds the position of Undersecretary of the Iraqi Ministry of Electricity. He was previously Chairman of the Boards 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.
Mr. Turki Abdullah Al Jawini	Director General of the Human Resources Development Fund "Hadaf"	Chief Executive Officer of Dammam Airports	He holds a bachelor's degree in Management Information Systems from Clarion University, US. Currently, he is the Director General of the Human Resources Development Fund (Hadaf). He assumed several leading positions in the Saudi British Bank (SABB), Nas Holding Company and NasJet Private Aviation Company. He also worked as a consultant to the Assistant President for the Airports Sector at the General Authority of Civil Aviation and Director General of King Fahd International Airport in Dammam. He was also the CEO at Dammam Airports Company (DACO). In addition to being a member in a number of closed and joint stock companies' and non-profit entities' Boards of Directors, he is the Chairman of the Board of Sawaeed Business Services. He chaired various Board committees and holds memberships in the national committees on Saudization and Saudi market initiatives and policies.

Below are the current and previous positions for the members of the 12th Board term, in addition to their qualifications and experience:

Name	Current Position	Previous Position	Qualifications and Experience
H.E. Mohammed Bin Talal Al-Nahas	Current and previous positions, qualifications and experience been stated previously on Page 6, 7 and 8.		
Mr. Ammar Bin Abdulwahed Al-Khudairy			
Mr. Faisal Mohammed Shaker			
Dr. Mohamed Khalil Mohamed			
Mr. Khalid Bin Abdulrahman Al-Gwaiz			
Eng. Adel Kareem Kak Ahmed			
Mr. Abdulrahman Bin Mohammed Al Thaniyan	Retired	Military Officer	He 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.
Dr. Fahd Bin Abdulaziz Al Rebeeah	Infectious Disease Consultant in King Faisal Specialist Hospital and Research Center in Riyadh	Head of Infectious Disease Department in 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 Specialist Holding Corporation. Currently, he is Chairman of the Resource Development Committee in the Ministry of Health Medical Referral Center and a member of the Revenue Management Committee in King Faisal Specialist Hospital and Research Center.
Dr. Mai Bint Abdullah Al Ajaji	Associate Dean of the Student Affair Office in King Abdulaziz Bin Saud University for Medical Sciences	Assistant Dean in the faculty of Pharmaceuticals of King Saud Bin Abdulaziz University	Holds a bachelor's degree in Pharmaceutical Sciences from King Saud University, in addition to a master's degree and PhD in medicines and poisons from Virginia Commonwealth University. Currently, she is an Associate Dean of the Student Affair Office in King Abdulaziz Bin Saud University for Medical Sciences. She also leads a research team dedicated to inventing new antibiotics. In addition, she works as a consultant for developing curricula of medical specialties. She is also a member of the Ministry of Education Covid-19 Committee.

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 for its 11th term:

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	The General Organization for Social Insurance Saudi Arabia	Saudi Arabia	Unlisted	The Public Pension Agency	Saudi Arabia	Unlisted
	Asma Capital Company	Bahrain	Closed Joint Stock	Water and Power Works Company (ACWA Power)	Saudi Arabia	Joint Stock
	Al Taawuniyah Real Estate Investment Co.	Saudi Arabia	Unlisted	Raidah Investment Company	Saudi Arabia	Closed Joint Stock
	Dammam Pharma Company	Saudi Arabia	Limited Liability	Traveller's Cheque Company	Saudi Arabia	Closed Joint Stock
	Saudi Telecom Company	Saudi Arabia	Joint Stock	Tiba Holding Company	Saudi Arabia	Joint Stock
	Saudi Basic Industries Corporation (SABIC)	Saudi Arabia	Joint Stock	Riyadh Bank	Saudi Arabia	Joint Stock
	Future Work Company	Saudi Arabia	A sister company of Takamul Holding	National Privatization Center	Saudi Arabia	Unlisted
				Raza Real Estate Company	Saudi Arabia	Limited Liability

Board Members	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
Mr. Ammar Bin Abdel Wahid Al Khudairi	Almarai Company	Saudi Arabia	Joint Stock	Goldman Sachs Saudi Arabia	Saudi Arabia	Limited Liability
	Al-Ahli Capital Company	Saudi Arabia	Joint Stock	Al Tayyar Company	Saudi Arabia	Joint Stock
	Sports Clubs Company	Saudi Arabia	Limited Liability	Allianz Saudi Company	Saudi Arabia	Joint Stock
				Morgan Stanley	Saudi Arabia	Joint Stock
	Al-Farabi Medicine Company	Saudi Arabia	Limited Liability	Savola Group	Saudi Arabia	Joint Stock
				Kingdom Holding Company	Saudi Arabia	Joint Stock
	Amwal AlKhaleej Company	Saudi Arabia	Limited Liability	Banque Saudi Fransi	Saudi Arabia	Joint Stock
	Global Transformational Industries	Saudi Arabia	Limited Liability	Fawaz Al Hokair & Partners Company	Saudi Arabia	Joint Stock
	Global Chemical Industries Company	Saudi Arabia	Limited Liability	Saudi Mobile Telecommuni-cations Company (Zain)	Saudi Arabia	Joint Stock
	Atebaacom Company	Saudi Arabia	Limited Liability	Waffer International Energy Company	Saudi Arabia	Limited Liability
	Saudi National Bank	Saudi Arabia	Joint Stock	Arabian Shield Insurance Company	Saudi Arabia	Joint Stock
	Amwal AlKhaleej First Company	Saudi Arabia	Limited Liability	SPIMACO Egypt for Pharmaceutical Industries	Egypt	Closed Joint Stock
	Qantara Development Investment Company	Saudi Arabia	Limited Liability			
	Amwal Al Khaleej Commercial Investment Co. Ltd.	Saudi Arabia	Limited Liability	Herfy Company	Saudi Arabia	Joint Stock

Board Members	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
Mr. Faisal Bin 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 Pharmaceutical Industries Company	Morocco	Closed Joint Stock
	Aseer Company for Trade, Tourism and Industry	Saudi Arabia	Joint Stock	SPIMACO Egypt Pharmaceutical Industries	Egypt	Closed Joint Stock
	National Bank of Kuwait Wealth Management	Saudi Arabia	Closed Joint Stock	ARAC Healthcare Company	Saudi Arabia	Limited Liability
Dr. Mohamed Khalil Mohamed	Arab Company for Pharmaceutical Industries (SAIF)	Tunisia	Limited Liability			
	The Arab Company for the Pharmaceutical Industry (Ekbeitra)	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 Pharmaceutical Industries Company	Morocco	Closed Joint Stock			
	The Arab Company for Antibiotic Industries and Supplies – Acai	Iraq	Joint Arab Company			

Board Members	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
Mr. Saleh Abdullah Al Hanaki	National Finance Services Company	Saudi Arabia	Closed Joint Stock	Alinma Investment Company	Saudi Arabia	Closed Joint Stock
	Maharah HR Company	Saudi Arabia	Publicn Joint Stock	Wafaa Insurance Company	Saudi Arabia	Joint Stock
	Roa Development Company	Saudi Arabia	Closed Joint Stock	Thakher Real Estate Development Company	Saudi Arabia	Limited Liability
	Developing the Center of Riyadh Company	Saudi Arabia	Closed Joint Stock			
	Arabian Jazl Company for Commercial Investments	Saudi Arabia	Closed Joint Stock			
	Awqaf Mohammed Al Habib Company	Saudi Arabia	Waqafia			
	Al Habib Holding Company	Saudi Arabia	Closed Joint Stock			
	King Abdullah Foundation for Humanitarian Works	Saudi Arabia	Humanitarian Foundation			
	Saudi Egyptian Construction Company	Saudi Arabia	Closed Joint Stock			
	Flynas	Saudi Arabia	Joint Stock			

Board Members	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Riyadh Cables Group	Saudi Arabia	Closed Joint Stock	Water and Power Works Company (ACWA Power)	Saudi Arabia	Joint Stock
	Unique Solutions for Chemical Industries	Saudi Arabia	Limited Liability	Astra Industrial Group	Saudi Arabia	Joint Stock
	Al-Rajhi Bank	Saudi Arabia	Joint Stock	Saudi Cooling Company	Saudi Arabia	Closed Joint Stock
	Emcore Saudi Co. Ltd.	Saudi Arabia	Limited Liability			
	Bawan Holding Company	Saudi Arabia	Joint Stock	Roaa Development Holding Company	Saudi Arabia	Limited Liability
				Roaya Home Holding Company	Saudi Arabia	Limited Liability
				The Arab Company for the Manufacturing of Medical Products	Saudi Arabia	Limited Liability
Mr. Thamer Bin Abdullah Al-Humud	Saudi Industrial Investment Group	Saudi Arabia	Joint Stock Company			
Eng. Adel Kareem Kak Ahmed	Arab Company for Pharmaceutical Industries and Medical Appliances (Acdima)	Iraq	Joint Stock Company	The Arab Pharmaceutical Company Tassili (Taphco)	Algeria	Closed Joint Stock
	Acdima Company for Veterinary Medicines Industry (Akbitra)	Syria	Limited Liability	SPIMACO Morocco Pharmaceutical Industries Company	Morocco	Closed Joint Stock

Board Members	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
Mr. Turki Abdullah Al Jawini	Takamol Business Services Company	Saudi Arabia	Closed Joint Stock	East Gas Company	Saudi Arabia	Joint Stock
	Future Work Company	Saudi Arabia	Closed Joint Stock			
	National Gas and Industrialization Company "Gas"	Saudi Arabia	Joint Stock			
	Sawaeed Business Services Company	Saudi Arabia	Closed Joint Stock			

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 for its 12th term:

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	Current and previous companies have been mentioned on previous pages 10,11,12,13 and 14.					
Mr. Ammar Bin Abdel Wahid Al Khudairi						
Mr. Faisal Mohammed Shaker						
Dr. Mohamed Khalil Mohamed						
Mr. Khalid Bin Abdulrahman Al-Gwaiz						
Eng. Adel Kareem Kak Ahmed						
Mr. Abdulrahman Bin Mohammed Al Thaniyan	Not Applicable			Qassim Medical Services Company	Saudi Arabia	Closed Joint Stock
				Arab Pharmaceutical Company Tassili – Tafco	Algeria	Closed Joint Stock
Dr. Fahd Bin Abdulaziz Al Rebeeah	King Faisal Specialist Hospital International Holding Company	Saudi Arabia	Holding Company	Dallah Health Company	Saudi Arabia	Joint Stock
Dr. Mai Bint Abdullah Al Ajaji	Not Applicable			Not Applicable		

Below is a description of any interest, contractual securities or subscription rights possessed by Board members in the 11th term or their relatives in the shares or debt instruments of the Company or any of its subsidiaries, and any change therein during financial year 2022

Name	Total Number of Shares as of 01/01/2022	Total Number of Shares as of 31/12/2022	Net Change	Percentage of Change
H.E. Mohammed Bin Talal Al-Nahas	-	-	-	-
Mr. Ammar Bin Abdel Wahid Al Khudairi	1000	1000	-	-
Mr. Faisal Bin Mohammed Shaker	1000	1000	-	-
Dr. Mohammed Khalil Mohammed	-	-	-	-
Eng. Adel Kareem Kak Ahmed	-	-	-	-
Mr. Saleh Bin Abdullah Al Hanaki	20	20	-	-
Mr. Khalid Bin Abdulrahman Al-Gwaiz	10	10	-	-
Mr. Thamer Bin Abdullah Al-Humud	100	100	-	-
Mr. Turki Abdullah Al Jawini	-	-	-	-

It is worth noting that there are no interests, contractual securities or subscription rights belonging to Board members or their relatives in the shares or debt instruments of the subsidiaries.

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 2022:

Name	Total Number of Shares as of 01/01/2022	Total Number of Shares as of 31/12/2022	Net Change	Percentage of Change
Mr. Ameen Mohammed Shaker	15939650	15939650	-	-

Below is a description of any interest, contractual securities or subscription rights related to the members of the 12th Board of Directors or their relatives 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 2022:

Name	Total Number of Shares as of 01/01/2022	Total Number of Shares as of 31/12/2022	Net Change	Percentage of Change
H.E. Mohammed Bin Talal Al-Nahas	Current position, previous positions, qualifications and experience were previously mentioned in page XX			
Mr. Ammar Bin Abdel Wahid Al Khudairi				
Mr. Faisal Bin Mohammed Shaker				
Mr. Mohammed Khalil Mohammed				
Eng. Adel Kareem Kak Ahmed				
Mr. Khalid Bin Abdulrahman Al-Gwaiz				
Mr. Abdulrahman Bin Mohammed Al Thaniyan	1685	1685	-	-
Dr. Fahd Bin Abdulaziz Al Rebeeah	152316	27000	(125,316)	82.27%
Dr. Mai Bint Abdullah Al Ajaji	-	50	50	-

It is worth noting that there are no interests, contractual securities or subscription rights belonging to Board members or their relatives in the shares or debt instruments of the subsidiaries.

Board Meetings

Board Meetings in its 11th term:

During 2022, the Board of Directors held 2 meetings, as follows:

Board Members	Position	Membership	1st Meeting 16/1/2022	2nd Meeting 24/3/2022
H.E. Mohammed Bin Talal Al-Nahas	Chairman	Non-Executive	Present	Present
Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman	Non-Executive	Present	Absent
Mr. Faisal Bin Mohammed Shaker	Member	Non-Executive	Absent	Present
Dr. Mohamed Khalil Mohamed	Member	Non-Executive	Present	Present
Mr. Saleh Abdullah Al Hanaki	Member	Independent	Present	Present
Mr. Khalid Abdulrahman Al-Gwaiz	Member	Non-Executive	Present	Present
Mr. Thamer Abdullah Al-Humud	Member	Independent	Present	Present
Eng. Adel Kareem Kak Ahmed	Member	Non-Executive	Present	Present
Mr. Turki Abdullah Al Jawini	Member	Independent	Present	Absent

Board Meetings in its 12th term:

During 2022, the Board of Directors held 6 meetings, as follows:

Board Members	Position	Membership	1st Meeting 4/4/2022	2st Meeting 24/4/2022	3rd Meeting 27/6/2022	4rt Meeting 3/10/2022	5th Meeting 30/11/2022	6th Meeting 20/12/2022
H.E. Mohammed Bin Talal Al-Nahas	Chairman	Non-Executive	Present	Present	Present	Present	Present	Present
Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman	Independent	Present	Present	Present	Present	Present	Present
Mr. Faisal Mohammed Shaker	Member	Non-Executive	Present	Present	Present	Present	Present	Present
Dr. Mohamed Khalil Mohamed	Member	Non-Executive	Present	Present	Present	Present	Present	Present
Mr. Abdulrahman Bin Mohammed Al Thaniyan	Member	Independent	Present	Present	Present	Present	Absent	Present
Mr. Khalid Abdulrahman Al-Gwaiz	Member	Non-Executive	Present	Present	Absent	Present	Present	Present
Dr. Fahd Bin Abdulaziz Al Rebeeah	Member	Independent	Present	Present	Present	Present	Present	Present
Eng. Adel Kareem Kak Ahmed	Member	Non-Executive	Present	Present	Present	Present	Present	Present
Dr. Mai Bint Abdullah Al Ajaji	Member	Independent	Present	Present	Present	Present	Present	Present

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. 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 11th term, the committee is composed of 4 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:

Committee Member Names	Current Position	Previous Positions	Qualifications and Experience
H.E. Mohammed Bin Talal Al-Nahas	Current position, previous positions, qualifications and experience were previously mentioned in page 18		
Mr. Ammar Bin Abdel Wahid Al Khudairi			
Mr. Faisal Mohammed Shaker			
Dr. Mohamed Khalil Mohamed			

For the 12th term, the committee is composed of 5 Board members as resolved by the Board. The committee convenes periodically or when required. Here is a list stating the names of the committee members, their current and previous jobs, their experience and qualifications

Committee Member Names	Current Position	Previous Positions	Qualifications and Experience
H.E. Mohammed Bin Talal Al-Nahas	Current position, previous positions, qualifications and experience were previously mentioned on page 19		
Mr. Ammar Bin Abdel Wahid Al Khudairi			
Mr. Faisal Mohammed Shaker			
Eng. Adel Kareem Kak Ahmed			
Dr. Fahd Bin Abdulaziz Al Rebeeah			

Executive Committee Meetings

For its 11th term, the Executive Committee held 1 meeting in 2022. Below is the attendance of the members of the committee at the meeting:

Committee Member Names	Position	1st Meeting
		10/3/2022
H.E. Mohammed Bin Talal Al-Nahas	Chairman	Present
Mr. Ammar Bin Abdel Wahid Al Khudairi	Member	Present
H.E. Mohammed Khalil Mohammed	Member	Present
H.E. Faisal Bin Mohammed Shaker	Member	Present

For its 12th term, the Executive Committee held 3 meeting in 2022. Here is the attendance of the members of the committee at the meeting:

Names	Position	1st Meeting	2nd Meeting	3rd Meeting
		14/06/2022	15/09/2022	27/11/2022
H.E. Mohammed Bin Talal Al-Nahas	Chairman	Present	Present	Present
Mr. Ammar Bin Abdel Wahid Al Khudairi	Member	Present	Present	Present
Dr. Fahd Bin Abdulaziz Al Rebeeah	Member	Present	Present	Present
Mr. Faisal Bin Mohammed Shaker	Member	Present	Present	Present
Eng. Adel Kareem Kak Ahmed	Member	Present	Present	Present

Committee Duties and Responsibilities

- Review periodic management reports, assess performance, and evaluate new investments or reinvestments to be approved and reported to the Board for sanction.
- Review annual budgets and plans, and investigate the significant differences related to budgets, if any, before presentation to the Board.
- Track and receive reports on the implementation and completion of mega projects or major expansions of the Company, subsidiaries, or associates.
- Monitor the Company's performance and seek explanations for any deviations from established plans, budgets, and forecasts.
- Assist the Board in carrying out its responsibilities, in particular the tasks assigned to the committee by the Board when time is of the essence.
- Propose amendments to the Company's Articles of Association.
- Advise the Board of Directors on mergers and acquisitions.
- Provide recommendations on the Company's purchase of its shares.
- Receive and discuss periodic management reports on the Company's performance from the CEO before being submitted to the Board, if required.
- Manage the committee's operating regulations, which are maintained by the committee's secretary, and ensure that the regulations are flexible to better adapt to changing circumstances and regulatory requirements.
- Be responsible for the relevant roles mentioned in the authority matrix approved by the Board of Directors.

In addition to the above, the committee is responsible for the relevant competencies contained in the organizational structure for governance of SPIMACO and its subsidiaries approved by the Board of Directors.

Remuneration and Nomination Committee

In its 11th term, 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:

Committee Member Names	Current Position	Previous Position	Qualifications and Experience
Mr. Thamer Abdullah Al-Humud	Current and previous positions, and qualifications experience were detailed above in page 18		
Mr. Turki Abdullah Al Jawini			
Mr. Mohammed Bin Nazzal Al-Khaldi	Assistant Governor of Administrative Affairs for the Retirement Agency in Riyadh	General Manager of Human Capital Operations and Business Partners for Advanced Selling Company in Riyadh	He received his master's degree in Business Administration from Al Yamamah University, and bachelor's degree in Business Administration and Human Resources Management from King Abdulaziz University.
Mr. Ahmed Misfer Al-Ghamdi	Vice President of Human Resources for Saudi Telecom Company	Vice President of Human Resources for Saudi Telecom Company	He 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.
Mrs. Munira Abdulaziz Al-Mohammed	Director of Human and Administrative Resources for Raidah Investment Company	HR Project/ Organizational Development Manager for Arabian Centers Company	Obtained her bachelor's degree in Languages and Translation (English) from King Saud University and was awarded a number of professional certificates in the field 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, and Project Manager for Human Resources and Organizational Development at Arabian Centers. Currently, she is the Director of Human and Administrative Resources for Raidah Investment Company.

In its 12th term, the Remuneration and Nomination Committee is composed of 5 members, of whom 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 positions, their experience, and qualifications:

Committee Member Names	Current Position	Previous Position	Qualifications and Experience
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Current and previous positions, and qualifications experience were detailed above in page 18		
Dr. Mai Bint Abdullah Al Ajaji			
Mr. Mohammed Nazzal Al-Khaldi	Current positions, previous positions, qualifications and experience were previously mentioned in page 78		
Mr. Ahmed Misfer Al-Ghamdi			
Mrs. Munira Abdulaziz Al-Mohammed			

Remuneration and Nomination Committee Meetings

During 2022, the Remuneration and Nomination Committee held 2 meetings in its 11th term. Here is the attendance of the members of the committee at the meetings:

Names	Position	1st Meeting 11/01/2022	2nd Meeting 07/03/2022
Mr. Thamer Abdullah Al-Humud	Chairman	Present	Present
Mr. Turki Abdullah Al Jawini	Member	Present	Present
Mr. Mohammed Nazzal Al-Khaldi	Member	Present	Present
Mr. Ahmed Misfer Al-Ghamdi	Member	Present	Present
Mrs. Munira Bint Abdulaziz Al-Mohammed	Member	Present	Present

During 2022, the Remuneration and Nomination Committee held 6 meetings in its 12th term. Below is the attendance of the members of the committee at the meetings:

Committee Member Names	Position	1st Meeting 11/04/2022	2nd Meeting 19/04/2022	3rd Meeting 19/05/2022	4th Meeting 31/08/2022	5th Meeting 10/11/2022	6th Meeting 19/12/2022
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Chairman	Present	Present	Present	Present	Present	Present
Dr. Mai Bint Abdullah Al Ajaji	Member	Present	Present	Present	Present	Present	Present
Mr. Mohammed Nazzal Al-Khaldi	Member	Present	Present	Present	Present	Present	Present
Mr. Ahmed Misfer Al-Ghamdi	Member	Present	Present	Present	Present	Absent	Present
Mrs. Munira Bint Abdulaziz Al-Mohammed	Member	Present	Present	Present	Present	Present	Present

Committee Duties and Responsibilities

- Exclude those who have an existing criminal record, nominate candidates to the membership of Board of Directors in accordance with the approved policies and standards.
- 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 membership 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

In the 11th term, the Audit Committee is formed by the General Assembly meeting on 2nd May 2019 and lasted to 2nd April 2022. Below is a list of names of the members of the committee, their current and previous jobs, and their experience and qualifications:

Names	Current Position	Previous Positions	Qualifications and Experience
Mr. Khalid Abdulrahman Al-Gwaiz	Current positions, previous positions, qualifications and experience were previously mentioned in page 18		
Mr. Saleh Abdullah Al Hanaki			
Dr. Khalid Daoud Al-Faddagh	Member of several Boards of Directors and audit, risk and compliance committees	Saudi Aramco's General Auditor and Secretary of the Internal Audit Committee of the company's Board of Directors	He obtained a PhD in Mechanical Engineering in 1983 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 company's 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	The Founder and the 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). She began her career as an Assistant Manager at the IFC World Bank Group in 1994 until 1995, and worked as a Credit Analyst at the Saudi British Bank from 1997 until 1998. She was an Assistant General Manager for Samba Financial Group from 1998 until 2006. She has also held memberships in a number of committees and Boards. She has held the position of Assistant General Manager for Al-Dakhil Financial Group since 2006.

For the 12th term, the Audit Committee is formed by the General Assembly meeting on 23rd February 2022 and shall last till the end of the 12th term on 2nd April 2025. Below is a list of names of the members of the committee, their current and previous jobs, and their experience and qualifications.

Names	Position	Current Position	Previous Positions	Qualifications and Experience
Mr. Khalid Abdulrahman Al-Gwaiz	Chairman	Current positions, previous positions, qualifications and experience were previously mentioned in page 18		
Dr. Khalid Daoud Al-Faddagh	Member	Current positions, previous positions, qualifications and experience were previously mentioned in page 82		
Mrs. Kholoud Abdulaziz Al-Dakhil				
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 Board 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 KSA.

Audit Committee Meetings

In its 11th term during 2022, the Audit Committee held 1 meeting. Below is the attendance of the committee members at the meeting:

Names	Position	1st Meeting 21/3/2022
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Chairman	Present
Mr. Saleh Abdullah Al Hanaki	Member	Present
Dr. Khalid Daoud Al-Faddagh	Member	Present
Mrs. Kholoud Bint Abdulaziz Al-Dakhil	Member	Present

In its 12th term during 2022, the Audit Committee held 8 meetings. Below is the attendance of the committee members at the meetings:

Members	Position	1st Meeting 17/4/2022	2nd Meeting 25/4/2022	3rd Meeting 17/5/2022	4th Meeting 22/6/2022	5th Meeting 18/8/2022	6th Meeting 29/8/2022	7th Meeting 19/9/2022	8th Meeting 3/11/2022
Mr. Khalid Bin Abdulrahman Al-Gwaiz	Chairman	Present	Present	Present	Present	Present	Absent	Present	Present
Mrs. Kholoud Bint Abdulaziz Al-Dakhil	Member	Present	Present	Present	Present	Present	Present	Present	Present
Dr. Khalid Daoud Al-Faddagh	Member	Present	Present	Present	Present	Absent	Present	Present	Present
Dr. Abdullah Bin Sagheer Al Husaini	Member	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

In its 11th term, the Governance and Risk Committee is composed of 4 members, of whom 3 are Board members and 1 is a non-Board member. 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 Positions	Qualifications and Experience
Mr. Faisal Mohammed Shaker	Current and previous positions, qualifications and experience are mentioned above in page 19		
Dr. Mohamed Khalil Mohamed			
Mr. Thamer Abdullah Al-Humud			
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 Risk Management Committee of Sadi EXIM Bank	Head of Risk Management at Alawwal 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 in Samba Financial Group. He was the acting head of the Risk Management department at Al-Rajhi Bank, and worked as the Head of Risk Management at Alawwal Bank (formerly Dutch Bank). Besides, he was a member of Risk, Governance and Compliance Committee in the Retirement Foundation. He was also a member in several Board of directors and committees in a group of entities.

In its 12th term, the Governance and Risk Committee is composed of 5 members, of whom 4 are Board members and 1 is a non-Board member. 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 Positions	Qualifications and Experience
Mr. Faisal Mohammed Shaker	Current and previous positions, qualifications and experience are mentioned above in page 19		
Dr. Mohamed Khalil Mohamed			
Mr. Abdulrahman Bin Mohammed Al Thaniyan			
Mr. Thamer Abdullah Al-Humud			
Mr. Khaldoun Abdullah Al-Fakhri	Current positions, previous positions, qualifications and experience were previously mentioned in page 86		

Governance and Risk Committee Meetings

For its 11th term in 2022, the Governance Committee held 1 meeting. Below is the attendance of the members of the committee at the meeting:

Names	Position	1st Meeting
		6/3/2022
Mr. Faisal Mohammed Shaker	Chairman	Present
Dr. Mohamed Khalil Mohamed	Member	Present
Mr. Thamer Abdullah Al-Humud	Member	Present
Mr. Khaldoun Bin Abdullah Al-Fakhri	Member	Present

For its 12th term, the Governance and Risk Committee held 3 meetings in 2022. Below is the attendance of the members of the committee at the meetings:

Names	Position	1st Meeting	2nd Meeting	3rd Meeting
		19/06/2022	18/09/2022	12/12/2022
Mr. Faisal Mohammed Shaker	Chairman	Present	Present	Present
Dr. Mohamed Khalil Mohamed	Member	Present	Present	Present
Mr. Abdulrahman Bin Mohammed Al Thaniyan	Member	Present	Present	Present
Mr. Thamer Abdullah Al-Humud	Member	Present	Present	Present
Mr. Khaldoun Bin Abdullah Al-Fakhri	Member	Present	Present	Present

Committee Duties and Responsibilities

- Review, update policies, rules and regulations in accordance with regulatory requirements and best practices.
- Devise and review the code of conduct and business ethics that represent the Company, along with other internal policies and procedures in accordance with regulatory requirements and best practices.
- Directly – or through a representative – inform the Board of Directors of developments in governance in general and best practices in this regard.
- Formulate a comprehensive risk management strategy and policies in line with the nature and size of the Company's activities, recommend them to the Board of Directors for approval, verify their implementation, review and update them based on the Company's 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.
- Verify the business viability of the Company's activities and identify the risks to its viability over the next 12 months.
- Ensure that the Company's management has mechanisms to ensure timely actions taken to realize effectiveness that mitigates risks and serious exposures stemming from any negative risks, especially those risks that are close to or exceed the Company's risk appetite limit.
- Periodically discusses and reassess the Company's risk appetite and its exposure thereto (for example by conducting stress tests) and other risk limits – when necessary – in strategic meetings, including those related to expansion of business sectors or products.
- 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.
- Assess the risks of underperforming investments to the Company and making recommendations thereon.
- Review the organizational structures of the Governance, Risk Management, Compliance Department and make recommendations thereon before being approved by the Board of Directors.
- Exercise oversight on and ensure effective application of risk management.
- 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.
- Review issues raised by the Board committees that may impact the Company's risk management.

Investment Committee*

In its 11th term, the Investment Committee is composed of 5 members, of whom 4 are Board members and 1 is extra-Board. They were appointed by the Board of Directors. Below is a list of the names of the committee members, their current/previous jobs, their experience, and qualifications:

Names	Current Position	Previous Positions	Qualifications and Experience
Mr. Ammar Abdulwahed Al-Khudairy	Current positions, previous positions, qualifications and experience were previously mentioned in page 18		
Eng. Adel Kareem Kak Ahmed			
Mr. Saleh Abdullah Al Hanaki			
Mr. Khalid Abdulrahman Al-Gwaiz			
Mrs. Saba Al-Tuwaijri*	Senior Financial Analyst for Al Raidah Investment Company	Assistant Portfolio Manager for MEFIC Capital	She holds a Bachelor's degree with Honors in Finance from King Saud University, many professional certificates in Financial Management and Capital Markets, as well as completed many training programs on investment and financial analysis from multiple universities, institutes and financial institutions.

Investment Committee Meetings:

No meeting was held by the Investment Committee during 2022.

Committee Roles and Responsibilities:

- Propose and recommend to the Board of Directors, policies and strategies on the Company's investments in line with the strategy of SPIMACO and its subsidiaries.
- After consulting with the Executive management, the committee advises the Board of Directors on the evaluation of new investment opportunities, mergers and acquisitions in accordance with the strategy of the Company and its subsidiaries.
- Recommend to the Board of Directors on the best options to exit poorly performing investments or redirect investments.
- After consulting the Audit Committee, recommend to the Board of Directors on financial allocations to hedge against poorly performing investments.
- Advise the Board of Directors on contracting with investment managers and external investment advisors.
- After consulting the Risk Committee, advise the Board of Directors on the investment risk policies to ensure that the Company's overall risk remains within an acceptable limit.
- Report to the Board of Directors the views of the committee on the performance of the Company's investments.

* The committee was dissolved by the end of the 11th term on 2nd April 2022. Its roles and responsibilities were shifted to the Executive Committee.

Board Performance Assessment

In accordance with the provisions and regulations of corporate governance issued by the Capital Market Authority, the Board took actions to evaluate its performance and that of its committees and members during the term #11 of the Board of Directors. To this end, the Company has contracted with Compass Consulting Company (COMPASS) to carry out this evaluation. We confirm that there is no relationship between COMPASS and SPIMACO.

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 Positions	Qualifications and Experience
Mr. Khaled Saleh Al-Khattaf	CEO of SPIMACO	Vice President of Finance and Chief Financial Officer of the Saudi Mining Company (Maaden)	He holds a master's degree in Accounting, Finance and International Business from the University of Colorado Denver and a bachelor's degree in Accounting from King Saud University, and received 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 position of Financial Director of the Saudi Capital Market Authority (Tadawul) and the position of Managing Director and CEO of Nomura Bank. Previously, he held the position of CEO of Lafana Investment Holding Company and Vice President and CFO of the Saudi Arabian Mining Company - Ma'aden. He currently holds the position of Chairman of the Boards of Directors of several companies, including Arak Healthcare Company, SPIMACO Misr Company for Pharmaceutical Industries - Republic of Egypt, SPIMACO Morocco Company for Pharmaceutical Industries - Kingdom of Morocco. He was previously a member of the boards of directors and several committees such as Lafana Investment Holding Company, Al Raeda Investment Company, Samba Capital and Investment Management Company.
Mr. Mahmoud Abdel Khaliq*	Chief Executive Financial Officer	Executive Vice President at Dar Al Dawa Company, Amman, Jordan.	He holds a bachelor's degree in Accounting from the University of Jordan, in addition to a Certified Public Accountants (CPA) Fellowship. He was the Director of Financial Audit at Ernst & Young, Head of the Financial Sector and Executive Vice President at Dar Al Dawa Development and Investment Company. He has been working in SPIMACO since February 2019.

* After he resigned on 1st May 2022, Mr. Mahmoud Abdel Khaliq was succeeded by Mr. Micheal Baum.

Members	Current Position	Previous Positions	Qualifications and Experience
Dr. Micheal Baum*	Chief Executive Financial Officer	Chief Executive Financial Officer Bayer, Brazil	He holds a master's degree and a PhD in Business Administration from Bradford University in UK. He occupied several leading positions in Bayer along with other countries including Brazil, Germany, and China.
Dr. Muhammad Abdulaziz Al-Fadhli	Executive Vice President Sales	Vice President of Marketing and Sales for Arak Company	He holds a bachelor's degree in Pharmacy, and a master's degree in Business Administration. He has been working for the Company since 1997 and gained extensive experience in the sales and marketing of pharmaceutical products. He was the CEO-designate for the Company from 15 December 2020 until 4 January 2021.
Mr. Jerom Cabnis	Chief Operating Officer	Chief Strategic Officer of AJ Vaccines Company	Holds a master's degree in Biomedical Engineering from Paul Sabatier University - France. He received numerous financial and strategic accreditations. He was also awarded master's degree from Oxford and Cambridge Universities, UK. He has more than 30-year medical experience during which he assumed several leading positions in Servier Group, Biogaran, Stago Group in France and AJ Group in different locations.
Dr. Sakher Abdel Wahab **	Chief Commercial Officer	CEO of Sebaste Marketing Solutions	He holds a bachelor's degree in Pharmacy and a master's degree in Management from Britain. He worked for nearly 22 years in several positions at Al-Hikma Pharmaceutical Company, and in 2014, he was the General Manager of Sales and Marketing at Philadelphia Pharmaceuticals. In 2015, he was the CEO for Sebaste Marketing Solutions..
Dr. Majid Taha**	Chief Commercial Officer	Vice Executive Chairman of Sales and Marketing Management in 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 in Tabuk Pharmaceuticals Company.

Members	Current Position	Previous Positions	Qualifications and Experience
Mr. Amjad Ali	Chief Internal Auditor	Vice President and Head of Internal Auditing in Vision Invest (ACWA) Holding Company	He 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 also holds a Certified Fraud Examiner (CFE) Certificate from the Association of Certified Fraud Examiners in the US and is a Certified Lead Auditor. Moreover, he received the following certificates from the Information Systems Audit and Control Association (ISACA) based in the US: – Certified Information System Auditor (CISA) – Certified in Governance of Enterprise IT (CGEIT) – Certified in Risk & Information Systems Controls (CRISC) 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 22 years of practical experience in the field of internal auditing and risk management with several companies, including Ernst & Young and ACWA Holding.
Ms. Ana Rubel	Chief Developer Officer	Business Unit Manager at AstraZeneca	She holds a bachelor's degree in Business Administration and Economics from Belgrano University in Argentina. She obtained the certificate of the Financial Excellence Program from Harvard University in the United States, and a master's degree in Business Administration from INSEAD. She has assumed several positions including CEO of the Audit and Risk Management Development Program at Novartis in Singapore, Vice President and Director of Strategy and Innovation at Spanrose in the United States, and Director of the Business Unit at AstraZeneca.
Mr. Mohammed Alassmari	Chief Human Resources Officer	Chief Human Resources Operations Officer, ACWA Power	He 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.

Members	Current Position	Previous Positions	Qualifications and Experience
Dr. Yan Olaf	Chief Scientific Officer	Senior Vice Chairman and the Chief Developer in Cyanogen Limited	Holds a Diploma in Chemistry from University of Duisburg-Essen in Germany and a PhD in Natural Sciences from University of Innsbruck. He was the Vice Chief of Formula Department in Bayer AG Pharma in Wuppertal Germany. Previously, he assumed several positions in Bayer AG Germany, Aptuit / SSCI in the US.

*After he resigned on 1st May 2022, Mr. Mahmoud Abdel Khaliq was succeeded by Mr. Micheal Bowm.
**After he resigned on 1st September 2022, Dr. Sakher Abdel Wahab was succeeded by Mr. Majid Taha.

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 2022:

Name	Total Number of Shares at 01/01/2022	Total Number of Shares at 31/12/2022	Net Change	Percentage Change
Mr. Khaled Saleh Al-Khattaf	19,000	19,000	–	–
Mr. Mahmoud Abdel Khaliq	–	–	–	–
Dr. Micheal Bowm	–	–	–	–
Dr. Muhammad Abdulaziz Al-Fadhli	–	–	–	–
Mr. Waleed Abu Eleiz	–	–	–	–
Mr. Jerom Cabnis	–	–	–	–
Dr. Sakher Abdel Wahab	–	–	–	–
Dr. Majid Taha	–	–	–	–
Mr. Amjad Ali	–	–	–	–
Ms. Ana Rubel	–	–	–	–
Mr. Mohammed Alassmari	–	–	–	–
Dr. Yan Olaf	–	–	–	–

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 of 2022 details the activities of the Audit Committee during 2022 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 and the Governance Regulations issued by the Board of the Capital Market Authority. During 2022, the Audit Committee carried out its assignments pursuant to the applicable regulations:

- Review the interim (first quarter, second quarter, and third quarter of 2022) and annual consolidated financial statements for 2021 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.
- 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, 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 auditing works conducted by internal and external auditors in 2022 show that actions were taken to enhance internal controls and manage risks with a view to overcoming weaknesses in operation 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 Meeting

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 in the General Assembly's meetings, which represent a channel of communication between the shareholders and the Company.

During 2022, the Company held two Ordinary General Assemblies. The first was conducted on 23rd February 2022, during the 11th term. Below is a record of the attendance of the Board members of at the General Assembly meetings:

No.	Name	Position	23/02/2022
1	H.E. Mohammed Talal Al Nahas	Chairman of the Board	Present
2	Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman of the Board	Present
3	Mr. Faisal Mohammed Shaker	Member	Present
4	Dr. Mohamed Khalil Mohamed	Member	Present
5	Mr. Saleh Abdullah Al Hanaki	Member	Present
6	Mr. Khalid Abdulrahman Al-Gwaiz	Member	Present
7	Mr. Thamer Abdullah Al-Humud	Member	Present
8	Eng. Adel Kareem Kak Ahmed	Member	Present
9	Mr. Turki Abdullah Al Jawini	Member	Present

The second assembly was conducted on 8th June 2022, during the 12th term. Below is a record of the attendance of the members of the Board of Directors at the General Assembly meeting:

No.	Name	Position	08/06/2022
1	H.E. Mohammed Bin Talal Al-Nahas	Chairman of the Board	Present
2	Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman of the Board	Absent
3	Mr. Faisal Mohammed Shaker	Member	Present
4	Dr. Mohamed Khalil Mohamed	Member	Present
5	Dr. Fahd Bin Abdulaziz Al Rebeeah	Member	Present
6	Mr. Khalid Abdulrahman Al-Gwaiz	Member	Present
7	Mr. Abdulrahman Bin Mohammed Al Thaniyan	Member	Present
8	Eng. Adel Kareem Kak Ahmed	Member	Present
9	Dr. Mai Bint Abdullah Al Ajaji	Member	Present

Dividend Policy

Under Article 42 of the Company's Articles of Association 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. 10% of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may discontinue this deduction whenever the said reserve reaches 30% of the paid-up capital.
2. 5% of the net profits shall be set aside to form a consensual reserve to be allocated for the purposes designated by the General Assembly. This deduction shall cease if the said reserve reaches 25% of the capital.
3. The remainder is then distributed as a first payment to shareholders, equivalent to 5% of the paid-up capital.
4. In accordance with the rules and regulations, preferred shareholders shall be given their prescribed percentage of profits.
5. 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 (no Board Member remuneration and financial or in-kind benefits shall exceed SAR 500,000 annually). The remainder is then divided among the shareholders as an additional profit share.
6. Mandated by the General Assembly 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 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 curried 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 with 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. 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 (CEO), and limited to economy class travel (the national anilines is 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 in 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 assessment.
5. The Company may adopt short-term incentive plans linked to exceptional performance, and long-term incentive plans such as equity option programs. The equity option for employees shall be in accordance with Article 9 (b) of the Company's Articles of Association and Article 24 of the Listed Rules for Joint Stock Companies.
6. If the remuneration approved for any Executive management officer is based on misinformation or miscalculations, the case shall be submitted to the Board of Directors, and accordingly the remuneration shall be frozen or refunded.
7. The Executive management shall at all times comply with the Company's conflict of interest policies, code of conduct, and disclosure regulations.

The relationship between the remuneration granted and the remuneration policy in force, and any material deviation from this policy:
Remunerations were granted without deviation from the remuneration policy.

Board Member remunerations for the 11th term

	Fixed Remuneration								Variable Remuneration								
First: Independent Members	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 activitie	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 Rewards	Total	Expense Allowance
1 – Mr. Saleh Abdullah Al Hanaki	50,411	9,000	9,000	-	-	-	68,411		-	-	-	-	-	-	-	68,411	-
2 – Mr. Thamer Abdullah Al-Humud	50,411	9,000	6,000	-	-	-	65,411		-	-	-	-	-	-	-	65,411	-
3 – Mr. Turki bin Abdullah Al Jawini	50,411	6,000	3,000	-	-	-	59,411		-	-	-	-	-	-	-	59,411	-
Total	**151,233**	**24,000**	**18,000**				**193,233**			**-**	**-**	**-**	**-**	**-**	**-**	**193,233**	**-**
Second: Non-Executive Members																	
1 – His Excellency Mohammed bin Talal Al Nahas	50,411	9,000	6,000	**	-		65,411		-	-	-	-	-	-	-	65,411	-
2 – Mr. Ammar Bin Abdulwahed Al-Khudairi	50,411	6,000	6,000	-	-	-	62,411		-	-	-	-	-	-	-	62,411	-
3 – Eng. Adel Kareem Kak Ahmed	50,411	9,000	3,000	-	-	-	62,411		-	-	-	-	-	-	-	62,411	-
4 – Dr. Mohamed Khalil Mohamed	50,411	9,000	9,000	-	-	-	68,411		-	-	-	-	-	-	-	68,411	-
5 – Mr. Faisal Mohammed Shaker	50,411	6,000	9,000	-	-	-	65,411		-	-	-	-	-	-	-	65,411	-
6 – Mr. Khalid Abdulrahman Al-Gwaiz	50,411	6,000	9,000	-	-	-	65,411		-	-	-	-	-	-	-	65,411	-
Total	**302,466**	**45,000**	**42,000**	**-**	**-**		**389,466**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**389,466**	**-**

Board Member remunerations for the 12th term

	Fixed Remuneration							Variable Remuneration								
First: Independent Members	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 activitie	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 Rewards	Total	Expense Allowance
1- Dr. Fahd Bin Abdulaziz Al Rebeeah	149,589	18,000	9,000	-	-	-	176,589	-	-	-	-	-	-	-	176,589	-
2- Dr. Mai Bint Abdullah Al Ajaji	149,589	18,000	9,000	-	-	-	176,589	-	-	-	-	-	-	-	176,589	-
3-Mr. Abdulrahman Bin Mohammed Al Thaniyan	149,589	18,000	24,000	-	-	-	191,589	-	-	-	-	-	-	-	191,589	-
4- Mr. Ammar Bin Abdel Wahid Al Khudairi	149,589	15,000	9,000				173,589								173,589	
Total	**598,356**	**72,000**	**51,000**				**718,356**		**-**	**-**	**-**	**-**	**-**	**-**	**718,356**	**-**
Second: Non-Executive Members																
1- H.E. Mohammed Bin Talal Al-Nahas	149,589	18,000	9,000	**	-	150,000	326,589	-	-	-	-	-	-	-	326,589	-
2- Eng. Adel Kareem Kak Ahmed	149,589	15,000	39,000	-	-	-	203,589	-	-	-	-	-	-	-	203,589	-
3- Mr. Khalid Abdulrahman Al-Gwaiz	149,589	18,000	9,000	-	-	-	176,589	-	-	-	-	-	-	-	176,589	-
4- Dr. Mohammed Khalil Mohammed	149,589	18,000	9,000	-	-	-	176,589	-	-	-	-	-	-	-	176,589	56,539*
5- Mr. Faisal Bin Mohammed Shaker	149,589	18,000	18,000	-	-	-	185,589	-	-	-	-	-	-	-	185,589	-
Total	**747,945**	**87,000**	**84,000**	**-**	**-**	**150,000**	**1,068,945**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,068,945**	**56,539***

*Tickets and Travel Allowance

Medical insurance is provided to members of the board of directors and their families.
Car insurance is provided for three years.

Committee Members remunerations for the 11th term

	Fixed Remuneration (exclusive of attendance bonus)	Attendance Bonus	Total
Audit Committee Members			
1 – Mr. Khalid Abdulrahman Al-Gwaiz	50,411	6,000	56,411
2 – Mr. Saleh Abdullah Al Hanaki	50,411	6,000	56,411
3 – Mrs. Kholoud Abdul Aziz Al-Dakhil	50,411	6,000	56,411
4 – Dr. Khalid Daoud Al-Faddagh	50,411	6,000	56,411
Total	**201,644**	**24,000**	**225,644**
Executive Committee Members			
1 – His Excellency Muhammad Talal Al Nahas	50,411	6,000	56,411
2 – Mr. Ammar Abdulwahed Al-Khudairi	50,411	3,000	53,411
3 – Mr. Faisal Mohammed Shaker	50,411	6,000	56,411
4 – Dr. Mohamed Khalil Mohamed	50,411	6,000	56,411
Total	**201,644**	**21,000**	**222,644**
Remuneration and Nomination Committee Members			
1 – Mr. Thamer Abdullah Al-Humud	50,411	3,000	53,411
2 – Mr. Turki Abdullah Al-Jawini	50,411	3,000	53,411
3 – Mr. Mohammed Nazzal Al-Khaldi	25,205	3,000	28,205
4 – Mr. Ahmed Misfer Al-Ghamdi	25,205	3,000	28,205
5 – Mrs. Munira Abdulaziz Al-Mohammed	25,205	3,000	28,205
Total	**176,437**	**15,000**	**191,437**
Investment Committee Members			
1 – Mr. Ammar Abdulwahed Al-Khudairi	-	3,000	3,000
2 – Mr. Saleh Abdullah Al Hanaki	-	3,000	3,000
3 – Mr. Khalid Abdulrahman Al-Gwaiz	-	3,000	3,000
4 – Eng. Adel Kareem Kak Ahmed	50,411	3,000	53,411
5 – Mrs. Saba Al-Tuwaijri	25,205	3,000	28,205
Total	**75,616**	**15,000**	**90,616**
Governance and Risk Committee Members			
1 – Mr. Faisal Mohammed Shaker	-	3,000	3,000
2 – Dr. Mohamed Khalil Mohamed	-	3,000	3,000
3 – Mr. Thamer Abdullah Al-Humud	-	3,000	3,000
4 – Mr. Khaldoun Abdullah Al-Fakhri	25,205	3,000	28,205
Total	**25,205**	**12,000**	**37,205**

Committee Members remunerations for the 12th term

	Fixed Remuneration (exclusive of attendance bonus)	Attendance Bonus	Total
Audit Committee Members			
1 – Mr. Khalid Abdulrahman Al-Gwaiz	149,589	18,000	167,589
2 – Dr. Abdullah Al Husaini	149,589	18,000	167,589
3 – Mrs. Kholoud Abdul Aziz Al-Dakhil	149,589	18,000	167,589
4 – Dr. Khalid Daoud Al-Faddagh	149,589	15,000	164,589
Total	**598,356**	**69,000**	**667,356**
Executive Committee Members			
1 – His Excellency Muhammad Talal Al Nahas	149,589	9,000	158,589
2 – Mr. Ammar Abdulwahed Al-Khudairi	149,589	9,000	158,589
3 – Mr. Faisal Mohammed Shaker	149,589	9,000	158,589
4 – Dr. Mohamed Khalil Mohamed	149,589	9,000	158,589
5 –Dr. Fahd Bin Abdulaziz Al Rebeeah	149,589	9,000	158,589
Total	**747,945**	**45,000**	**792,945**
Remuneration and Nomination Committee Members			
1 –Mr. Khalid Bin Abdulrahman Al-Gwaiz	-	21,000	21,000
2 – Dr. Mai Bint Abdullah Al Ajaji	149,589	21,000	170,589
3 –Mr. Mohammed Nazzal Al-Khaldi	74,795	21,000	95,795
4 – Mr. Ahmed Misfer Al-Ghamdi	74,795	18,000	92,795
5 – Mrs. Munira Bint Abdulaziz Al-Mohammed	74,795	21,000	95,795
Total	**373,974**	**102,000**	**475,974**
Governance and Risk Committee Members			
1 – Mr. Faisal Mohammed Shaker	-	9,000	9,000
2 – Dr. Mohamed Khalil Mohamed	149,589	9,000	158,589
3 – Mr. Thamer Abdullah Al-Humud	74,795	9,000	83,795
4 – Mr. Khaldoun Abdullah Al-Fakhri	74,795	9,000	83,795
5 – Mr. Abdulrahman Bin Mohammed Al Thaniyan	149,589	9,000	158,589
Total	**448,768**	**45,000**	**493,768**

Remunerations of Senior Executives

Details of Senior Executive Remuneration	Fixed Remuneration				Variable Remuneration						End of Service Benefits	Total of Executives' Remuneration for the Board (if any)	Total
	Salaries	Allowances	In-Kind Benefits	Total	Periodic Remunerations	Profits	Short-term Incentive Plans	Long-term Incentive Plans	Granted Shares	Total			
The CEO and the Chief Financial Officer are among the 5 senior Executives received the highest remuneration	5,387,106	1,966,735	437,500	7,791,342	-	-	1,536,475	3,681,905	-	5,218,380	1,140,942	-	14,150,665

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 the financial period	Description	Reasons
Zakat	23,787,600	-	Zakat payment for the year 2021	-
Tax	1,454,651	-	Corporate taxes payment for the year 2021	-
GOSI	30,438,696	2,741,593	Employees contribution for December 2022	Paid in January 2023
Labor and Passport office	12,745,001	-	Work permit, residence and visa fees for the Company's employees	-
SFDA Fees	5,250,999	-	Medication registration and certification fees	-

Accounting policies used by the company

The consolidated financial statements of the Company were prepared during the fiscal year ended 31 December 2022 in accordance with the International Financial Reporting Standards adopted in Saudi Arabia, as well as other standards and issues adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Treasury shares held by the Company and description of uses of these shares

The General Assembly of the Company's shareholders No treasury shares were held by the Company during 2022.

Debt instruments, option rights, transfer rights

There are no transferable debt instruments and any contractual securities, subscription right notes, or similar rights issued or granted by the Company during the fiscal year. In addition, there are no transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the Company. Besides, there is no redemption, purchase or cancellation of any recoverable debt instruments by the Company during 2022.

Contracts with related parties

1. Works and contracts that have been concluded between the Company and Arab Company for Drugs Industries and Medical Appliances (ACDIMA) Center for Bioequivalence and Pharmaceutical Studies. There are annual agreements and contracts for biopharmaceutical studies. The Board Director of SPIMACO, Mr. Adel Karim Ahmed, who is the Chairman of ACDIMA and the Board Director of SPIMACO, Dr. Mohammad Khalil, who is the Director General of ACDIMA have an indirect interest. The volume of transactions during 2022 was SAR 4,175,447 without preferential terms.

2. Works and contracts that have been concluded with Saudi Telecom Company (STC) during 2022, namely contracts to provide fixed, mobile and internet services with STC during 2022, with different annual terms that are automatically renewed. The Chairman of SPIMACO, His Excellency Mr. Muhammad Talal Al-Nahhas, has an indirect interest, and he is a Director in STC Board of Directors. The volume of transactions was SAR 1,084,547 without preferential terms.

3. Works and contracts that have been concluded with MAHARA HR Company during 2022, namely contract for the supply of men power during 2022. The Board Director of SPIMACO, Mr. Saleh Abdullah Al Hanaki, had an indirect interest, and he was a Director in MAHARA HR Company Board of Directors. The volume of transactions was SAR 615,000 without preferential terms.

4. Contracts that have been concluded between the Company and Al Rajhi Bank during 2022, namely the contract to provide short term financing facilities and promissory notes amounting to SAR 250 million each for a period of one year without preferential terms. In addition, there were certain regular transactions through the current account. The Board Director of SPIMACO, Mr. Khalid Abdulrahman Al-Gwaiz has an indirect interest and he is a director in Al Rajhi Bank.

5. Contracts that have been concluded between the Company and TAKAMOL Business Services Company during 2022, namely the Share Sale Purchase Agreement to acquire 20% of Takamol shareholding (40,000 shares) in CAD Middle East Pharmaceutical Company (an associate entity of SPIMACO Group) against consideration of SAR 9,518,454. The Board Director of SPIMACO, Mr. Turki Abdullah Al Jawini had an indirect interest and he was a director in TAKAMOL.

6. Contracts that have been concluded between the Company and Arab Company for Drugs Industries and Medical Appliances (ACDIMA) during 2022, namely the Share Sale Purchase Agreement to acquire 25% of ACDIMA shareholding (50,000 shares) in CAD Middle East Pharmaceutical Company (an associate entity of SPIMACO Group) against consideration of SAR 10,534,356. The Board Director of SPIMACO, Mr. Adel Karim Ahmed, who is the Chairman of ACDIMA and the Board Director of SPIMACO, Dr. Mohammad Khalil, who is the Director General of ACDIMA have an indirect interest.

Shareholders Register Requests

The record of shareholders was requested from the Securities Depository Center Company 9 times throughout 2022.

Below are the dates and purposes thereof:

Number of Requests	Date of Request	Purposes for the Request
3	11/01/2022	For internal company reporting
1	14/02/2022	For internal company reporting
1	23/02/2022	For the General Assembly
1	08/06/2022	For the General Assembly
1	12/06/2022	For earnings profile
1	28/11/2022	For internal company reporting
1	19/12/2022	For internal company reporting

External Auditor

The General Assembly of shareholders, held on 14th May 2020, 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 3 consecutive years), for the first, second, third quarters, and annually for the years 2020, 2021, 2022, and the first quarter of 2023, and to determine its fees.

Throughout 2022, 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.

Dividends distributed to shareholders of the Company during the fiscal year 2022

The General Assembly of the Company's shareholders on its meeting held on 08/06/2022 approved the recommendation of the Board of Directors to distribute cash dividends for 2021, as follows:

1. The total amount distributed was SAR 72,000,000.
2. The number of the shares receiving dividends is (120,000,000) shares.
3. Dividends per share was SAR (0.60).
4. The distribution ratio of the share nominal value was (6%).
5. The entitlement date for shareholders registered with the Securities Depository Center at the end of the second trading day after the date of the Ordinary General Assembly meeting.
6. Dividends started to be disbursed through Al-Rajhi Bank as of 27/06/2022.

Auditor's opinion on the annual financial statements

An unmodified opinion.

Recommendation for 2022 Dividends

The Board of Directors recommended that to not distribute dividends for the financial year ended on 31-12-2022

The Audit Committee Recommendations that are in conflict with resolutions of the Board of Directors, or which the board refused to take into consideration with regard to the auditor

There are no recommendations in this regard.

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
39	Assessment	Guiding Article The necessary evaluation of the 11th term Board of Directors was carried out by an external party
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
70	Composition of the Risk Management Committee The Company's Board shall, by its resolution, form a committee to be named the "Risk Management Committee". Chairman and 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.
70	Formation of the Risk Management Committee: By a decision of the company's board of directors, a committee called (Risk Management Committee) is formed, whose chairman and the majority of its members are non-executive board members. Its members are required to have an adequate level of knowledge of risk management and financial affairs.	This article is a Guiding Article. A Governance and Risk Committee was formed by a decision of the Company's Board of Directors.
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: **1.** 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. **2.** Establishing social organizations for the benefit of the Company's employees.	Guiding Article Long-term incentive program has been launched for certain positions. Additionally, the Company annually grants short term incentives to all employees except for sales representatives who receive special incentives. A number of long-term service reward programs have been also launched for the benefit of all employees.
84	Social Responsibility: The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that strikes balance between its objectives and the community's 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.

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
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
87/3 90/b	In accordance with the appendix of the Corporate Governance Regulations, the Board of Directors' Report shall disclose in detail the five Senior Executives who have received the highest remuneration.	The Company has fulfilled its commitment to disclosing 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 A single Committee for Governance and Risk was formed by the Company's Board of Directors.

It is also 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 has 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 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. No significant doubts about the Company's ability to continue its activity

The Highlights and Key Company Decisions during 2022:

During 2022, 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 Company also secured several achievements as a result of applying the best standards of governance and transparency, to ensure the realization of the Company's goals and business viability.

The key decisions and achievements of the Company during 2022 include:

- On 19th September 2022, an agreement was signed with Merck Sharp and Dohme (MSD) which covers the license, supply, and co-marketing of two second-brands products (three SKUs) used in the treatment of non-insulin dependent type 2 diabetes. SPIMACO owns the marketing rights and the trademark of these second-brand products in Saudi Arabia, and they are registered with Saudi Food & Drug Authority (SFDA). The total estimated revenue for this agreement is nearly SAR 135 million during 2023 and 2024. The products are to be manufactured partially in the Qassim facility.
- On 17th November 2022, SPIMACO launched its new factory for Oncology and highly toxic drugs, with a total cost of SR272 million. It is built on an area of 2,800 m2 within SPIMACO ADDWAEIH Qassim Factory. Wherein, pharmaceuticals will be produced as per the manufacturing agreements with multinational and biopharmaceutical manufacturers.
- On 19th December 2022, SPIMACO completed its internal review plans and launched a new 5-year strategy. The new comprehensive strategy focuses on restructuring the Company's business portfolio in line with future challenges, while leveraging the long-term market opportunities, and recording a sustainable long-term value for shareholders and other stakeholders.
- On 25th December 2022, SPIMACO completed the technical and engineering works of its administrative tower in Al-Sahafa district, Riyadh, and accordingly, all relevant licenses and permits were obtained from the competent authorities for the occupation and operation of the tower.

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 forming and developing the organizational structure in 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.

Consolidated Financial Statements

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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 (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, 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 significant 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, 2022, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards 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 ("ISAs"). 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 Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and endorsed in the Kingdom of Saudi Arabia ("IESBA Code"), and we have fulfilled our ethical 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. The following is description of each key audit matter and how we addressed it during our audit.

Mixed Limited Liability Co. I Head Office - Riyadh I Kingdom of Saudi Arabia I Professional Investment License 109134205100471 I CR 1010428101
Email: saudi@bakertillyjfc.com I Website: www.bakertillymkm.com
Baker Tilly MKM & Co. Certified Public Accountants trading as Baker Tilly is an independent member of the global network of Baker Tilly International.

Independent Auditor's Report (Continued)

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

Key audit matters (Continued)

1- Revenue recognition

Key audit matter	*How the Key audit matter was addressed in our audit*
The Group recognized revenue of SR 1,426 million for the year ended December 31, 2022 (December 31, 2021: SR 1,460 million). The Group mainly manufactures medicines, medical supplies, and medical products related to medicines in addition to the 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.	Our audit procedures included among other: • Evaluating the appropriateness of the Group's accounting policies related to revenues, taking into consideration the requirements of the relevant international accounting standards. • 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 proper 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 Standards.
Refer to note 6 for the accounting policy and note 29 for related disclosures.	

2- Assessment of impairment in value of non-current assets

Key audit matter	*How the Key audit matter was addressed in our audit*
Non-current assets mainly comprise property, plant and equipment and assets under construction. The total of those assets amounted to SR 1,830 million as at December 31, 2022 (December 31, 2021: SR 1,817 million). The Group assesses at each reporting date whether there is any indication that the asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of value in use and fair value less costs to sell. We considered recoverability of property, plant and equipment and assets under construction as a key audit matter since the assessment requires from management to make judgments related to the assumptions and estimation of expected production levels and the estimates revenues, the useful life of assets, commodity prices and discount rates.	Our audit procedures included among others matters: • Assessing the assumptions and estimates applied by the management when calculating the recoverable amount of the property, plant and equipment and assets under construction, including those related to the production, expected revenues, useful life of assets, commodity prices and discount rates. • Ensuring the correctness of the cash flows used in impairment assessment and matching the relevant financial information with the approved budgets. • Assessing the management mechanism in identifying internal and external indicators of the impairment and testing for impairment.
Refer to note 6 for the accounting policy and notes 7 & 8 for related disclosures.	

Independent Auditor's Report (Continued)

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

Key audit matters (Continued)

3- Expected credit loss on trade receivables

Key audit matter	***How the Key audit matter was addressed in our audit***
The gross balance of trade receivables amounted to SR 881 million as at December 31, 2022 (December 31, 2021: SR 1,116 million) against which the Group has established expected credit loss (ECL) allowance of SR 138 million as at December 31, 2022 (December 31, 2021: SR 128 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 financial assets are based on assumptions related default risk 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.	Our audit procedures included, among others: • 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 aging report for the trade receivables and making sure of its accuracy and its use in the calculation of the allowance. • We tested the mathematical accuracy of the ECL calculation. • Perform a sensitivity analysis of key assumptions such as historical loss rates and future economic factor.
Refer to note 6 for the accounting policy and note 14 for related disclosures.	

Independent Auditor's Report (Continued)

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

Other information

Other information consists of the information included in the Group's annual report for the year 2022, other than the consolidated financial statements and the auditor's report thereon. Management is responsible for the other information included in its annual report. It is expected that the annual report of the Group for the year 2022 will be available to us after the date of this report.

Our opinion on the consolidated financial statements does not cover this 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 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia, 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 the 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 ISAs 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 ISAs, 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.

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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)

- 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.
- 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 the management and TCWG 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 identify during our audit.

We also provide TCWG 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 TCWG, we determine 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 Shaban 30, 1444H
Corresponding to March 22, 2023G

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M K M & CO.

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(SAUDI RIYALS)

	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-current assets:			
Property, plant and equipment	7	**1,040,186,478**	1,097,782,937
Assets under construction	8	**790,216,809**	718,799,460
Intangible assets	9	**15,250,406**	39,107,568
Right of use assets	10	**35,200,309**	33,830,180
Investments in associates and joint venture	11	**46,525,501**	63,300,064
Deferred tax assets	12	**23,481,393**	18,929,094
Total Non-Current Assets		**1,950,860,896**	1,971,749,303
Current assets:			
Inventories	13	**494,685,062**	419,092,503
Trade and other receivables	14	**833,841,496**	1,016,688,920
Investments at fair value through profit or loss (FVTPL)	15	**419,761**	567,674,308
Prepaid expenses and other debit balances	16	**170,340,767**	125,955,824
Time deposits		**45,000,000**	-
Cash and cash equivalents	17	**335,349,298**	328,317,600
		1,879,636,384	2,457,729,155
Assets held for sale	18	**1,254,780**	4,595,562
Total Current Assets		**1,880,891,164**	2,462,324,717
TOTAL ASSETS		**3,831,752,060**	4,434,074,020
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19	**1,200,000,000**	1,200,000,000
Statutory reserve	20	**360,684,866**	360,684,866
General reserve		**150,000,000**	150,000,000
Consensual reserve	20	**34,709,740**	34,709,740
Foreign currency translation reserve		**(26,784,713)**	(11,914,760)
(Accumulated losses) / retained earnings		**(179,102,274)**	104,282,191
Equity attributable to the Shareholders of the Parent		**1,539,507,619**	1,837,762,037
Non-controlling interests	21	**153,595,514**	155,642,581
TOTAL EQUITY		**1,693,103,133**	1,993,404,618
LIABILITIES			
Non-current liabilities:			
Loans and borrowings – non-current portion	22	**379,832,278**	417,124,634
Lease liabilities – non-current portion	10	**18,806,045**	17,688,706
Employees' end of service benefit obligations	23	**313,238,474**	295,886,961
Deferred income	24	**35,366,822**	36,364,283
Contract liabilities	25	**42,581,465**	33,861,020
Total Non-Current Liabilities		**789,825,084**	800,925,604
Current liabilities:			
Loans and borrowings – current portion	22	**676,959,955**	852,748,232
Provision for financial guarantees	26	**24,945,000**	45,665,966
Lease liabilities – current portion	10	**6,144,923**	7,255,079
Zakat and income tax payable	27	**33,135,748**	28,842,314
Trade payable and other liabilities	28	**403,452,822**	461,365,242
Dividends payable		**158,755,124**	157,492,830
Contract liabilities	25	**45,392,146**	83,692,445
		1,348,785,718	1,637,062,108
Liabilities directly associated with assets classified as held for sale	18	**38,125**	2,681,690
Total current liabilities		**1,348,823,843**	1,639,743,798
Total Liabilities		**2,138,648,927**	2,440,669,402
TOTAL EQUITY AND LIABILITIES		**3,831,752,060**	4,434,074,020

Chief Financial Officer | **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, 2022
(SAUDI RIYALS)

	Note	2022	2021
Continuing Operations			
Revenues	29	**1,426,337,088**	1,459,783,969
Cost of revenues		**(860,015,553)**	(839,078,916)
Gross profit		**566,321,535**	620,705,053
Selling and marketing expenses	30	**(373,078,127)**	(330,826,098)
General and administrative expenses	31	**(265,006,066)**	(219,949,251)
Research and development expenses	32	**(42,645,351)**	(29,120,302)
Impairment (loss) / reversal on trade receivables	14	**(9,980,470)**	13,855,271
Other (expense) / income, net	33	**(1,688,831)**	838,100
Operating (loss) / profit		**(126,077,310)**	55,502,773
Financial guarantee expenses		**-**	(1,494,227)
Finance cost	34	**(43,247,492)**	(39,490,183)
Share of profit from associates and joint venture	11	**20,441,973**	11,406,008
Profit from investments at fair value through profit or loss	15	**3,634,444**	7,805,295
(Loss) / profit before zakat and income tax		**(145,248,385)**	33,729,666
Zakat and income tax	27	**(24,983,386)**	(12,345,725)
(Loss) / profit for the year from continuing operations		**(170,231,771)**	21,383,941
Discontinued operation			
Loss from discontinued operations, net of zakat	18	**(1,001,453)**	(3,282,453)
(Loss) / profit for the year		**(171,233,224)**	18,101,488
Attributable to:			
Shareholders of the Parent Company		**(165,135,465)**	26,454,090
Non-controlling interests	21	**(6,097,759)**	(8,352,602)
		(171,233,224)	18,101,488
(Loss) / earning per share attributable to the Shareholders of the Parent Company	35		
Basic and diluted		**(1.38)**	0.22

Chief Financial Officer	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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYALS)

	Note	2022	2021
(Loss) / profit for the year		**(171,233,224)**	18,101,488
Items that may be reclassified to profit or loss subsequently:			
Foreign currency translation differences		**(14,869,953)**	(5,308,740)
Items that will not be reclassified to profit or loss subsequently:			
Change from revaluation of the investments at FVOCI	20.3	**-**	12,472,530
Actuarial (loss) / gain on employees' end of service benefits	23	**(17,730,769)**	9,418,078
Share of other comprehensive loss of associates and joint venture	11	**(912,273)**	(331,447)
Total other comprehensive (loss) / income for the year		**(33,512,995)**	16,250,421
Total comprehensive (loss) / income for the year		**(204,746,219)**	34,351,909
Attributable to:			
Shareholders of the Parent Company		**(198,987,286)**	42,228,836
Non-controlling interests	21	**(5,758,933)**	(7,876,927)
		(204,746,219)	34,351,909

Chief Financial Officer	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 CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYALS)

	Share capital	Statutory reserve	General reserve	Consensual reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings / (accumulated losses)	Equity attributable to the Shareholders of the Parent	Non-controlling interests	Total equity
Balance as at January 1, 2021	1,200,000,000	360,684,866	150,000,000	41,751,842	57,649,689	(6,606,020)	112,052,824	1,915,533,201	155,429,857	2,070,963,058
Profit for the year	-	-	-	-	-	-	26,454,090	26,454,090	(8,352,602)	18,101,488
Other comprehensive income	-	-	-	-	12,472,530	(5,308,740)	8,610,956	15,774,746	475,675	16,250,421
Total comprehensive income	-	-	-	-	12,472,530	(5,308,740)	35,065,046	42,228,836	(7,876,927)	34,351,909
Transfer on disposal of investments at FVOCI	-	-	-	-	(70,122,219)	-	70,122,219	-	-	-
Transfer to consensual reserve	-	-	-	905,074	-	-	(905,074)	-	-	-
Dividends (note 20.4)	-	-	-	(7,947,176)	-	-	(112,052,824)	(120,000,000)	-	(120,000,000)
Changes in non-controlling interest	-	-	-	-	-	-	-	-	8,089,651	8,089,651
Balance as at December 31, 2021	**1,200,000,000**	**360,684,866**	**150,000,000**	**34,709,740**	-	**(11,914,760)**	**104,282,191**	**1,837,762,037**	**155,642,581**	**1,993,404,618**
Loss for the year	-	-	-	-	-	-	(165,135,465)	(165,135,465)	(6,097,759)	(171,233,224)
Other comprehensive loss	-	-	-	-	-	(14,869,953)	(18,981,868)	(33,851,821)	338,826	(33,512,995)
Total comprehensive loss	-	-	-	-	-	(14,869,953)	(184,117,333)	(198,987,286)	(5,758,933)	(204,746,219)
Dividends (note 20.4)	-	-	-	-	-	-	(72,000,000)	(72,000,000)	-	(72,000,000)
Acquisition of non-controlling interest (note 1.1(d))	-	-	-	-	-	-	(27,267,132)	(27,267,132)	3,711,866	(23,555,266)
Balance as at December 31, 2022	**1,200,000,000**	**360,684,866**	**150,000,000**	**34,709,740**	-	**(26,784,713)**	**(179,102,274)**	**1,539,507,619**	**153,595,514**	**1,693,103,133**

Chief Financial Officer **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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYALS)

	2022	2021
Cash flows from operating activities:		
(Loss) / profit before zakat and income tax from continuing operations	**(145,248,385)**	33,729,666
Loss before zakat from discontinued operations	**(1,001,453)**	(2,174,225)
	(146,249,838)	31,555,441
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**60,177,641**	59,030,739
Depreciation of right of use assets	**6,188,807**	3,924,032
Amortization of intangible assets	**23,906,135**	25,151,092
Profits from investments in associates and joint venture	**(20,441,973)**	(11,406,008)
(Gain) / loss on disposal of property, plant and equipment	**(134,783)**	451,740
Provision for sales/services discounts and returns	**(29,579,854)**	(12,345,320)
(Reversal) / provision for slow-moving inventories or nearly expired	**(7,737,982)**	19,194,610
Profit from investments at FVTPL	**(3,634,444)**	(7,805,295)
Loss / (reversal) of impairment on trade receivables	**10,155,634**	(13,855,271)
Provision for employees' end of services benefits	**49,058,476**	34,213,566
Amortization of deferred income	**(1,551,900)**	(3,749,904)
Provision for financial guarantees	**-**	1,494,227
Finance cost	**43,247,492**	39,490,183
	(16,596,589)	165,343,832
Working capital changes:		
Inventories	**(68,028,116)**	13,020,469
Trade and other receivables	**172,691,790**	18,023,666
Prepaid expenses and other debit balances	**(44,370,017)**	(2,995,144)
Trade payable and other liabilities	**(57,959,391)**	(14,266,001)
Cash (used in) / generated from operating activities	**(14,262,323)**	179,126,822
Finance cost paid	**(33,745,552)**	(20,257,167)
Zakat and income tax paid	**(26,678,007)**	(24,586,741)
Employees' end of service benefit obligations paid	**(49,512,250)**	(47,570,225)
Net cash (used in) / generated from operating activities	**(124,198,132)**	86,712,689

Chief Financial Officer **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 CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022
(SAUDI RIYALS)

	2022	2021
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,255,923)	(13,009,660)
Additions to right of use assets	(6,427,464)	(6,631,769)
Net changes in assets under construction	(70,906,150)	(63,233,226)
Additions to intangible assets	(48,696)	(1,003,872)
Additions to the time deposits	(45,000,000)	-
Proceeds from disposal of property, plant, and equipment	643,777	1,016,006
Dividends from joint venture	36,304,263	30,600,000
Additional investments in associate and joint venture	-	(2,416,381)
Additions to investments at FVTPL	-	(145,307,718)
Proceeds from sale of investments at FVTPL	570,888,991	200,000,000
Proceeds from sale of investments at FVOCI	-	141,463,001
Net cash generated from investing activities	478,198,798	141,476,381
Cash flows from financing activities:		
Net changes in loans and borrowings	(222,582,573)	(76,018,865)
Additions to lease liabilities	7,477,353	14,473,859
Financial guarantees paid	(20,720,966)	(64,059,444)
Lease liabilities paid	(8,556,490)	(5,327,088)
Dividends paid	(70,737,706)	(118,110,469)
Changes in non-controlling interest	-	8,089,651
Acquisition of non-controlling interest	3,711,866	-
Government grant received	554,439	-
Net cash used in financing activities	(310,854,077)	(240,952,356)
Net changes in cash and cash equivalents during the year	43,146,589	(12,763,286)
Cash and cash equivalents at the beginning of the year	329,663,305	334,081,226
Foreign exchange translation differences	(37,460,596)	8,345,365
Cash and cash equivalents at the end of the year	335,349,298	329,663,305
Non-cash transactions		
Transfers from assets under construction to:		
- Property, plant and equipment	843,697	7,185,061
- Right of use assets	-	15,916,031
Change from revaluation of investments at FVOCI	-	(12,472,530)

Chief Financial Officer **Chief Executive Officer** **Authorized Board Member**

The accompanying notes form an integral part of these 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, 2022

1. ORGANIZATION AND ACTIVITY

Saudi Pharmaceutical Industries and Medical Appliances Corporation (the "Company" or "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-Awwal 10, 1406H (corresponding to January 21, 1986).

These consolidated financial statements ("financial statements") comprise the holding Company and its subsidiaries (together referred to as the "Group").

The Company's headquarters is located in Buraidah - King Abdul Aziz Road - Qassim Industrial City.

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

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

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

1.1 Subsidiaries

Name of subsidiary	Principal activities	Country of incorporation	Percentage of ownership December 31, 2022	December 31, 2021
ARAC Healthcare Company (ARAC)	Pharmaceutical, cosmetics and veterinary 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%**	100%
ANORA Trading Company (c)	Pharmacy - retail	Saudi Arabia	**99%**	99%
Dammam Pharmaceutical Company	Pharmaceutical manufacturer	Saudi Arabia	**85%**	85%
Qassim Medical Service Company	Healthcare services provider	Saudi Arabia	**57.27%**	57.27%
SPIMACO Saudi Foundation Algeria	Pharmaceutical products distributor	Algeria	**100%**	100%
SPIMACO Misr Company for Marketing (a)	Pharmaceutical products marketing	Egypt	**100%**	100%
SPIMACO Misr Company for Distribution (a)	Pharmaceutical products distributor	Egypt	**100%**	100%
SPIMACO Egypt Company	Pharmaceutical products distributor	Egypt	**100%**	100%
SPIMACO Misr for Pharmaceutical Industries (d)	Pharmaceutical manufacturer	Egypt	**78.51%**	51.6%
SPIMACO Morocco for Pharmaceutical Industries	Pharmaceutical manufacturer	Morocco	**72.54%**	72.54%
SPIMACO ILAJ (e)	Pharmaceutical products distributor	Turkey	**100%**	100%

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

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. ORGANIZATION AND ACTIVITY (CONTINUED)

1.1 Subsidiaries (Continued)

(b) On September 16, 2020, the shareholders of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma") (a subsidiary Limited Liability Company) resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. SPIMACO will produce some of the subsidiary's products from the Company's factory in Al Qassim and there is no financial impact from the liquidation of Al-Watan Pharma since the subsidiary did not start its commercial activity and does not have capital projects. Accordingly, the Group stopped consolidating the financial statements of Al-Watan Pharma (note 19). As on October 30, 2022, the management approved the liquidation of AL-WATAN Arabian Pharmaceutical Industries. The liquidation phase is in under process to finalize with the Ministry of Commerce and ZATCA.

(c) On November 17, 2021, the shareholders of ANORA Trading Company (a subsidiary Limited Liability Company), resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. The financial impact from the liquidation of ANORA Trading Company is immaterial as it has insignificant commercial activity and does not have financial commitments. The Group stopped consolidating the financial statements of ANORA Trading Company and its financial results for the previous years have been reflected in the consolidated financial statements of the Group. It should be noted that ANORA Trading Company is a limited liability company, with a paid-up capital of SR 300 thousand, and it is 99% owned by ARAC Healthcare Company (a wholly owned subsidiary of SPIMACO Group) (note 19)

(d) On August 4, 2022, SPIMACO Misr for Pharmaceutical Industries increased the paid-up share capital from 100,000 shares to 225,000 shares. The Company subscribed to the additional shares bringing the revised percentage holding to 78.51%

(e) During the year, SPIMACO Ilaj has been liquidated

1.2 Associates and joint venture

			Percentage of ownership%	
Name	**Principal activities**	**Country of incorporation**	**December 31, 2022**	December 31, 2021
Arabian Medical Products Manufacturing Company (ENAYAH) – Joint venture	Manufacturing of healthcare products	Saudi Arabia	**51%**	51%
CAD Middle East Pharmaceutical Company (CAD) – Associate	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, 2022

2. STATEMENT OF COMPLIANCE WITH IFRS

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards that are endorsed in the Kingdom of Saudi Arabia ("IFRS") and others standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

3. BASIS OF PREPARATION

3.1 Overall considerations

These consolidated financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies.

The principal accounting policies adopted in the preparation of these consolidated financial statements have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in compliance IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing these consolidated financial statements and their effect are disclosed in note 4.

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

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

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

3.2 Functional and presentation currency

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

3.3 Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries subject to control as set out in Note 1.1

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

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

The Group performs a re-evaluation to ascertain whether or not it exercises control over the investee Company, when facts and circumstances indicate that there is a change in one or more of the elements of control mentioned above.

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, 2022

3. BASIS OF PREPARATION (CONTINUED)

3.3 Basis of consolidation of financial statements (Continued)

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those followed by the Group.

All assets, liabilities, equity, revenues, expenses and cash flows related to intercompany transactions are completely eliminated upon consolidation of the consolidated financial statements.

3.4 Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred upon business combination is measured at fair value at the acquisition date of the assets transferred by the Group, the liabilities that the Group incurs to the previous owners of the acquiring Company, and any equity rights issued by the Group in exchange for control of the acquiring Company. The costs related to the acquisition are recognized in profit or loss. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

4. USE OF JUDGEMENT AND ESTIMATES

The Group makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

A- Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amount recognized in the consolidated financial statements is included in the following notes:

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.

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, 2022

4. USE OF JUDGEMENT AND ESTIMATES (CONTINUED)

A- Judgments (Continued)

Consolidation

When the Group has de-facto control over an investee.

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 receivable

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 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.

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.

B- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended December 31, 2022 are as follows:

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 the light of contractual and legal obligations, historical trends, experience, and projected market conditions.

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, 2022

4. USE OF JUDGEMENT AND ESTIMATES (CONTINUED)
B- Assumptions and estimation uncertainties (Continued)

Useful lives and residual values of property and equipment and intangible assets
An estimate of the useful lives and residual values of property 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. The 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.

Employees' benefits
Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs.

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 taxes charge involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until 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.

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.

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

Liquidation of subsidiary
Fair value of the agreed consideration (including contingent consideration) and fair value of the assets disposed, and liabilities released, measured on a provisional 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, 2022

5. APPLICATION OF NEW AND REVISED IFRS'S
5.1 New and revised IFRSs applied with no material effect on the consolidated financial statements
In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous
- Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.

5.2 New and revised IFRSs in issue but not yet effective and not early adopted
The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2024
Amendments to IFRS 16 Leases regarding the treatment for sale and leaseback transactions.	1 January 2024
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

SAUDI PHARMACEUTICAL INDUSTRIES AND MEDICAL APPLIANCES CORPORATION (SPIMACO - ADDWAEIH)
(A SAUDI JOINT STOCK COMPANY)
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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

Assets are current when they are:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period or;
- Cash and cash equivalents unless restricted from being exchanged or used to settle any liabilities for at least twelve months after the reporting period. All other assets are classified as "non-current".

All liabilities are determined to be current when:

- They are expected to be settled in the normal operating cycle;
- Are held primarily for the purpose of trading;
- Are due to be settled within twelve months after the reporting period or;
- There is no unconditional right to defer the settlement of the liabilities for at least twelve months after the reporting period.

The Group classifies all other liabilities as "non-current".

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. 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. SUMMARY OF SIGNIFICANT 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 at the date of acquisition.

The cost of internally generated asset is initially recognised 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, are not capitalized and expenditure is recognized in the 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 statement of profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from 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 statement of profit or loss when the asset is derecognized.

Intangible assets including technologies, software, brand name, and customers' list, 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%

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 re-measurement 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Investment 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 statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in 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 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 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 consolidated statement of profit or loss.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are included in the 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.

Trade receivables

Trade receivables are carried at original invoice amount less impairment losses at an amount equal to the lifetime ECLs. When an account receivable is uncollectible, it is written-off against the impairment losses. Any subsequent recoveries of amounts previously written off are credited against "Impairment losses on trade and other receivables" in the consolidated statement of profit or loss. Refer to note 4.A for impairment of financial assets of these financial statements.

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.

Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries of the Company and whose functional currencies are different from the Company's functional currency.

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.

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 amortised 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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings and murabaha financing (continued)

Borrowings and Murabaha financing are derecognised 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 financial statements.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period to get ready for its intended use or sale, are capitalised 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

Lease contracts

The Group assesses whether a contract contains a lease, at the inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low-value assets as follows:

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 also 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 an expense 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 re-measured 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.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of land and buildings (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of 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 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 comprise 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 expense and other expenses related to defined benefit plans are recognized in the consolidated statement of profit or loss.

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 employees' benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit 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.

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 recognised 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 asset, such as land or other resources, is assessed for the fair value of the non-monetary asset as at 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 favorable interest is regarded as a government grant.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 provision.

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 are charged in 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..

Deferred tax

Deferred tax is recognized in respect of 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 on 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; and

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax (Continued)

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.

Payables and accruals

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

Revenue

The Group receives revenue from the sales of goods to customers against orders received. The majority of contracts that the Company enters into relating 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 are 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 the 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.

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

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Company 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.

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 cost on other facilities;
- Finance cost on lease liabilities: and
- Finance cost on loan from Saudi Industrial Development Fund ("SIDF")

Murabaha income/expense on Sharia Compliant facilities and profit margin/finance cost on other facilities is 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.

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.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Selling, marketing, general and administrative expenses
Selling, marketing, general and administrative and other expenses include direct and indirect costs not specifically part of the cost of revenues. Allocations between 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 is 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 expenditure not satisfying the above criteria and expenditure on the research phase of internal projects or the product failed to get approval from Saudi Foods and Drug Authority are recognised in the consolidated statement of profit or loss as incurred.

Foreign currency translation
Foreign currency transactions and balances
Foreign currency transactions are translated into the 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 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).

Impairment testing of non-financial assets
Disclosures relating to impairment of non-financial assets are summarized in the following notes:
- Accounting policy disclosures
- Disclosures for significant assumptions and estimation uncertainties
- Property and equipment
- Capital work-in-progress
- Intangible assets

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment testing of non-financial assets (continued)

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. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

Financial Instruments

A- Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Investment at fair value through profit or loss

Financial assets are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of profit or loss in the finance income or expense line.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

A- Financial assets

Amortized cost

These assets arise principally from the sale of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within cost of sales in the statement of profit or loss. On confirmation that the trade receivable will not be collectible, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets measured at amortized cost comprise trade receivables, other assets, and cash and cash equivalents in the statement of consolidated financial position.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade receivables and other debit balances are presented separately in the statement of profit or loss account.

B- Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss account. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other financial liabilities

Interest-bearing liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Loans and borrowings, lease liabilities, contract liabilities, Accounts and other payables and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortised cost using the effective interest method.

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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B- Financial liabilities (continued)

De-recognition

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

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

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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, 2021	122,274,277	776,960,896	866,213,531	180,096,050	38,823,094	19,257,524	2,003,625,372
Additions during the year	-	-	6,388,085	2,128,060	1,223,116	3,270,399	13,009,660
Transferred from assets under construction (note 8)	-	-	7,019,892	47,694	117,475	-	7,185,061
Disposals	-	-	(9,111,889)	(3,380,854)	(305,347)	(3,721,522)	(16,519,612)
Effect of foreign currency translation	(224,673)	(202,127)	(719,964)	(43,898)	(53,228)	1,638	(1,242,252)
Attributable to discontinued operations	-	-	(3,620)	(422,924)	(91,800)	(39,750)	(558,094)
As at December 31, 2021	122,049,604	776,758,769	869,786,035	178,424,128	39,713,310	18,768,289	2,005,500,135
Additions during the year	-	35,425	2,746,981	1,560,168	837,496	2,075,853	7,255,923
Transferred from assets under construction (note 8)	-	397,801	434,094	-	11,802	-	843,697
Disposals	-	-	(1,228,005)	-	(342,510)	(2,521,526)	(4,092,041)
Effect of foreign currency translation	(15,051)	(4,437,402)	(3,828,375)	1,160,987	(160,993)	(268,428)	(7,549,262)
As at December 31, 2022	122,034,553	772,754,593	867,910,730	181,145,283	40,059,105	18,054,188	2,001,958,452
ACCUMULATED DEPRECIATION :							
As at January 1, 2021	-	234,131,308	457,103,992	124,933,438	32,850,415	15,942,328	864,961,481
Charge for the year	-	16,812,506	29,289,402	8,205,184	2,959,239	1,764,408	59,030,739
Disposals	-	-	(9,102,063)	(2,441,709)	(285,309)	(3,222,785)	(15,051,866)
Effect of foreign currency translation	-	(204,880)	(666,979)	(64,005)	(50,124)	(4,075)	(990,063)
Attributable to discontinued operations	-		(1,020)	(134,591)	(70,983)	(26,499)	(233,093)
As December 31, 2021	-	250,738,934	476,623,332	130,498,317	35,403,238	14,453,377	907,717,198
Charge for the year	-	16,871,185	29,610,688	9,221,578	2,373,440	1,775,749	59,852,640
Disposals	-	-	(1,213,203)	-	(315,204)	(2,054,640)	(3,583,047)
Effect of foreign currency translation	-	(838,483)	(1,847,893)	793,403	(134,175)	(187,669)	(2,214,817)
As December 31, 2022	-	266,771,636	503,172,924	140,513,298	37,327,299	13,986,817	961,771,974
NET BOOK VALUE :							
December 31, 2022	122,034,553	505,982,957	364,737,806	40,631,985	2,731,806	4,067,371	1,040,186,478
December 31, 2021	122,049,604	526,019,835	393,162,703	47,925,811	4,310,072	4,314,912	1,097,782,937

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 Company 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, 2022 (December 31, 2021: SR nil).

As at December 31, 2022 a property with a carrying value of SR 7.8 million (December 31, 2021: SR 8.02 million) has been pledged to secure borrowings of an associated entity (refer note 26). As at December 31, 2022 a property with a carrying value of SR 156.7 million (December 31, 2021: SR 151.8 million) has been pledged to secure borrowings of a subsidiary entity.

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8. ASSETS UNDER CONSTRUCTION

	December 31, 2022	December 31, 2021
Property, plant and equipment	753,811,444	686,462,395
Intangible assets	36,405,365	32,337,065
	790,216,809	718,799,460

Movement of assets under construction

	December 31, 2022	December 31, 2021
Opening balance	718,799,460	692,066,130
Additions during the year	76,949,749	63,506,716
Transfer to property, plant and equipment (note 7)	(843,697)	(7,185,061)
Transfer to right of use assets	-	(15,916,031)
Transfer to intangible assets	(48,696)	-
Disposals	(5,994,903)	(273,490)
Effect of foreign currencies translation	1,354,896	(13,398,804)
Closing balance	790,216,809	718,799,460

9. INTANGIBLE ASSETS

	Brand Name, Clients List, and Technologies	Deferred Charge, Product Knowledge and Licenses	Computer Software	Total
Cost:				
As at January 1, 2021	144,394,454	1,824,310	39,801,157	186,019,921
Additions during the year	-	706,195	297,677	1,003,872
Written off	(9,616,770)	-	-	(9,616,770)
Effect of foreign currency translation	(14,787)	-	-	(14,787)
As at December 31, 2021	134,762,897	2,530,505	40,098,834	177,392,236
Additions during the year	-	-	48,696	48,696
Written off	-	-	(340,429)	(340,429)
Effect of foreign currency translation	-	-	613	613
As at December 31, 2022	134,762,897	2,530,505	39,807,714	177,101,116
Accumulated amortization:				
As at January 1, 2021	99,875,585	274,588	22,611,848	122,762,021
Charge for the year	20,707,501	352,632	4,090,959	25,151,092
Written off	(9,616,770)	-	-	(9,616,770)
Effect of foreign currency translation	(11,675)	-	-	(11,675)
As at December 31, 2021	110,954,641	627,220	26,702,807	138,284,668
Charge for the year	20,149,446	361,348	3,395,341	23,906,135
Written off	-	-	(340,429)	(340,429)
Effect of foreign currency translation	-	-	336	336
As at December 31, 2022	131,104,087	988,568	29,758,055	161,850,710
Net book value				
As at December 31, 2022	3,658,810	1,541,937	10,049,659	15,250,406
As at December 31, 2021	23,808,256	1,903,285	13,396,027	39,107,568

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10. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The following is the net book value for right of use assets and lease liabilities of the Group during the year 2022:

	Right of use assets	Lease liabilities
As at January 1, 2022	33,830,180	24,943,785
Additions during the year	6,427,464	6,550,026
Depreciation	(5,057,335)	-
Interest expense	-	927,327
Payments / Accrued	-	(7,470,170)
December 31, 2022	35,200,309	24,950,968
Less: current portion		(6,144,923)
Non-current portion		18,806,045

The following is the net book value for right of use assets and lease liabilities of the group and transactions during the year 2021:

	Right of use assets	Lease liabilities
As at January 1, 2021	16,337,884	16,028,349
Additions during the year	22,586,815	14,473,859
Depreciation	(3,924,032)	-
Interest expense	-	854,985
Payments / Accrued	-	(5,350,869)
Transferred to discontinued operations	(1,170,487)	(1,062,539)
December 31, 2021	33,830,180	24,943,785
Less: current portion		(7,255,079)
Non-current portion		17,688,706

11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

	December 31, 2022	December 31, 2021
Arabian Medical Products Manufacturing Company (ENAYAH) - Joint Venture	46,525,501	63,300,064

The movement of the investments is as follows:

	December 31, 2022	December 31, 2021
Opening balance	63,300,064	80,409,122
Dividends, net of Zakat	(36,304,263)	(28,183,619)
Share of profit during the year	20,441,973	11,406,008
Share of OCI during the year	(912,273)	(331,447)
Closing balance	46,525,501	63,300,064

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11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Share of profit from associates and joint venture

	December 31, 2022	December 31, 2021
Arabian Medical Products Manufacturing Company (ENAYAH)	**20,441,973**	11,406,008

12. DEFERRED TAX ASSETS

	December 31, 2022	December 31, 2021
Opening balance	**18,929,094**	17,503,656
Charge during the year	**4,552,299**	1,425,438
Closing balance	**23,481,393**	18,929,094

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

	December 31, 2022	December 31, 2021
Deductible temporary differences		
Provision for employee benefits	**12,156,437**	10,795,708
Accrued expenses and other liabilities	**6,182,835**	5,643,275
Contract liabilities	**2,189,369**	-
Depreciation of property, plant and equipment	**2,111,225**	260,687
Provision for financial guarantee	**1,282,572**	2,324,398
Deferred income	**1,072,039**	1,061,281
Provision of expected credit losses	**1,303,855**	1,841,550
Provision for slow-moving inventory	**881,487**	579,710
Provisions - sales discounts and sales returns	**643,760**	745,019
Lease liabilities	**461,503**	274,410
Right of use assets	**(454,771)**	(265,171)
Prepaid expenses and other debit balances	**(4,348,918)**	(4,331,773)
	23,481,393	18,929,094

13. INVENTORIES

	December 31, 2022	December 31, 2021
Finished goods	**244,939,256**	235,845,827
Raw materials	**216,510,251**	159,548,869
Work in progress	**45,384,876**	21,095,604
Stores and spares	**23,667,160**	23,122,754
Goods in transit	**96,641**	23,130,553
	530,598,184	462,743,607
Less: Provision for slow-moving and near expiry inventories	**(35,913,122)**	(43,651,104)
	494,685,062	419,092,503

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13. INVENTORIES (CONTINUED)

Movement of provision for slow-moving and near expiry inventories

	December 31, 2022	December 31, 2021
Opening balance	**43,651,104**	24,456,494
Provision for the year	**794,834**	19,194,610
Written off during the year	**(8,532,816)**	-
Closing balance	**35,913,122**	43,651,104

14. TRADE AND OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
Trade receivables	**881,371,448**	1,116,498,159
Less: impairment provision	**(154,005,488)**	(174,455,371)
	727,365,960	942,042,788
Due from associates and joint venture (note 36)	**106,475,536**	74,646,132
	833,841,496	1,016,688,920

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

	December 31, 2022	December 31, 2021
Up to 3 months	**530,537,413**	646,355,743
3 to 6 months	**35,775,236**	74,396,312
6 to 12 months	**71,104,084**	116,554,760
Over 1 year	**243,954,715**	279,191,344
	881,371,448	1,116,498,159

Impairment provision movement of trade receivables:

	Specific provision	ECL provision	Total
Balance as at January 1, 2021	42,195,956	146,114,686	188,310,642
(Reversal) / impairment loss for the year	4,157,474	(18,012,745)	(13,855,271)
Balance as at December 31, 2021	46,353,430	128,101,941	174,455,371
Impairment loss for the year	**-**	**9,980,470**	**9,980,470**
Written off during the year	**(30,203,036)**	**(402,481)**	**(30,605,517)**
Effect of foreign currency translation	**-**	**175,164**	**175,164**
Balance as at December 31, 2022	**16,150,394**	**137,855,094**	**154,005,488**

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

	December 31, 2022	December 31, 2021
Opening balance	**567,674,308**	614,561,295
Additions during the year	**-**	145,307,718
Profit for the year	**3,634,444**	7,805,295
Disposals during the year	**(570,888,991)**	(200,000,000)
Closing balance	**419,761**	567,674,308

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16. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	December 31, 2022	December 31, 2021
VAT refundable	**63,603,414**	38,962,648
Advances to suppliers	**57,940,372**	45,627,379
Prepaid insurance and other expenses	**23,730,608**	23,990,707
Due from employees *	**8,583,351**	10,438,802
Zakat and income tax advance payment	**1,340,055**	2,208,126
Others	**15,142,967**	4,728,162
	170,340,767	125,955,824

* These represents advance against salaries and other short-term loans given to employees as per Company policy which are deductible from employees' salaries on 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, 2022	December 31, 2021
Cash in hand	**242,962**	259,238
Cash at banks	**212,150,256**	260,270,756
Short term deposits *	**122,956,080**	67,787,606
	335,349,298	328,317,600

* This represents short term Murabaha deposits held with various banks with profit margin ranging from 0.30% to 4.35% (December 31, 2021: 0.15% to 1.9%) 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, 2022	December 31, 2021
Total cash and cash equivalents	**335,349,298**	328,317,600
Cash and cash equivalents from discontinued operations	**-**	1,345,705
	335,349,298	329,663,305

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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 on November 17, 2021. Accordingly, the Group has not consolidated the subsidiary in these financial statements and classified it as a discontinued operation. The results of the operations of ANORA Trading Company for the current and previous year have been presented in the consolidated statement of profit or loss as follows:

	December 31, 2022	December 31, 2021
Revenue	**195,281**	2,732,401
Cost of revenue	**(144,507)**	(2,049,301)
Gross profit	**50,774**	683,100
Selling and marketing expenses	**(151,008)**	(1,080,451)
General and administrative expenses	**(901,219)**	(1,810,386)
Other income	**-**	33,512
Loss before zakat	**(1,001,453)**	(2,174,225)
Zakat	**-**	(1,108,228)
Net loss for the year from discontinued operations	**(1,001,453)**	(3,282,453)
Loss per share		
Basic & diluted	**(0.01)**	(0.03)

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

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	**-**	1,345,705
Inventories	**1,225,770**	1,749,448
Prepaid expenses and other debit balances	**29,010**	43,936
Property, plant and equipment	**-**	325,001
Right of use assets	**-**	1,131,472
Assets from discontinued operations	**1,254,780**	4,595,562
Liabilities		
Accrued expenses	**3,183**	50,154
Zakat payable	**-**	1,435,756
Employees' end of service benefits	**-**	109,460
Lease obligation	**34,942**	1,086,320
Liabilities from discontinued operations	**38,125**	2,681,690

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

	December 31, 2022	December 31, 2021
Operating activities	**(938,038)**	(1,896,939)
Investing activities	**-**	-
Financing activities	**-**	-
Net changes in cash and cash equivalents during the year	**(938,038)**	(1,896,939)

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

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19. SHARE CAPITAL

	December 31, 2022	December 31, 2021
Share capital issued and fully paid @ SR 10 each	1,200,000,000	1,200,000,000

Percentage of shareholding

	December 31, 2022	December 31, 2021
Saudi Shareholding	74.30%	74.55%
Non-Saudi Shareholding – Arab Company for Drug Industries and Medical Appliances – Jordan (ACDIMA)	20.48%	20.48%
Non-Saudi Shareholding – others	5.22%	4.97%

20. RESERVE

20.1 STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group transfers 10% of its net profits for the year to the statutory reserve until this reserve reaches 30%.

20.2 CONSENSUAL RESERVE

In accordance with the provisions of the Company's by-laws, 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.

During the years 2022 and 2021, consensual reserve was reduced by SR Nil and SR 7,947,176 respectively to accommodate dividend distribution due to unavailability of sufficient earning.

20.3 FAIR VALUE RESERVE

The fair value reserve includes gains and losses from movements in fair value of the Group's investments at FVTOCI, and this is stated as follows:

	December 31, 2022	December 31, 2021
Opening balance	-	57,649,689
Changes of fair value during the year	-	12,472,530
Transferred to retained earnings on disposal	-	(70,122,219)
Closing balance	-	-

20.4 Dividends

During year 2022, the Company distributed dividends amounting to SR 72,000,000 (2021: SR 120,000,000) based on the approval of the general assembly of the Company.

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21. NON-CONTROLLING INTERESTS (NCI)

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 Egypt for Pharmaceuticals	SPIMACO Morocco for Pharmaceuticals	Total
NCI percentage	15%	42.8%	1%	21.49%	27.46%	
Non-current assets	238,624,809	126,663,307	-	18,447,668	176,337,508	560,073,292
Current assets	31,236,407	182,133,859	1,254,780	22,242,683	40,566,517	277,434,246
Non-current liabilities	(111,912,489)	(23,454,543)	-	(551,239)	(42,435,702)	(178,353,973)
Current liabilities	(28,342,013)	(45,179,148)	(7,127,880)	(74,083,449)	(33,234,701)	(187,967,191)
Net assets / (liability)	129,606,714	240,163,475	(5,873,100)	(33,944,337)	141,233,622	471,186,374
Net assets / (liability) attributable to NCI	19,441,007	102,725,123	(58,731)	(7,294,638)	38,782,753	153,595,514
Revenue	22,046,543	129,310,640	-	4,526,898	20,330,401	176,214,482
(Loss) / profit	(31,174,647)	9,984,444	(1,001,453)	(11,755,245)	(11,493,049)	(45,439,950)
Other comprehensive income	879,367	483,766	-	-	-	1,363,133
Total comprehensive (loss) / income	(30,295,280)	10,468,210	(1,001,453)	(11,755,245)	(11,493,049)	(44,076,817)
(Loss) / profit allocated to NCI	(4,676,197)	4,270,646	(10,015)	(2,526,202)	(3,155,991)	(6,097,759)
Other comprehensive income allocated to NCI	131,905	206,921	-	-	-	338,826
Total comprehensive (loss) / income allocated to NCI	(4,544,292)	4,477,567	(10,015)	(2,526,202)	(3,155,991)	(5,758,933)
Cash flows from operating activities	4,492,410	19,141,569	(938,038)	(3,803,913)	(9,347,802)	9,544,226
Cash flows from investment activities	(1,404,019)	(10,438,241)	-	-	(4,721,716)	(16,563,976)
Cash flows from financing activities	(6,502,337)	(2,711,435)	-	(526,663)	5,315,548	(4,424,887)
Net (decrease) / increase in cash and cash equivalents	(3,413,946)	5,991,893	(938,038)	(4,330,576)	(8,753,970)	(11,444,637)

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21. NON-CONTROLLING INTERESTS (NCI) (CONTINUED)

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

December 31, 2021	Dammam pharmaceutical Company	Qassim medical services Company	Anora Trading Company	SPIMACO Egypt for Pharmaceuticals	SPIMACO Morocco for Pharmaceuticals	Total
NCI percentage	15%	42.8%	1%	48.4%	27.46%	
Non-current assets	241,958,620	141,466,603	1,456,473	16,415,420	171,561,717	572,858,833
Current assets	21,404,647	152,709,502	1,953,139	38,981,742	44,215,845	259,264,875
Non-current liabilities	(7,036,568)	(24,181,241)	(1,195,780)	-	(46,224,289)	(78,637,878)
Current liabilities	(121,326,965)	(40,319,406)	(7,085,479)	(65,712,555)	(15,915,546)	(250,359,951)
Net assets	134,999,734	229,675,458	(4,871,647)	(10,315,393)	153,637,727	503,125,879
Net assets attributable to NCI	20,249,960	98,239,084	(48,716)	(4,986,667)	42,188,920	155,642,581
Revenue	35,069,437	105,748,205	2,732,401	9,343,913	19,274,679	172,168,635
(Loss) / profit	(22,343,673)	10,891,627	(1,933,369)	(16,414,590)	(6,209,948)	(36,009,953)
Other comprehensive income	1,042,471	745,731	33,190	-	-	1,821,392
Total comprehensive income / (loss)	(21,301,202)	11,637,358	(1,900,179)	(16,414,590)	(6,209,948)	(34,188,561)
(Loss) / profit allocated to NCI	(3,351,551)	4,658,676	(19,334)	(7,935,141)	(1,705,252)	(8,352,602)
Other comprehensive income allocated to NCI	156,371	318,972	332	-	-	475,675
Total comprehensive income allocated to NCI	(3,195,180)	4,977,648	(19,002)	(7,935,141)	(1,705,252)	(7,876,927)
Cash flows from operating activities	2,180,513	37,781,249	(75,000)	40,073	3,446,223	43,373,058
Cash flows from investment activities	(307,209)	(5,663,358)	-	(1,508)	(32,021,329)	(37,993,404)
Cash flows from financing activities	1,149,271	(2,931,870)	-	32,233,279	18,451,455	48,902,135
Net increase / (decrease) in cash and cash equivalents	3,022,575	29,186,021	(75,000)	32,271,844	(10,123,651)	54,281,789

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22. LOANS AND BORROWINGS

	December 31, 2022	December 31, 2021
Current		
Islamic financing (Murabaha)	**400,000,000**	565,879,601
Government loans	**79,636,545**	116,716,213
Short-term loans	**197,323,410**	170,152,418
	676,959,955	852,748,232
Non-current		
Islamic financing (Murabaha)	**245,855,761**	259,300,097
Government loans	**133,976,517**	157,824,537
	379,832,278	417,124,634

The Company has Murabaha financing contract of SR 3,159 million, with the local and international banks to finance the working capital needs and operations' expansion of the Company. The loan volume of Murabaha finance used by the Company is SR 680 million as at December 31, 2022 (December 31, 2021: SR 730 million). The unused portion of the total financing contract is SR 2,479 million as at December 31, 2022 (December 31, 2021: SR 370 million). The loan is repayable in semi-annual instalments for 6 years after a grace period of two years. A promissory note was signed by the Company for the financing bank.

On January 7, 2019, the Company obtained a loan from 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.

On December 26, 2021, the Company obtained a loan from a local bank amounting to SR 150 million to finance the working capital requirements. The loan was repaid at the end of 2022.

In 2016, a subsidiary of the Company obtained a loan from 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 Company.

In 2018, a foreign subsidiary of the Company obtained long-term loans equivalent to SR 27 million and SR 21 million from two local banks in the country of its incorporation. During the year 2021, these loans converted to sale and lease back arrangements and classified as lease liabilities in accordance with International Financial Reporting Standard – 16 "Leases".

During 2022, a subsidiary of the Company 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 market prevailing rate. These loans are secured against the corporate guarantee of the parent Company.

During the year ended December 31, 2022, the Group capitalized finance charges amounting to SR 7.6 million (December 31, 2021: SR 9.6 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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23. EMPLOYEES' END OF SERVICE BENEFIT OBLIGATIONS

	December 31, 2022	December 31, 2021
Net defined benefit liability	**313,238,474**	295,886,961

Movement in net defined benefit liability

	December 31, 2022	December 31, 2021
As at January 1	**295,886,961**	310,678,933
Included in profit or loss		
Current service cost	**40,438,786**	34,213,566
Past service cost	**659,021**	-
Finance expense	**7,960,669**	8,092,225
	49,058,476	42,305,791
Included in other comprehensive income		
Actuarial loss / (gain)	**17,730,769**	(9,418,078)
Benefits paid	**(49,437,732)**	(47,570,225)
Transfer to discontinued operations	**-**	(109,460)
As at December 31	**313,238,474**	295,886,961

Actuarial assumptions on defined benefit liability
The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	December 31, 2022	December 31, 2021
Discount rate	**4.40% p.a.**	3% p.a.
Future salary growth	**4% p.a.**	3% p.a.

Sensitivity analysis
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.

	December 31, 2022	December 31, 2021
INCREASE		
Discount rate (1% movement)	**293,459,167**	260,153,542
Future salary growth (1% movement)	**335,621,516**	326,091,815
DECREASE		
Discount rate (1% movement)	**334,205,187**	325,037,194
Future salary growth (1% movement)	**291,845,491**	263,709,429

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.

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24. DEFERRED INCOME

	December 31, 2022	December 31, 2021
Government grant – SIDF loan	**20,850,308**	20,850,308
Government grant - land	**12,415,275**	13,967,175
Government grant – plant	**2,101,239**	1,546,800
	35,366,822	36,364,283

25. CONTRACT LIABILITIES

	December 31, 2022	December 31, 2021
Contract liabilities - Current		
Sales discounts:		
Opening balance	**62,608,735**	65,124,139
Discounts provision against sales	**213,068,503**	160,044,299
Actual discounts adjusted during the year	**(249,767,704)**	(162,559,703)
Closing balance	**25,909,534**	62,608,735
Sales returns:		
Opening balance	**21,083,710**	37,198,472
Charge for the year	**515,207**	5,627,079
Adjusted during the year	**(2,116,305)**	(21,741,841)
Closing balance	**19,482,612**	21,083,710
Contract liabilities - Current	**45,392,146**	83,692,445
Contract liabilities - Non-current*	**42,581,465**	33,861,020

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

26. 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 is in continuous losses for the past few years and facing significant liquidity difficulties in discharging its financial liabilities. The Company's share of the outstanding balance of the total loan amount is SR 25 million (December 31, 2021: SR 46 million) and the Company has recorded the provision for the same amount in these consolidated financial statements. During the year 2022, SPIMACO settled an amount of SR 21 million against such financial guarantee

27. ZAKAT AND INCOME TAX PAYABLE

Zakat payable

	December 31, 2022	December 31, 2021
As at January 1	**28,415,150**	39,796,120
Zakat charge for the year	**27,983,034**	13,035,515
Reclassification during the year	**-**	(370,706)
Zakat paid during the year	**(23,787,600)**	(24,045,779)
As at December 31	**32,610,584**	28,415,150

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27. ZAKAT AND INCOME TAX PAYABLE (CONTINUED)

Income tax payable

	December 31, 2022	December 31, 2021
As at January 1	**427,164**	(138,228)
Tax charge for the year	**1,552,651**	735,648
Reclassification during the year	**-**	370,706
Tax paid during the year	**(1,454,651)**	(540,962)
As at December 31	**525,164**	427,164
Provision for zakat and income tax	**33,135,748**	28,842,314

Zakat and income tax expense

	December 31, 2022	December 31, 2021
Zakat charge for the year	**27,983,034**	13,035,515
Income tax charge	**1,552,651**	735,648
Deferred tax income	**(4,552,299)**	(1,425,438)
	24,983,386	12,345,725

Zakat and income tax payable
Zakat expenses are calculated based on net adjusted income or zakat base, whichever is higher according to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Income tax on foreign subsidiaries are calculated as per each respective country's tax laws.

The Company and its subsidiaries are subject to zakat per the regulations of ZATCA. 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.

Status of zakat and income tax assessments
Zakat self-assessments for the Group have been finalized with ZATCA and final zakat certificates obtained for the years up to 2021. The Company has obtained the final zakat certificates for all the years up to 2021.

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

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

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28. TRADE PAYABLE AND OTHER LIABILITIES

	December 31, 2022	December 31, 2021
Trade payables	**223,005,924**	303,650,697
Due from employees	**103,967,343**	75,118,640
Accrued expenses	**58,917,916**	63,297,536
Excess subscriptions	**12,592,411**	12,592,411
VAT payable	**2,313,765**	-
Withholding tax	**1,923,752**	2,952,000
Others	**731,711**	3,753,958
	403,452,822	461,365,242

29. REVENUES

	December 31, 2022	December 31, 2021
Product sales (net of rebates, discounts, allowances and returns)	**1,275,464,998**	1,334,529,223
Healthcare services	**128,380,206**	103,877,081
Distribution services	**9,330,345**	7,277,191
Contract Manufacturing / Agency Services	**13,161,539**	14,100,474
	1,426,337,088	1,459,783,969

30. SELLING AND MARKETING EXPENSES

	December 31, 2022	December 31, 2021
Employees' salaries and benefits	**268,659,960**	233,446,564
Advertising and promotions	**42,590,907**	40,433,135
Freight	**12,899,417**	10,992,878
Depreciation and amortization	**11,709,537**	10,973,562
Travel and training	**10,843,831**	8,125,642
Legal and professional fees	**5,203,704**	5,574,941
Library expenses	**4,876,185**	3,912,373
Utilities	**4,782,475**	3,655,950
Communications	**4,023,858**	3,701,196
Repair and maintenance	**3,527,723**	3,756,824
Insurance	**775,832**	3,128,022
Rent	**638,778**	365,755
Stationery	**593,310**	453,080
Bank charges	**319,491**	413,810
Others	**1,633,119**	1,892,366
	373,078,127	330,826,098

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31. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2022	December 31, 2021
Employees' salaries and benefits	**151,442,251**	135,434,805
Depreciation and amortization	**27,551,108**	29,422,357
Legal and professional fees	**19,731,436**	15,909,674
Subscriptions	**12,744,475**	6,701,704
Utilities	**11,521,029**	7,793,078
Travel and training	**10,893,457**	2,286,076
Board of Directors expenses	**8,383,095**	7,778,042
Repairs and maintenance	**6,168,492**	3,847,845
Communications	**3,343,439**	2,549,950
Donations and public relations expenses	**3,105,582**	2,509,350
Meals and entertainments expenses	**2,795,733**	760,739
Stationery	**1,747,175**	1,587,599
Insurance	**1,059,835**	1,007,140
Bank charges	**535,418**	396,843
Product registration	**386,566**	-
Shareholders register management expenses	**255,215**	856,021
Rent	**106,154**	241,954
Others	**3,235,606**	866,074
	265,006,066	219,949,251

32. RESEARCH AND DEVELOPMENT EXPENSES

	December 31, 2022	December 31, 2021
Employees' salaries and benefits	**18,607,463**	13,841,160
Write off research expenses	**5,994,903**	-
Depreciation and amortization	**5,063,681**	5,527,598
Clinical trials	**4,456,492**	2,141,830
Laboratory expenses	**3,720,702**	2,946,109
Product registration	**2,224,261**	3,118,059
Legal and professional fees	**778,208**	651,012
Utilities	**696,850**	472,350
Travel and training expenses	**450,592**	232,305
Repairs and maintenance	**176,429**	49,635
Stationery	**109,868**	56,781
Insurance	**7,877**	12,397
Communications	**1,200**	32,010
Other	**356,825**	39,056
	42,645,351	29,120,302

33. OTHER (EXPENSE) / INCOME, NET

	December 31, 2022	December 31, 2021
Other income	**4,713,710**	13,209,622
Government grant income	**1,551,900**	3,749,904
Rental income	**1,040,168**	2,925,218
Scrap Sales	**292,531**	213,217
Income from training	**262,331**	-
Gain / (loss) from disposal of property, plant and equipment	**134,783**	(451,740)
Foreign exchange (loss) / gain	**(9,684,254)**	15,030,518
Products recall expenses	**-**	(28,838,639)
Legal consultant expenses	**-**	(5,000,000)
	(1,688,831)	838,100

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34. FINANCE COST

	December 31, 2022	December 31, 2021
Murabaha loan	**33,762,294**	20,257,167
End of service benefit obligations	**7,943,927**	8,089,023
Lease liabilities	**927,327**	800,743
Long-term loan	**613,944**	10,343,250
	43,247,492	39,490,183

35. (LOSS) / EARNINGS PER SHARE

	December 31, 2022	December 31, 2021
(Loss) / profit for the year	**(165,135,465)**	26,454,090
Weighted average number of ordinary shares	**120,000,000**	120,000,000
(Loss) / earnings per share – basic and diluted	**(1.38)**	0.22

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

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

36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

Transactions

Related party	Relation with the Company	Nature of transactions	December 31, 2022	December 31, 2021
Arabian Medical Products Manufacturing Company (ENAYA)	Joint Venture	Dividend	**36,304,263**	28,183,684
CAD Middle East Pharmaceutical Company	Associate	Finance / Investment	**9,158,499**	9,380,425
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Key foreign shareholder	Research cost	**4,175,447**	-
		Interest paid	**-**	1,580,936
		Dividends	**14,751,704**	17,089,950
Tassili Arab Pharmaceutical Company (TAPHCO)	Associate	Sales	**3,538,689**	4,363,996

Balances due from

Related party	Nature of balance	December 31, 2022	December 31, 2021
Tassili Arab Pharmaceutical Company (TAPHCO)	Non-commercial	**34,293,443**	32,531,511
Tassili Arab Pharmaceutical Company (TAPHCO)	Commercial	**31,538,302**	29,754,328
Arabian Medical Products Manufacturing Company (ENAYAH)	Non-commercial	**21,972,367**	2,847,368
CAD Middle East Pharmaceutical Company	Non-commercial	**18,671,424**	9,512,925
		106,475,536	74,646,132

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36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

Balance due to

Related party	Nature of balance	December 31, 2022	December 31, 2021
Arab Company for Drugs Industries and Medical Appliances (ACDIMA)	Non-commercial	-	-
		-	-

Remuneration of key management personnel

Related party	December 31, 2022	December 31, 2021
Remuneration of key management personnel	41,401,616	22,264,212

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

37. 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 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 in respect of 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 instrument risk arises, are as follows:
- Trade and other receivables
- Cash and cash equivalents
- Investments in quoted and unquoted equity securities
- Trade payables and other liabilities
- Floating-rate bank loans
- Lease liabilities

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37. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value and fair value hierarchy

The Group measures financial instruments, such as equity accounted investees at fair value at each statement of financial position date.

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

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

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

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

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

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37. FINANCIAL INSTRUMENTS (CONTINUED)
Financial instrument by category

December 31, 2022	**Total**	**Financial assets/liabilities at amortized cost**	**Financial assets/liabilities at FVPL**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets							
Current:							
Investments at FVPL	419,761	-	419,761	419,761	419,761	-	-
Trade and other receivables	833,841,496	833,841,496	-	N/A	-	-	-
Time deposits	45,000,000	45,000,000	-	-	-	-	-
Cash and cash equivalents	380,349,298	380,349,298	-	N/A	-	-	-
Total financial assets	1,259,610,555	1,259,190,794	419,761	419,761	419,761	-	-
Financial liabilities							
Non-current:							
Loans and borrowings	379,832,278	379,832,278	-	-	N/A	-	-
Lease liabilities	18,806,045	18,806,045	-	-	N/A	-	-
Current:							
Loans and borrowings	676,959,955	676,959,955	-	-	N/A	-	-
Trade payables	223,005,924	223,005,924	-	-	N/A	-	-
Lease liabilities	6,144,923	6,144,923	-	-	N/A	-	-
Total financial liabilities	1,304,749,125	1,304,749,125	-	-	-	-	-

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37. FINANCIAL INSTRUMENTS (CONTINUED)
Financial instrument by category (Continued)

December 31, 2021	Total	Financial assets/liabilities at amortized cost	Financial assets at FVOCI	Financial assets/liabilities at FVTPL	Fair value	Level 1	Level 2	Level 3
Financial assets								
Current:								
Investments at FVPL	567,674,308	-	-	567,674,308	567,674,308	567,674,308	-	-
Trade and other receivables	1,016,688,920	1,016,688,920	-	-	N/A	-	-	-
Cash and cash equivalents	329,663,305	329,663,305	-	-	N/A	-	-	-
Total financial assets	1,914,026,533	1,346,352,225	-	567,674,308	567,674,308	567,674,308	-	-
Financial liabilities								
Non-current:								
Loans and borrowings	417,124,634	417,124,634	-	-	N/A	-	-	-
Lease liabilities	17,688,706	17,688,706	-	-	N/A	-	-	-
Current:								
Loans and borrowings	852,748,232	852,748,232	-	-	N/A	-	-	-
Trade payables	303,650,697	303,650,697	-	-	N/A	-	-	-
Lease liabilities	7,255,079	7,255,079	-	-	N/A	-	-	-
Total financial liabilities	1,598,467,348	1,598,467,348	-	-	-	-	-	-

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37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, other assets, loans and borrowings, trade payables and lease liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade receivables, other assets, loans and borrowings (current), and trade payables approximates their fair value.

There were no transfers between levels during the period.

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.

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, 2022	December 31, 2021
Cash at banks (note 17)	**380,106,336**	329,404,067
Time deposits	**45,000,000**	-
Trade receivables - third parties (note 14)	**727,365,960**	942,042,788
Trade receivables – related parties (note 14)	**106,475,536**	74,646,132
Investments at FVTPL	**419,761**	567,674,308
	1,259,367,593	1,913,767,295

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37. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

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 80% in KSA, 13% in the Middle East and 7% 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 risk 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 agreement to hedge its interest rate risk. However, these are monitored on a regular basis and corrective measures initiated wherever required.

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 counties other than Kingdom of Saudi Arabia and denominated in Egyptian pound, 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 initiated wherever required.

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37. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Currency risk (Continued)

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, 2022	EGP	EUR	DZD	MAD	USD
Cash and cash equivalents	**34,987,682**	**3,275,162**	**3,517,461**	**517,551**	**1,187,622**
Trade receivables	**4,183,396**	-	**5,801,078**	**11,288,089**	**130,397,266**
Due from related parties	-	-	**65,831,745**	-	-
Right of use assets	-	-	**104,938**	-	-
Lease liabilities	-	-	-	-	-
Deferred income	-	-	-	**(1,550,000)**	-
Loans and borrowings	**(5,083,728)**	-	-	**(35,971,469)**	-
Trade payable and other liabilities	**(4,937,253)**	**(15,222,093)**	**(28,381,141)**	**(19,423,823)**	**(23,174,273)**
Net statement of financial position exposure	**29,150,097**	**(11,946,931)**	**46,874,081**	**(45,139,652)**	**108,410,615**

December 31, 2021	EGP	EUR	DZD	MAD	USD
Cash and cash equivalents	59,932,388	789,802	3,186,497	5,576,254	5,734,433
Trade receivables	4,499,702	-	4,337,657	9,808,790	130,397,266
Due from related parties	-	-	62,285,840	-	-
Right of use assets	-	-	338,527	-	-
Lease liabilities	-	-	(244,442)	-	-
Deferred income	-	-	-	(1,546,800)	-
Loans and borrowings	(10,467,861)	-	-	(39,300,097)	-
Trade payable and other liabilities	(43,043,795)	(5,257,492)	(20,128,490)	(8,785,977)	(80,256,867)
Net statement of financial position exposure	10,920,434	(4,467,690)	49,775,589	(34,247,830)	55,874,832

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 ignores any impact of forecast sales and purchases.

	Strengthening	Weakening
December 31, 2022		
EGP (1%)	**(291,501)**	**291,501**
EURO (1%)	**(32,752)**	**32,752**
DZD (1%)	**(468,741)**	**468,741**
MAD (1%)	**451,397**	**(451,397)**
USD (1%)	**(1,315,849)**	**1,315,849**
December 31, 2021		
EGP (1%)	(109,204)	109,204
EURO (1%)	44,677	(44,677)
DZD (1%)	(497,756)	497,756
MAD (1%)	342,478	(342,478)
USD (1%)	(558,748)	558,748

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37. FINANCIAL INSTRUMENTS (CONTINUED)

Price risk

The risk 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, 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 at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

December 31, 2022	**Up to three months**	**More than three months and up to year**	**More than one year and up to five year**	**More than five year**	**Total**
Financial liabilities					
Loans and borrowings	**24,945,000**	**676,959,955**	**379,832,278**	-	**1,081,737,233**
Lease liabilities	**6,144,923**	-	**18,806,045**	-	**24,950,968**
Employees' end of service benefits	-	-	**313,238,474**	-	**313,238,474**
Trade payable and other liabilities	-	**403,452,821**	-	-	**403,452,821**
Dividends payable	-	**158,755,124**	-	-	**158,755,124**
	31,089,923	**1,239,167,900**	**711,876,797**	-	**1,982,134,620**

December 31, 2021	Up to three months	More than three months and up to year	More than one year and up to five year	More than five year	Total
Financial liabilities					
Loans and borrowings	45,665,966	852,748,232	417,124,634	-	1,315,538,832
Lease liabilities	7,255,079	-	17,688,706	-	24,943,785
Employees' end of service benefits	-	-	295,886,961	-	295,886,961
Trade payable and othe liabilities	-	461,365,242	-	-	461,365,242
Dividends payable	-	157,492,830	-	-	157,492,830
	52,921,045	1,471,606,304	730,700,301	-	2,255,227,650

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38. SEGMENT INFORMATION

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	December 31, 2022	December 31, 2021
Revenue from sale of products	1,275,464,998	1,334,529,223
Revenue from services	150,872,090	125,254,746
	1,426,337,088	1,459,783,969
Other revenue		
Share of profit from associates and joint ventures	20,441,973	11,406,008
	20,441,973	11,406,008
Total revenue	1,446,779,061	1,471,189,977

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, 2022

	Sale of goods	Distribution Services	Contract manufacturing arrangements	Medical services	Total
Kingdom of Saudi Arabia	1,090,875,906	16,609,960	4,720,343	129,310,640	1,241,516,849
Middle East	137,478,159	-	-	-	137,478,159
Egypt	19,301,238	-	231,147	-	19,532,385
Morocco	20,330,401	-	-	-	20,330,401
Algeria	7,479,294	-	-	-	7,479,294
	1,275,464,998	16,609,960	4,951,490	129,310,640	1,426,337,088
Timing of revenue recognition					
PO satisfied at a point in time	1,275,464,998	16,609,960	4,951,490	-	1,297,026,448
PO satisfied over time	-	-	-	129,310,640	129,310,640
	1,275,464,998	16,609,960	4,951,490	129,310,640	1,426,337,088

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38. SEGMENT INFORMATION (Continued)

December 31, 2021

	Sale of goods	Distribution Services	Contract manufacturing arrangements	Medical services	Total
Kingdom of Saudi Arabia	1,149,189,650	5,406,067	14,560,718	103,877,081	1,273,033,516
Middle East	138,407,419	-	-	-	138,407,419
Egypt	21,630,859	-	1,185,396	-	22,816,255
Morocco	19,049,195	-	225,484	-	19,274,679
Algeria	6,252,100	-	-	-	6,252,100
	1,334,529,223	5,406,067	15,971,598	103,877,081	1,459,783,969
Timing of revenue recognition					
PO satisfied at a point in time	1,334,529,223	5,406,067	15,971,598	-	1,355,906,888
PO satisfied over time	-	-	-	103,877,081	103,877,081
	1,334,529,223	5,406,067	15,971,598	103,877,081	1,459,783,969

39. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

As at December 31, 2022, the Group has letters of guarantees amounting to SR 87.3 million (December 31, 2021: SR 77.8 million).

As at December 31, 2022, the Group has a contingent liability amounting to SR 6.8 million which have been issued on behalf of the Group in the normal course of business (December 31, 2021: SR 3.2 million).

During its normal business operations, some cases may arise against the Company and some of the Group's subsidiaries, and are currently being defended, but the ultimate outcome of these cases cannot be currently determined with certainty. The management believes that the results of these cases will not have a material impact on the Group's consolidated financial statements for the year ended December 31, 2022.

Capital commitments

As at December 31, 2022, the Group has capital commitments amounting to SR 83.6 million (December 31, 2021: SR 76.9 million).

40. SUBSEQUENT EVENTS

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

41. COMPARATIVE FIGURES

Certain amounts of the prior year have been reclassified to conform with the presentation of the current year.

42. APPROVAL ON THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on Shaban 30, 1444H (corresponding to March 22, 2023).

Appendix

Detailed overview of the total loan portfolio of SPIMACO and its subsidiaries as of 31 December 2022

Company	Creditor	Loan Term	Original Loan Amount (SAR)	Beginning Balance as of 01 January 2022 (SAR)	Additions during the year (SAR)	Repayments during the year (SAR)	Loan Balance as of 31 December 2022 (SAR)
SPIMACO KSA	Riyad Bank	Med Term	330,000,000	330,000,000	-	110,000,000	220,000,000
		Short Term	700,000,000	400,000,000	200,000,000	450,000,000	150,000,000
	SABB Bank	Long Term	500,000,000	-	-	-	-
		Short Term	120,000,000	-	120,000,000	-	120,000,000
	Al-Bilad Bank	Long Term	350,000,000	-	-	-	-
		Short Term	200,000,000	-	50,000,000	50,000,000	-
	Gulf International Bank	Long Term	250,000,000	-	-	-	-
		Short Term	170,000,000	-	80,000,000	-	80,000,000
	Banque Saudi Fransi	Short Term	165,000,000	-	110,000,000	-	110,000,000
	Al-Rajhi Bank	Short Term	250,000,000	-	-	-	-
	ABC Islamic Bank	Short Term	168,750,000	-	-	-	-
	Saudi Industrial Development Fund (SIDF)	Long Term	287,100,000	219,824,537		54,470,633	165,353,904
	Saudi EXIM Bank	Short Term	150,000,000	150,000,000	-	150,000,000	-
Dammam Pharmaceutical Company	Bank Al Bilad	Med Term	65,000,000	-	65,384,292	-	65,384,292
		Short Term	15,000,000	-	-	-	-
	Riyad Bank	Med Term	45,411,740	45,411,740	-	45,411,740	-
		Short Term	20,000,000	20,000,000	3,003,206	20,000,000	3,003,206
	Saudi Industrial Development Fund (SIDF)	Long Term	54,100,000	52,835,213		4,576,055	48,259,158

Company	Creditor	Loan Term	Original Loan Amount (SAR)	Beginning Balance as of 01 January 2022 (SAR)	Additions during the year (SAR)	Repayments during the year (SAR)	Loan Balance as of 31 December 2022 (SAR)
ARACOM Medical Company	Gulf International Bank	Short Term	30,000,000	-	20,000,000	-	20,000,000
	Banque Saudi Fransi	Short Term	35,000,000	-	25,000,000	-	25,000,000
Al Qassim Medical Services Co.	Ministry of Finance	Long Term	34,215,000	2,281,000	-	2,281,000	-
SPIMACO Misr for Pharmaceutical Industries Co.	Arab African International Bank (AAIB)	Med Term	1,663,973	1,663,973	321,009	610,800	1,374,183
	Arab African International Bank (AAIB)	Med Term	4,033,571	4,033,571	709,844	1,985,100	2,758,315
	Export Development Bank of Egypt (EDBE)	Med Term	929,483	929,483	130,928	109,181	951,231
SPIMACO Morocco for Pharmaceutical Industries Co.	BMCE Bank	Med Term	27,125,000	21,832,699	-	-	21,832,699
	ATTIJARI Bank	Med Term	27,125,000	14,731,515	-	3,875,000	10,856,515
		Short Term	775,000	777,463	457,187	-	1,234,650
	ARAB Bank	Med Term	38,750,000	-	1,181,089	-	1,181,089
		Short Term	7,750,000	-	9,602,992	-	9,602,992
Total borrowings of the Company and its subsidiaries			**4,047,728,767**	**1,264,321,193**	**685,790,548**	**893,319,509**	**1,056,792,233**

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

Subsidiary Company	Commercial register number and state established	The 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	Sale and distribution of pharmaceutical, veterinary and cosmetics products	100%
ARACOM Medical Company[2]	1010438142 Riyadh	Saudi Arabia	Wholesale and retail trading of medicines, cosmeceuticals & food supplements	100%
Dammam Pharmaceutical Company	2050088711 Issued from Dammam, Saudi Arabia	Saudi Arabia	Manufacturing, marketing and selling of pharmaceutical products	85%
Al-Qassim Medical Services Co.	1131011745 Saudi Arabia	Saudi Arabia	Owning, managing and maintaining hospital	57.27%
Pharmaceutical Industries for Distribution Company[1]	1010219722 Issued from Riyadh Saudi Arabia	Saudi Arabia	Distribution of Pharmaceutical products	100%
ANORA Trading Company[5]	1010932393 Saudi Arabia	Saudi Arabia	Owning and managing retail pharmacies	99%
Al Watan Arabian Pharmaceutical Industries Company[3]	1131169001 Riyadh	Saudi Arabia	Production of pharmaceuticals and semi-pharmaceutical cosmetics	100%
SPIMACO Saudi Foundation Algeria	0011047N00 Algerian Republic	Algerian Republic	Import 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	72.5%
SPIMACO Misr for Pharmaceutical Industries[6]	137914 Alexandria	Arab Republic of Egypt	Manufacturing, selling and marketing of pharmaceutical products	90.58%
SPIMACO Egypt for Distribution[1]	35176 Arab Republic of Egypt	Arab Republic of Egypt	Selling and distribution of pharmaceutical products	100%
SPIMACO Egypt for Marketing[1]	35177 Arab Republic of Egypt	Arab Republic of Egypt	Selling and marketing of pharmaceutical products	100%
SPIMACO Egypt Co.	36022 Arab Republic of Egypt	Arab Republic of Egypt	Import and trading of pharmaceuticals products	100%
SPIMACO ILAJ[7]	823828 Turkey	Republic of Türkiye	Manufacturing and selling 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[4]	1010221859 Issued from Riyadh Saudi Arabia	Saudi Arabia	Effective raw materials industry in the pharmaceutical industry	46.08%
Tassili Arab Pharmaceutical Company -TAFCO Algeria	00B14160 Algerian Republic	Algerian Republic	Production, marketing and sale of medical preparations	22%

[1] There has been no activity in these subsidiaries.

[2] owned 80% by ARAC Healthcare and 20% by Pharmaceutical Industries for Distribution Company.

[3] On September 16, 2020, the shareholders of AL-WATAN Arabian Pharmaceutical Industries ("Al-Watan Pharma') (a subsidiary Limited Liability Company) resolved to voluntarily liquidate the Company and appointed a legal liquidator for that purpose. The subsidiary did not start its commercial activity and does not have capital projects. As on October 30, 2022, the management approved the liquidation of AL-WATAN Arabian Pharmaceutical Industries. The liquidation phase is in under process to finalize with the Ministry of Commerce and ZATCA. The subsidiary is 85% owned company by SPIMACO and 15% by ARAC Healthcare Company.

[4] 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.

[5] 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)

[6] 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%.

[7] There has been no activity in this subsidiary and the company has been liquidated during the year.

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