

**Middle East Pharmaceutical Industries  
Company  
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
For the year ended 31 December 2025**

Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company)

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CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2025

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**PAID-UP CAPITAL (ﷲ5,500,000 - FIVE MILLION FIVE HUNDRED THOUSAND SAUDI RIYAL)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company)

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, as applicable to audit of consolidated financial statement of public interest entities. We have fulfilled our other ethical responsibilities in accordance with that Code. 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company) (Continued)

Key Audit Matters

Key audit matter	How our audit addressed the key audit matter
<p>Provisions for deductions from revenue related to returns and rebates</p> <p>The Group recognized revenue of SR 460 million for the year ended 31 December 2025 net of provisions for rebates and returns. As discussed in note 3, Revenue is subject to rebates, discounts and allowance for future returns. Rebates and returns involve the use of assumptions and judgments in the determination of the provision rates at the time revenues are recorded. Provision rates are influenced, amongst others, by the terms and conditions in the individual agreements, historical experience and estimating the portion of Revenue that will ultimately be subject to a related rebate.</p> <p>Revenue is considered a Key Audit Matter due to significant estimate and judgement involved in recognition of variable consideration related to rebates, discounts and sales returns.</p> <p>Furthermore, Revenue is a key measure of the Group's performance which creates a risk of management override of controls related to Revenue recognition.</p> <p><i>Refer to note 4 for the material accounting policy information relating to revenue recognition, note 3 for use of judgements and estimates and note 24 for the revenue disclosure note.</i></p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and implementation of Group's controls over revenue recognition including controls responsive to fraud.</li> <li>• Evaluated the Group's accounting policy, considering the requirements of IFRS 15 "Revenue from contracts with customers".</li> <li>• Obtained and evaluated management's computations for provisions under respective contractual arrangements.</li> <li>• Evaluated the key assumptions used by the management by comparing it with actual rebates and returns made in prior years.</li> <li>• Tested underlying data used by management in calculating the provision for returns and rebates including the review of sample underlying customer agreements to verify terms and conditions of returns and rebates.</li> <li>• Performed cut-off procedures, to assess whether revenue is recognized in proper accounting period.</li> <li>• Assessed the adequacy of relevant disclosures in the consolidated financial statements as required by IFRS 15.</li> </ul>



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company) (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Allowance for expected credit losses ("ECL") on trade receivables</p> <p>As of 31 December 2025, the gross carrying amount of trade receivables was SR 268.2 million, against which the Group recognized an allowance for expected credit losses of SR 11.4 million in accordance with IFRS 9. As disclosed in note 3, management applied a simplified expected credit loss ("ECL") model to determine the appropriate allowance for ECL. The determination of allowance for expected credit losses for trade receivables is based on assumptions that relate mainly to probability of default and loss given default. The Group applies judgement in making these assumptions that are based on the Group's past history, market conditions, as well as macroeconomic variables.</p> <p>We considered this as a key audit matter due to the level of judgment and uncertainty around assumptions used by management in determination of the allowance for expected credit losses.</p> <p><i>Refer to note 3 and 4 for the used of judgements and estimates and material accounting policy information relating to allowance for ECL respectively.</i></p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the process used by management and evaluated design and implementation of controls used by management in determining the allowance for expected credit losses on trade receivable.</li> <li>• Evaluated appropriateness of accounting policies used by management in determining the ECL in accordance with IFRS 9 "Financial Instruments".</li> <li>• Obtained management`s calculation of ECL and understanding of calculation method and assumptions used by management.</li> <li>• Assessed appropriateness of assumptions used by management in conjunction with our specialist by developing an independent expectation based on the historical data, industry experience and market observable data sources.</li> <li>• Tested completeness and mathematical accuracy of data used by management in the ECL model including the ageing of receivables.</li> <li>• Assessed the adequacy of relevant disclosures included in the consolidated financial statements as required by IFRS 9.</li> </ul>



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company) (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Capitalization of development costs (Formulations in progress) As of 31 December 2025, the carrying amount of formulation in progress of SR 38.2 million is included in the Intangible assets.</p> <p>The Group incurs significant costs related to product development and its licensing arrangements. Determining whether product development costs qualify for capitalization under IAS 38 "Intangible Assets" involves considerable management judgment, particularly in assessing technical feasibility, likelihood of generating future economic benefits and the reliability of cost measurement.</p> <p>We considered this a key audit matter due to the significant judgment involved in evaluating whether capitalization criteria are met and further evaluating whether these criteria continuous to be met as of the reporting date which might lead to an impairment of capitalised development costs.</p> <p><i>Refer to note 4 for material accounting policy information related to intangible assets and note 3 for the used of judgements and estimates.</i></p>	<p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> <li>• Obtained understanding of management’s process and evaluated design and implementation of controls used by management for evaluating whether particular costs are allowed for capitalisation and whether IAS38 criteria for capitalising such costs are met with respect to a particular product under development.</li> <li>• Evaluated appropriateness of Group’s accounting policies for internally generated intangible assets to assess compliance with IAS 38 requirements.</li> <li>• Obtained management`s schedule of costs capitalised under formulations in progress during the year. For a selected cost samples we verified that internal costs capitalized were supported by appropriate evidence and accurately allocated to a specific product only when such costs are allowed for capitalisation under IAS38.</li> <li>• For a sample of formulations in progress we obtained and reviewed management`s assessment of whether IAS 38 criteria for capitalisation were met including the technical feasibility study, historical rejection rates by regulatory authorities, commercial feasibility. We also considered the nature of the product being developed and whether regulatory approvals for such product were received in other countries or whether equivalent product is sold in the market by another company.</li> <li>• For a sample of formulations in progress that have remained unregistered with the regulatory authority for an extended period of time, we obtained management`s rationale for continued capitalization as well as timelines for projected submission and expected approval by the regulator. We considered historical data related to product feasibility, development timelines as well as products rejection rates in our analysis of whether the IAS 38 criteria continue to be met.</li> <li>• Assessed the adequacy of relevant disclosures in the consolidated financial statements.</li> </ul>



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company) (Continued)

### Other matter

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed unmodified opinion on those consolidated financial statements on 25 Ramadhan 1446H (corresponding to 25 March 2025).

### Other information included in The Group's 2025 Annual Report

Other information consists of the information included in the Group's 2025 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2025 annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e., the Audit Committee, is responsible for overseeing the Group's financial reporting process.



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company) (Continued)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia 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 users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast 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.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company) (continued)

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

From the matters communicated with those charged with governance, 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.

for Ernst & Young Professional Services

Waleed G. Tawfiq  
Certified Public Accountant  
License No. (437)



Riyadh: 16 Ramadan 1447H  
(5 March 2026)

Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

(All amounts in ~~SAR~~ unless otherwise stated)

	<i>Notes</i>	<i>31 December 2025</i>	<i>31 December 2024</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	123,365,389	120,764,715
Right-of-use asset	15.1	552,423	-
Intangible assets	11	62,362,549	50,592,367
<b>Total non-current assets</b>		<b>186,280,361</b>	<b>171,357,082</b>
<b>Current assets</b>			
Inventories	9	103,525,950	93,595,532
Trade receivables	7	256,838,441	217,484,690
Prepayments and other current assets	8	18,515,178	21,698,020
Cash, cash equivalents and cash in transit	6	34,370,454	22,645,719
<b>Total current assets</b>		<b>413,250,023</b>	<b>355,423,961</b>
<b>Total assets</b>		<b>599,530,384</b>	<b>526,781,043</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	21	200,000,000	200,000,000
General reserve	22	-	25,253,411
Other comprehensive loss		(13,726,442)	(11,751,592)
Retained earnings		229,970,452	154,707,576
<b>Total equity</b>		<b>416,244,010</b>	<b>368,209,395</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	14	21,409,723	-
Lease liability – noncurrent portion	15.2	164,681	-
Employee benefits	19.1	29,688,661	24,536,489
<b>Total non-current liabilities</b>		<b>51,263,065</b>	<b>24,536,489</b>
<b>Current liabilities</b>			
Short-term loans	13	37,389,182	60,088,833
Loans and borrowings	14	4,573,527	3,168,968
Lease liability – current portion	15.2	306,570	-
Trade payables	16	44,021,213	27,349,169
Accruals and other current liabilities	17	38,040,008	36,335,429
Zakat payable	18.2	7,692,809	7,092,760
<b>Total current liabilities</b>		<b>132,023,309</b>	<b>134,035,159</b>
<b>Total liabilities</b>		<b>183,286,374</b>	<b>158,571,648</b>
<b>Total equity and liabilities</b>		<b>599,530,384</b>	<b>526,781,043</b>



Ahmed Al Tabbaa  
Chairman



Mohammed Maher Al Ghannam  
Managing Director & CEO



Syed Moazam Ali Shah  
Chief Financial Officer

Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

(All amounts in  $\text{SAR}$  unless otherwise stated)

	<i>Notes</i>	<u>2025</u>	<u>2024</u>
Revenue	24	460,484,823	394,000,567
Cost of revenue	25	<u>(173,646,558)</u>	<u>(150,638,245)</u>
<b>Gross profit</b>		<b>286,838,265</b>	<b>243,362,322</b>
Selling and distribution expenses	27	(113,756,605)	(96,190,493)
General and administrative expenses	28	(63,239,495)	(53,756,520)
Impairment loss on trade receivables	7	(1,465,747)	(3,537,108)
Other income, net	26	<u>36,331</u>	<u>1,155,467</u>
<b>Operating profit</b>		<b>108,412,749</b>	<b>91,033,668</b>
Finance costs	29	<u>(4,673,004)</u>	<u>(4,684,744)</u>
<b>Profit before zakat</b>		<b>103,739,745</b>	<b>86,348,924</b>
Zakat expense	18.1	<u>(6,730,280)</u>	<u>(6,500,004)</u>
<b>Profit for the year</b>		<b>97,009,465</b>	<b>79,848,920</b>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investment at FVOCI – net change in fair value	12	-	(555,320)
Re-measurements of defined benefit obligation	19.1	<u>(1,974,850)</u>	<u>(2,483,728)</u>
<b>Other comprehensive loss for the year</b>		<b>(1,974,850)</b>	<b>(3,039,048)</b>
<b>Total comprehensive income for the year</b>		<b>95,034,615</b>	<b>76,809,872</b>
<b>Basic and diluted earnings per share</b>	33	<u>4.85</u>	<u>3.99</u>



Ahmed Al Tabbaa  
Chairman



Mohammed Maher Al Ghannam  
Managing Director & CEO



Syed Moazam Ali Shah  
Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

(All amounts in  $\text{SAR}$  unless otherwise stated)

	<i>Notes</i>	<i>Share capital</i>	<i>General reserve</i>	<i>Retained earnings</i>	<i>Other comprehensive loss</i>	<i>Total equity</i>
Balance at 1 January 2024		200,000,000	25,253,411	107,813,903	(26,667,791)	306,399,523
Profit for the year		-	-	79,848,920	-	79,848,920
Other comprehensive loss		-	-	-	(3,039,048)	(3,039,048)
Total comprehensive income for the year		-	-	79,848,920	(3,039,048)	76,809,872
Transfer of realized loss to retained earnings on disposal of FVOCI equity investments		-	-	(17,955,247)	17,955,247	-
Dividends	23	-	-	(15,000,000)	-	(15,000,000)
Balance at 31 December 2024		<u>200,000,000</u>	<u>25,253,411</u>	<u>154,707,576</u>	<u>(11,751,592)</u>	<u>368,209,395</u>
Balance at 1 January 2025		<b>200,000,000</b>	<b>25,253,411</b>	<b>154,707,576</b>	<b>(11,751,592)</b>	<b>368,209,395</b>
Profit for the year		-	-	97,009,465	-	97,009,465
Other comprehensive loss		-	-	-	(1,974,850)	(1,974,850)
Total comprehensive income for the year		-	-	97,009,465	(1,974,850)	95,034,615
Transfer from general reserve to retained earnings		-	(25,253,411)	25,253,411	-	-
Dividends	23	-	-	(47,000,000)	-	(47,000,000)
<b>Balance at 31 December 2025</b>		<u><b>200,000,000</b></u>	<u><b>-</b></u>	<u><b>229,970,452</b></u>	<u><b>(13,726,442)</b></u>	<u><b>416,244,010</b></u>



Ahmed Al Tabbaa  
Chairman



Mohammed Maher Al Ghannam  
Managing Director & CEO



Syed Moazam Ali Shah  
Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

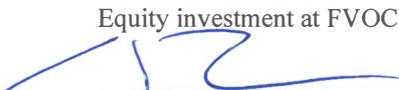
Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

(All amounts in  $\text{SAR}$  unless otherwise stated)

	<i>Notes</i>	<i>2025</i>	<i>2024</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before zakat		103,739,745	86,348,924
<i>Adjustments to reconcile net income to net cash flows from operating activities:</i>			
Depreciation	10.1, 15	12,223,652	9,795,241
Amortization	11	7,784,430	6,041,406
Provision for employee benefits	19.1	6,290,718	4,703,391
Finance costs		3,253,080	3,673,215
Addition of impairment loss on trade receivables	7	1,465,747	3,537,108
Provision for net realizable value loss on inventories, net	9	(2,714,764)	5,272,229
Write-off of intangible assets		70,098	-
Gain on disposal of property, plant and equipment		(40,870)	(120,767)
<b>Changes in operating assets and liabilities:</b>			
Inventories		(7,215,655)	(11,697,400)
Cash in transit	6	(7,795,533)	-
Trade receivables		(40,819,498)	(57,655,562)
Prepayments and other current assets		3,182,842	(9,333,683)
Trade payables		16,672,044	(1,027,359)
Accruals and other current liabilities		1,684,096	3,117,604
<b>Cash generated from operating activities</b>		<b>97,780,132</b>	<b>42,654,347</b>
Zakat paid	18.2	(6,130,231)	(4,832,592)
Net employee benefits paid	19.1	(3,113,396)	(4,745,714)
<b>Net cash generated from operating activities</b>		<b>88,536,505</b>	<b>33,076,041</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	10	(14,791,736)	(11,168,847)
Additions to intangible assets	11	(19,624,709)	(9,782,792)
Proceeds from sale of equity investments	12	-	769,114
Proceeds from disposal of property, plant and equipment		40,870	142,834
<b>Net cash used in investing activities</b>		<b>(34,375,575)</b>	<b>(20,039,691)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term loans during the year	13	42,389,183	87,194,077
Proceeds of loans and borrowings during the year	14	26,143,488	-
Repayments of short-term loans during the year	13	(65,088,834)	(77,377,890)
Repayments of loans and borrowings during the year	14	(3,360,143)	(6,337,936)
Payments of lease liabilities	15	(114,964)	-
Dividends paid	23	(46,979,517)	(15,000,000)
Finance costs paid		(3,220,941)	(1,458,978)
Payment on behalf of shareholders	20.1	-	(2,670,812)
Due from related parties	20.1	-	10,153,714
<b>Net cash used in financing activities</b>		<b>(50,231,728)</b>	<b>(5,497,825)</b>
<b>Net changes in cash and cash equivalents</b>		<b>3,929,202</b>	<b>7,538,525</b>
Cash and cash equivalents at the beginning of year		22,645,719	15,107,194
<b>Cash and cash equivalents at end of the year</b>	6	<b>26,574,921</b>	<b>22,645,719</b>
Cash in transit	6	7,795,533	-
<b>Cash, cash equivalents and cash in transit at end of the year</b>	6	<b>34,370,454</b>	<b>22,645,719</b>
<b>SIGNIFICANT NON-CASH TRANSACTIONS</b>			
Equity investment at FVOCI - net change in fair value	12	-	555,320

  
Ahmed Al Tabbaa  
Chairman

  
Mohammed Maher Al Ghannam  
Managing Director & CEO

  
Syed Moazam Ali Shah  
Chief Financial Officer

The accompanying notes 1 to 35 form an integral part of these consolidated financial statements

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

(All amounts in  unless otherwise stated)

### 1. REPORTING ENTITY

Middle East Pharmaceutical Industries Company (“the Company”) was a Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010150538 and unified identification number 7018055066 on 2 Rabi II 1419H (corresponding to 27 July 1998).

The Company has applied to the Ministry of Commerce to convert the legal status of the Company from a limited liability company to a closed joint stock company, pursuant to shareholders’ decision. On 21 Sha’ban 1443H (corresponding to 24 March 2022) the Ministry of Commerce approved the conversion from a limited liability company to a Saudi closed joint stock company.

On 27 February 2024, the Company listed its shares in Saudi Stock Exchange (“Tadawul”) and changed the legal status from “Saudi Closed Joint Stock Company” to “Saudi Joint Stock Company”.

The Company’s registered office is located at the following address:

8146 King Muhammad V, Sulaimaniyah,  
P.O. Box 4180  
Riyadh 11491  
Kingdom of Saudi Arabia

The Company has ten (10) branches incorporated in the Kingdom of Saudi Arabia and one (1) branch in United Arab Emirates (UAE). The consolidated financial statements include the results of the eleven (11) branches listed below:

<b><u>Branch name</u></b>	<b><u>Commercial registration number</u></b>
Middle East Pharmaceutical Industries Company Branch – Riyadh	1010274622
Middle East Pharmaceutical Industries Company Branch – Riyadh	1010560224
Middle East Pharmaceutical Industries Company Branch – Riyadh	1010728546
Middle East Pharmaceutical Industries Company Branch – Riyadh	1010653238
Factory of Middle East Pharmaceutical Industries Company – Riyadh Second Industrial City	1010394325
Middle East Distribution Branch – Riyadh	1010175025
Middle East Distribution Company Branch – Jeddah	4030278683
Middle East Distribution Company Branch – Jeddah	4030161826
Middle East Distribution Company Branch – Dammam	2050061104
Middle East Pharmaceutical Industries Company Branch – Dammam	2050168074
Middle East Pharmaceutical Industries (Listed Joint Stock Company)– Dubai, UAE Branch	100636

The Company and its subsidiaries, mentioned below, (collectively referred to as “the Group”) is engaged in manufacturing medicines, medicated and non-medicated creams and gels.

Following subsidiaries are included in the consolidated financial statements as of 31 December 2025 and 31 December 2024:

<b><u>Name</u></b>	<b><u>Registered office</u></b>	<b><u>Cost of investment (In GBP*)</u></b>	<b><u>Number of shares</u></b>	<b><u>Percentage of ownership</u></b>	
				<b><u>Direct</u></b>	<b><u>Indirect</u></b>
Avalon Pharma UK Holdings Limited	UK	1	1	100	-
Avalon Cosmetics Limited	UK	1	1	-	100
Avalon Pharma Limited	UK	1	1	-	100
Avalon Nutrition Limited	UK	1	1	-	100

\*GBP – Great Britain Pound

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in ﷲ unless otherwise stated)

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (hereinafter refer to as “IFRS as endorsed in KSA”).

#### 2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention and going concern assumption, except for the employees’ defined benefits obligations which is measured using the projected unit credit method and equity investments at Fair Value through Other Comprehensive Income (FVOCI), which are measured at fair value.

#### 2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyal ﷲ (SR) which is the functional currency of the Company. All amounts rounded to the nearest Saudi Riyal.

#### 2.4 Basis of consolidation

These consolidated financial statements include the assets, liabilities and the results of operations of the Company and its subsidiaries listed in note 1.

Subsidiaries are entities controlled by the group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of profit or loss.

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in  unless otherwise stated)

### 3. USE OF JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis.

The following critical judgements and estimates have the most significant effect on the amounts recognized in the consolidated financial statements:

#### **Revenue recognition**

The Group exercises professional judgement in assessing the 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. The Group analyses rebates on a customer-by-customer basis for contracts that include a defined threshold. The assessment of whether a customer is likely to qualify for a rebate is based on their accumulated purchases during the year.

The Group updates its assessment of provision for returns and volume rebates at the end of each reporting period and the liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements may not be representative of customers' actual returns and rebate entitlements in the future.

#### **Impairment test - Trade receivables**

For trade receivables, the Group applies the simplified approach. To measure the expected credit losses, receivables have been segmented based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward-looking macroeconomic information.

#### **Useful lives and residual values of property, plant and equipment**

The Group determines the estimated useful lives and residual values of property, plant, and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the assets, physical wear and tear, and technological obsolescence. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

#### **Incremental borrowing rate for lease agreements**

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

#### **Measurement of employee benefits obligations: significant actuarial assumptions**

Employees' benefit obligation represents obligations that will be settled in the future and require assumptions to project obligations. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates and employment turnover. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

#### **Provision for Inventories**

The Group determines net realisable write-down adjustments to inventories, if any, based upon historical experience, expected inventories turnover, expiry date, current condition, and future expectations with respect to its consumption. Management estimates the net realisable value based on the most reliable evidence at the time these estimates are made.

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in  unless otherwise stated)

### 3. USE OF JUDGMENTS AND ESTIMATES (continued)

#### Capitalisation of development cost -formulation in progress

The Group capitalises development costs for products that are in the formulation-in-progress stage. This judgement is based on the Group's assessment that commercial feasibility has been established, adequate supply-chain capabilities are available, technical feasibility has been confirmed by the R&D department, and the product has been approved for development by the Product Selection Committee.

The carrying amount of formulation-in-progress is assessed by considering factors such as technical feasibility, the expected future economic benefits, and progress toward commercialisation. These assessments may change as new technical findings emerge, cost estimates are updated, or market conditions evolve. Such changes could result in impairment or the reversal of previously capitalised costs.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Consolidated Statement of Profit or Loss and Other comprehensive income net of any reimbursement.

#### Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs of disposal and value in use. For the purpose of assessing impairment, assets are combined at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Group of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

### 4. MATERIAL ACCOUNTING POLICY INFORMATION

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

#### 4.1 Classification of assets and liabilities to "current" or "non-current"

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- 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
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current

A liability is current when:

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

The Group classifies all other liabilities as non-current.

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in  unless otherwise stated)

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.2 Fair Value Measurement

The Group measures its financial instruments at fair value at each reporting 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 for the asset or liability or the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, 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

#### 4.3 Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of profit or loss and other comprehensive income, respectively.

#### 4.4 Revenue recognition

The Group receives revenue from the sales of goods to customers against orders received. The majority of contracts that the Group 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.

Revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, which 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.

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

Other income is recorded when earned.

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

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in  unless otherwise stated)

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.5 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### i) Financial assets

###### Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- Financial assets measured at amortised cost; or
- Financial assets measured at fair value

Gains or losses of assets measured at fair value will be recognised either through the consolidated statement of profit or loss or through the consolidated statement of OCI.

###### Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of profit or loss, when incurred.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payments of principal and interest.

###### Subsequent measurement

The subsequent measurement of the non-derivative financial assets depends on their classification as follows:

###### a. Financial assets measured at amortized cost:

Assets that are held to collect contractual cash flows are measured at amortized cost using the effective interest rate ('EIR') method where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income. When the financial asset is derecognized, the gain or loss is recognized in the consolidated statement of profit or loss.

###### b. Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss ("FVTPL") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future. Gains and losses, both on subsequent measurement and derecognition, are recognized in consolidated statement of profit or loss.

###### c. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income ("FVOCI") are measured at each reporting date at fair value without the deduction of transaction costs that the Group may incur on sale or disposal of the financial asset in the future. Gains and losses are recognized in the consolidated statement of comprehensive income. The amounts recognized in the consolidated statement of comprehensive income are not reclassified to the consolidated statement of profit or loss under any circumstances.

Dividends from category "b" and "c" are recognised in the consolidated statement of profit or loss as other income when the Group's right to receive payments is established.

The Financial asset at amortised cost consists of trade receivables and cash and cash equivalents.

###### De-recognition

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in  unless otherwise stated)

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.5 Financial instruments (continued)

##### i) Financial assets (continued)

###### De-recognition (continued)

- a) The Group has transferred substantially all the risks and rewards of the asset; or
- b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

###### Impairment

The Group recognizes expected credit losses for trade receivables based on the simplified approach. The simplified approach to the recognition of expected losses does not require the Group to track the changes in credit risk; but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group's policy measures ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

##### ii) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVPL; and
- Other financial liabilities are measured at amortised cost using the EIR method.

The category of financial liability at FVPL has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVPL upon initial recognition; and
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings.

###### Subsequent measurement

For financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

###### De-recognition

A financial liability is de-recognised when the obligation under the liability is settled or discharged. 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

Middle East Pharmaceutical Industries Company  
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in ﷲ unless otherwise stated)

**4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**4.5 Financial instruments (continued)**

**ii) Financial liabilities (continued)**

**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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 5 years past due from government customers and 1 year past due from private customers.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The financial asset is past due as per terms of agreement with customers.

**4.6 Property, plant and equipment**

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Subsequent expenditure incurred is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the entity. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss account as incurred.

Depreciation is calculated from the date the item of property and equipment is available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

<u>Asset category</u>	<u>Estimated useful life</u>
Buildings	20
Machineries	8
Furniture and office equipment	4
Motor vehicles	4
Computers	4
Tools	8

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis, and adjusted prospectively if appropriate, at each statement of financial position date.

Land and assets under construction, which are not ready for its intended use, are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in  unless otherwise stated)

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### Group as a lessee

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:

##### Right-of-use assets

The Group recognises 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are subject to impairment. Right-of-use asset comprises of lease of office space building which is amortized over the lease period. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

- Useful life, 20 years
- Lease term, 3 years

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

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### Lease liabilities

At the commencement date of the lease, the Group recognises 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 recognised as 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.

#### 4.8 Borrowing costs

Borrowing costs that are directly attributed to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. The Group determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate being the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in  unless otherwise stated)

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.9 Intangible assets

Intangible assets represent software implementation cost, the costs of developing formulas and products. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Costs that are directly associated with identifiable software products and have probable economic benefit beyond one year are recognized as intangible assets. Costs associated with maintaining computer software products are recognized as an expense when incurred.

Development costs incurred on new product formulations prior to commercial readiness are capitalized only when the project meets the IAS 38 criteria for developed assets, including technical feasibility, intention and ability to complete, and reliable measurement of costs. Expenditure incurred before meeting these criteria is expensed as research cost.

Product formulations are reclassified from the formulation in progress category to the registered products category upon receipt of the Saudi Food and Drug Authority (SFDA) certificate of approval.

Formulation in progress and registered developed products are assessed for impairment when indicators arise, such as technical failure, regulatory rejection, or changes in commercial viability. Any resulting impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income.

Intangible assets that are acquired by the Group and have finite lives are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised using the straight-line method over the estimated years of benefit.

The estimated years of amortization of the principal classes of other intangible assets is as follows:

<u>Asset category</u>	<u>Estimated useful life</u>
Software and licenses	4 years to 10 years
Registered developed products	5 years

The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the aggregated cash generating unit level.

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

#### 4.10 Inventories

Inventories include raw materials, packaging, consumables, finished goods (manufactured and procured), and goods-in-transit.

Inventories are stated at the lower of cost and net realizable value (NRV) in accordance with IAS 2 Inventories.

Inventory cost includes purchase costs, conversion costs, and other costs incurred in bringing inventories to their present location and condition. Inventories are subsequently valued using the weighted average cost formula. Costs of purchased inventory are determined after deducting rebates and discounts. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. NRV represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Provision for net realizable value loss is made, where necessary, expired or near-to-expiry, obsolete or defective stocks, non-moving and slow-moving inventories; and are recognized in the consolidated statement of profit or loss and other comprehensive income within the cost of sales.

Inventories are presented net of the provisions on the face of the consolidated statement of financial position.

# Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2025

(All amounts in  unless otherwise stated)

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.10 Inventories (continued)

##### **Inventory Provisioning**

The Group assesses inventories at each reporting date to ensure they are carried at no more than their NRV. A provision is recognized for inventories that are:

- Expired or near expiry finished goods inventory, based on defined shelf-life thresholds.
- Obsolete, damaged, or no longer usable due to production changes, regulatory requirements, quality issues, or removal from the bill of materials.
- R&D-related materials deemed unusable based on technical or regulatory assessment.
- Non-moving raw & packaging materials, generally items with no consumption or sales activity for more than 12 months.
- Slow-moving raw & packaging materials, based on historical consumption patterns and expected usage.

#### 4.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 4.12 Employee benefits

##### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within twelve months, after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. Short-term employee benefits obligations are presented as current liabilities in the statement of financial position

##### *(ii) Post-employment obligation*

The Group operates a single post-employment benefit scheme of defined benefit plans driven by the labor laws within the Kingdom of Saudi Arabia.

The post-employment benefits plans are not funded. Valuation of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of profit or loss and other comprehensive income while unwinding of the liability at discount rates used are recorded as finance costs. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the year in which they occur, directly in other comprehensive income.

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### 4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 4.13 Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia on an accrual basis. The zakat expense is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization. In calculating the zakat expense for the year, the Company adjusts its profit and applied certain deduction to its zakat base used to calculate the zakat expense. Where ZATCA assessments payable differ from the amounts recognised, such adjustments reflect changes in the estimated amounts to be paid to (recovered from) ZATCA. Unless there is an indication that the adjustment is the result of an error, such changes are recognised in consolidated statement profit or loss as a change in estimate.

#### 4.14 Dividends

Interim dividends are recorded in the period in which they are approved by the Board of Directors. Furthermore, final dividends are recorded in the period in which they are approved by the shareholders' General Assembly.

#### 4.15 Cost of revenue

Cost of revenue includes direct costs of sales, including costs of raw & packaging materials, direct and indirect labor costs and other production related overheads.

#### 4.16 Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries and related benefits of the sales, marketing and distribution staff, and logistics expenses.

#### 4.17 General and administrative expenses

These are operational expenses which are not directly related to the sale of goods. These also include allocations of general overheads, which are not specifically attributed to cost of revenue.

Allocation of overheads between cost of revenue, selling and distribution and general and administrative expenses, where required, is made on a consistent basis.

#### 4.18 Finance income and finance costs

The Group's finance income and finance costs include the following:

- Interest income
- Interest expenses

Interest income and expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset or
- The amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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**4. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**4.19 Value Added Tax (“VAT”)**

Revenues, expenses and assets are recognised net of the amount of Value Added Tax (“VAT”) except:

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

The net amount of VAT receivable from or payable to the ZATCA is included as part of prepayments and other current assets or other current liabilities, respectively, in the consolidated statement of financial position.

**4.20 Earnings per share (EPS)**

Basic and Diluted EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

**4.21 Segmental reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments’ revenues and gross profit are reviewed regularly by the Group’s Board of Directors (Chief Operating Decision Makers) which in the Group’s case is to make decisions about resources to be allocated to the segment and to assess its performance.

**5. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. One amendment (Amendment to IAS 21: Lack of exchangeability) applies for the first time in 2025 but does not have an impact on the consolidated financial statements of the Group.

The standards and amendments that are issued, but not yet effective, as of 31 December 2025 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

1 January 2026	Classification and Measurement of Financial Instrument – Amendments to IFRS 9 and IFRS 7 Contract Referencing Nature-dependent Electricity- Amendments to IFRS 9 and IFRS 7 Annual Improvements to IFRS Accounting Standards- Volume 11
1 January 2027	IFRS 18 Presentation and Disclosure in Financial Statements IFRS 19 Subsidiaries without Public Accountability Disclosure
Available for optional adoption / effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

**6. CASH, CASH EQUIVALENTS AND CASH IN TRANSIT**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Cash on hand	418,360	180,100
Cash at banks – current accounts	<u>26,156,561</u>	<u>22,465,619</u>
<b>Cash and cash equivalents</b>	<b>26,574,921</b>	<b>22,645,719</b>
Cash in transit	<u>7,795,533</u>	-
<b>Cash, cash equivalents and cash in transit</b>	<b><u>34,370,454</u></b>	<b><u>22,645,719</u></b>

Cash on hand includes petty cash funds and undeposited cash at year-end. Cash in transit includes customers’ wired transfer payments that have been made by customers at year end, but received at Company’s bank accounts after the year end. The management believes that there is no need for any significant impairment loss against the carrying value of cash at bank because the bank balances are kept with banks having sound credit rating (Note 30). Also, there are no deposits and restricted cash.

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**7. TRADE RECEIVABLES**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Trade receivables	268,221,706	227,549,267
Less: Impairment loss on trade receivables	<u>(11,383,265)</u>	<u>(10,064,577)</u>
	<u>256,838,441</u>	<u>217,484,690</u>

Movement in the allowance for impairment in respect to trade receivables is as follows:

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Opening balance	10,064,577	6,527,469
Charge for the year	1,465,747	3,537,108
Write-off during the year	<u>(147,059)</u>	-
Closing balance	<u>11,383,265</u>	<u>10,064,577</u>

For financial assets measured at amortised cost (cash, cash equivalents and trade receivables) the fair value approximates the carrying amount due to short-term maturity of these instruments.

**8. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Advances to suppliers	7,082,663	6,833,076
Prepaid insurance	3,099,890	2,646,022
Due from employees	2,171,551	1,515,755
VAT refundable	2,043,232	6,489,690
Prepaid subscription fees	1,354,650	1,472,690
Prepaid rent	572,850	667,539
Margin deposit on letters of credit and guarantee	409,559	834,741
Others	<u>1,780,783</u>	<u>1,238,507</u>
	<u>18,515,178</u>	<u>21,698,020</u>

**9. INVENTORIES**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Finished products	36,864,616	39,200,968
Packaging materials	33,490,756	28,527,065
Raw materials	28,380,696	24,574,745
Consumable supplies	6,814,531	6,605,739
Spare parts inventory	2,807,429	2,513,180
Work-in-progress	<u>560,408</u>	<u>281,085</u>
	<u>108,918,436</u>	<u>101,702,782</u>
Less: Provision for Net Realizable Value (NRV) loss	<u>(5,392,486)</u>	<u>(8,107,250)</u>
<b>Inventories, net</b>	<u>103,525,950</u>	<u>93,595,532</u>

Movement in provision for NRV loss is as follows:

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Opening balance	8,107,250	2,835,021
Add: Provision for NRV loss	7,175,093	14,031,175
Less: Write off during the year	<u>(9,889,857)</u>	<u>(8,758,946)</u>
	<u>(2,714,764)</u>	<u>5,272,229</u>
<b>Balance at the end of the year</b>	<u>5,392,486</u>	<u>8,107,250</u>

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**10. PROPERTY, PLANT AND EQUIPMENT**

	<u>Lands</u>	<u>Buildings</u>	<u>Machineries</u>	<u>Furniture and office equipment</u>	<u>Motor vehicles</u>	<u>Computers</u>	<u>Tools</u>	<u>Assets under construction</u>	<u>Total</u>
<b>Cost:</b>									
At 1 January 2025	15,828,842	96,357,495	47,859,355	7,717,075	6,760,994	7,225,747	14,722,935	4,901,704	201,374,147
Additions	-	246,789	3,043,250	677,967	1,092,256	3,464,154	1,011,814	5,255,506	14,791,736
Disposals	-	-	-	-	(300,000)	-	-	-	(300,000)
Transfers	-	-	51,982	111,132	-	-	251,097	(414,211)	-
<b>At 31 December 2025</b>	<u>15,828,842</u>	<u>96,604,284</u>	<u>50,954,587</u>	<u>8,506,174</u>	<u>7,553,250</u>	<u>10,689,901</u>	<u>15,985,846</u>	<u>9,742,999</u>	<u>215,865,883</u>
<b>Accumulated depreciation:</b>									
At 1 January 2025	-	28,667,128	28,398,058	5,557,808	4,299,688	4,192,211	9,494,539	-	80,609,432
Charge for the year	-	4,667,873	3,086,227	736,289	924,025	1,543,703	1,232,945	-	12,191,062
Disposals	-	-	-	-	(300,000)	-	-	-	(300,000)
<b>At 31 December 2025</b>	<u>-</u>	<u>33,335,001</u>	<u>31,484,285</u>	<u>6,294,097</u>	<u>4,923,713</u>	<u>5,735,914</u>	<u>10,727,484</u>	<u>-</u>	<u>92,500,494</u>
<b>Net book value:</b>									
<b>At 31 December 2025</b>	<u>15,828,842</u>	<u>63,269,283</u>	<u>19,470,302</u>	<u>2,212,077</u>	<u>2,629,537</u>	<u>4,953,987</u>	<u>5,258,362</u>	<u>9,742,999</u>	<u>123,365,389</u>

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**10. PROPERTY, PLANT AND EQUIPMENT (continued)**

	<i>Lands</i>	<i>Buildings</i>	<i>Machineries</i>	<i>Furniture and office equipment</i>	<i>Motor vehicles</i>	<i>Computers</i>	<i>Tools</i>	<i>Assets under construction</i>	<i>Total</i>
<u>Cost:</u>									
At 1 January 2024	15,828,842	89,122,026	31,122,297	6,510,369	6,250,656	5,746,319	12,020,801	24,987,243	191,588,553
Additions	-	779,871	3,342,231	819,606	1,114,580	2,331,079	1,810,876	1,305,604	11,503,847
Disposals	-	-	(225)	(234,060)	(612,300)	(851,668)	(20,000)	-	(1,718,253)
Transfers	-	6,455,598	13,395,052	621,160	8,058	17	911,258	(21,391,143)	-
At 31 December 2024	<u>15,828,842</u>	<u>96,357,495</u>	<u>47,859,355</u>	<u>7,717,075</u>	<u>6,760,994</u>	<u>7,225,747</u>	<u>14,722,935</u>	<u>4,901,704</u>	<u>201,374,147</u>
<u>Accumulated depreciation:</u>									
At 1 January 2024	-	24,091,186	26,322,191	5,270,079	4,098,805	4,281,263	8,446,853	-	72,510,377
Charge for the year	-	4,575,942	2,075,867	521,789	791,533	762,424	1,067,686	-	9,795,241
Disposals	-	-	-	(234,060)	(590,650)	(851,476)	(20,000)	-	(1,696,186)
At 31 December 2024	-	<u>28,667,128</u>	<u>28,398,058</u>	<u>5,557,808</u>	<u>4,299,688</u>	<u>4,192,211</u>	<u>9,494,539</u>	-	<u>80,609,432</u>
<u>Net book value:</u>									
At 31 December 2024	<u>15,828,842</u>	<u>67,690,367</u>	<u>19,461,297</u>	<u>2,159,267</u>	<u>2,461,306</u>	<u>3,033,536</u>	<u>5,228,396</u>	<u>4,901,704</u>	<u>120,764,715</u>

10.1 Depreciation has been allocated as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Cost of revenue (Note 24)	<u>7,263,227</u>	5,936,596
Selling and distribution expenses (Note 26)	<u>1,529,972</u>	1,362,475
General and administrative expenses (Note 27)	<u>3,397,863</u>	2,496,170
	<u><u>12,191,062</u></u>	<u>9,795,241</u>

10.2 Assets under construction include expansion of existing factory and machineries under commissioning process to increase the production capacity, which are expected to be completed in 2026.

10.3 The Group's land title deeds number 910121016951, 310112020258 and 3819430000100 are currently mortgaged to Saudi Industrial Development Fund (SIDF) as loan security (Note 14).

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**11. INTANGIBLE ASSETS**

	<i>Software</i>	<i>Registered developed products</i>	<i>Formulation in progress</i>	<i>Total</i>
<b>Cost:</b>				
1 January 2025	9,576,514	33,469,504	32,326,485	75,372,503
Additions	1,186,551	928,105	17,510,053	19,624,709
Write-offs during the year	-	-	(70,097)	(70,097)
Transfers	-	11,607,657	(11,607,657)	-
<b>At 31 December 2025</b>	<b>10,763,065</b>	<b>46,005,266</b>	<b>38,158,784</b>	<b>94,927,115</b>
<b>Accumulated amortization:</b>				
1 January 2025	5,739,401	19,040,735	-	24,780,136
Charge for the year	954,276	6,830,154	-	7,784,430
<b>At 31 December 2025</b>	<b>6,693,677</b>	<b>25,870,889</b>	<b>-</b>	<b>32,564,566</b>
<b>Net book value:</b>				
<b>At 31 December 2025</b>	<b>4,069,388</b>	<b>20,134,377</b>	<b>38,158,784</b>	<b>62,362,549</b>

	<i>Software</i>	<i>Registered developed products</i>	<i>Formulation in progress</i>	<i>Total</i>
<b>Cost:</b>				
1 January 2024	9,576,514	26,961,401	29,051,796	65,589,711
Additions	-	-	9,782,792	9,782,792
Transfers	-	6,508,103	(6,508,103)	-
<b>At 31 December 2024</b>	<b>9,576,514</b>	<b>33,469,504</b>	<b>32,326,485</b>	<b>75,372,503</b>
<b>Accumulated amortisation:</b>				
1 January 2024	4,781,206	13,957,524	-	18,738,730
Charge for the year	958,195	5,083,211	-	6,041,406
<b>At 31 December 2024</b>	<b>5,739,401</b>	<b>19,040,735</b>	<b>-</b>	<b>24,780,136</b>
<b>Net book value:</b>				
<b>At 31 December 2024</b>	<b>3,837,113</b>	<b>14,428,769</b>	<b>32,326,485</b>	<b>50,592,367</b>

Amortisation has been allocated as follows:

	<i>31 December 2025</i>	<i>31 December 2024</i>
Cost of revenue (Note 25)	6,830,154	5,083,211
Selling and distribution expenses (Note 27)	2,829	2,829
General and administrative expenses (Note 28)	951,447	955,366
	<b>7,784,430</b>	<b>6,041,406</b>

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**12. EQUITY INVESTMENTS**

The Group had designated the equity investment described below as an equity instrument at fair value through other comprehensive income (FVOCI), as it was held for long-term strategic purposes. The Group fully disposed of this investment during the year ended 31 December 2024. Accordingly, no equity investments were held as at 31 December 2025 and 31 December 2024.

Movement in equity investments:

	<i><b>Cannabist Company Holdings Inc.</b></i>
Balance at 1 January 2025	-
Less: Net change in fair value for the year	-
Less: Disposal of investment	-
Balance at 31 December 2025	<u>-</u>
Balance at 1 January 2024	1,324,434
Less: Net change in fair value for the year	(555,320)
Less: Disposal of investment	(769,114)
Balance at 31 December 2024	<u>-</u>

**13. SHORT-TERMS LOANS**

The Group has obtained Murabaha financing from various commercial banks at agreed commercial rates. The balance outstanding is as follows:

<b>Islamic banking facilities (Murabaha)</b>	<i><b>31 December 2025</b></i>	<i><b>31 December 2024</b></i>
Opening balance	<b>60,088,833</b>	50,272,646
Proceeds from loans during the year	<b>42,389,183</b>	87,194,077
Repayments during the year	<b>(65,088,834)</b>	(77,377,890)
<b>Closing balance</b>	<b><u>37,389,182</u></b>	<u>60,088,833</u>

Financial charges rates on loans range between 1.25% to 2.50%+SAIBOR.

**14. LOANS AND BORROWINGS**

The Group obtained long-term financing from Saudi Industrial Development Fund (SIDF) and a commercial bank at agreed commercial rates.

On April 2025, the long-term loan taken from a commercial bank has been fully settled. That loan charged a commission at agreed commercial rates, which is SAIBOR plus 1.75% p.a. payable in thirteen equal quarterly instalments beginning September 2022.

On July 2025, the Group obtained a new long-term loan facility from a commercial bank amounting SR 3,823,511. The loan is repayable in quarterly instalments and carries an effective interest rate of SIBOR + 1.5% payable in twenty equal instalments beginning 22 October 2025.

On January 2, 2024, the Management Credit Committee of SIDF approved a post financing facility amounting to SR 30,000,000 in relation to the company's Manufacturing Plants No. 2 & 3, and its Central Warehouse. To cover the expenses incurred by the Fund in evaluating and processing the company's loan application, an amount of SR 2,100,000 will be deducted on a pro-rata basis from the total loan amount, in addition to any follow-up charges billed by SIDF. The semi-annual follow-up fees shall not exceed the amount of SR 300,000, and in all cases the total of these costs will not exceed the amount of SR 3,840,000 throughout the course of this agreement.

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**14. LOANS AND BORROWINGS (continued)**

On April 28, 2025, SR 15,000,000 from the facility amount was received. On August 18, 2025, additional SR 9,000,000 was received. The 1<sup>st</sup> and 2<sup>nd</sup> loan tranches carry an effective interest rate of 5.49% and 3.13% , respectively.

As at the end of the year, out of the SR 30,000,000 approved loans, the company has received SR 24,000,000, equivalent to 80% of the approved loan. From this amount, SR 1,680,000 was deducted as deferred financial charges (upfront fees).

The Group's outstanding loan balance at the end of the period is as follows:

	<i><u>31 December</u></i> <i><u>2025</u></i>	<i><u>31 December</u></i> <i><u>2024</u></i>
Opening balance	3,168,968	9,506,904
Proceeds from loans during the year	26,143,488	-
Repayments during the year	<u>(3,360,143)</u>	<u>(6,337,936)</u>
	<u>25,952,313</u>	<u>3,168,968</u>
Amortized deferred financial charges	30,937	-
<b>Closing balance</b>	<b><u>25,983,250</u></b>	<b><u>3,168,968</u></b>

Based on the loan repayment schedules, the outstanding balances as at year end are as follow:

	<i><u>31 December</u></i> <i><u>2025</u></i>	<i><u>31 December</u></i> <i><u>2024</u></i>
Current portion	4,573,527	3,168,968
Non-current portion	<u>21,409,723</u>	<u>-</u>
	<b><u>25,983,250</u></b>	<b><u>3,168,968</u></b>

**15. LEASES**

Information about leases for which the Group is a lessee is presented below:

**15.1 Right of use asset**

The Company entered into a lease agreement with during the year for the rental of a showroom space.

Below is the movement of the right-of-use assets under the application of IFRS 16, Leases:

	<i><u>2025</u></i>
<b>Cost:</b>	
1 January	-
Additions	585,013
<b>At 31 December</b>	<b>585,013</b>
<b>Accumulated depreciation:</b>	
1 January	-
Charge for the year*	<u>32,590</u>
<b>At 31 December</b>	<b><u>32,590</u></b>
<b>Net book value:</b>	
<b>At 31 December</b>	<b><u>552,423</u></b>

The following are the amounts recognized in profit or loss related to the right-of-use asset:

	<i><u>2025</u></i>	<i><u>2024</u></i>
Depreciation expense of right-of-use assets*	32,590	-
Interest expense on lease liabilities	1,202	-
Rent expense related to short-term leases	<u>2,224,661</u>	<u>2,411,158</u>
<b>Total amount recognized in profit or loss</b>	<b><u>2,258,453</u></b>	<b><u>2,411,158</u></b>

\*Depreciation charge for the year is included in the general and administrative expense (Note 28).

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**15. LEASES (continued)**

Information about leases for which the Group is a lessee is presented below:

**15.2 Lease liabilities**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
1 January	-	-
Additions	585,013	-
Accretion of interest	1,202	-
Payments	(114,964)	-
<b>At 31 December</b>	<u>471,251</u>	<u>-</u>
	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Current portion	306,570	-
Non-current portion	164,681	-
	<u>471,251</u>	<u>-</u>

**16. TRADE PAYABLES**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Local suppliers	23,524,633	15,213,152
Foreign suppliers	20,496,580	12,136,017
	<u>44,021,213</u>	<u>27,349,169</u>

For financial liabilities measured at amortised cost (Trade payables, short-term loan and loans and borrowings) the fair value approximates the carrying amount.

**17. ACCRUALS AND OTHER CURRENT LIABILITIES**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Salaries and related benefits	17,532,522	18,779,004
Provision for sales return	10,429,876	8,172,473
Marketing and advertising	2,733,545	2,274,845
Board and committee members remuneration	2,700,000	2,170,000
Interest accrued	1,071,931	2,219,291
Professional fees	825,074	648,660
Contract liabilities	640,758	1,093,589
Due to employees	517,837	351,433
Others	1,588,465	626,134
	<u>38,040,008</u>	<u>36,335,429</u>

Movement of contract liabilities is as follows:

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Opening balance	1,093,589	4,083,313
Advances from customers received during the year	640,758	1,093,589
Revenue recognised during the year	(1,093,589)	(4,083,313)
	<u>640,758</u>	<u>1,093,589</u>

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**18. ZAKAT PAYABLE**

**18.1 Zakat expenses**

As at the statement of financial position date, Zakat base was calculated based on the financial statements of the Company, as follows:

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Shareholders' equity at beginning of year	326,016,801	291,590,399
Adjusted net income	97,009,464	105,169,254
Additions	61,692,941	44,093,765
Deductions	(186,280,362)	(171,289,098)
Total (Zakat base)	<u>298,438,844</u>	<u>269,564,320</u>
<i>Zakat at 2.5% (higher of adjusted net income or Zakat base)</i>	<b>7,460,971</b>	6,739,108
Excess provision from previous year	(730,691)	(239,104)
<b>Zakat expense for the year</b>	<u><b>6,730,280</b></u>	<u>6,500,004</u>

**18.2 Zakat provision**

Movement in Zakat provision for the year is as follows:

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Balance at beginning of the year	7,092,760	5,425,348
Zakat expense for the year	<u>6,730,280</u>	<u>6,500,004</u>
	<b>13,823,040</b>	11,925,352
Payments made during the year	<u>(6,130,231)</u>	<u>(4,832,592)</u>
<b>Balance at end of the year</b>	<u><b>7,692,809</b></u>	<u>7,092,760</u>

**18.3 Status of Zakat assessment**

Zakat returns have been submitted to the Zakat, Tax and Customs Authority ("ZATCA") for the years up to 31 December 2024, and the liability has been settled. ZATCA has issued the final assessment up to the year ended 31 December 2024, and the Company has paid all the amounts based on the final assessment.

**19. EMPLOYEE BENEFITS**

The Group operates a defined benefit plan in line with the labor law requirements applicable in the Kingdom of Saudi Arabia. The payments under this plan are based on the employees' final salaries, allowances and their cumulative years of service at the date of their termination of employment.

All Group's employees' termination benefit plans are unfunded.

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**19. EMPLOYEE BENEFITS (continued)**

**19.1 Amounts in the statement of financial position**

The amounts recognized in the consolidated statement of financial position and the movements in the defined benefit obligation are as follows:

	<i><u>31 December</u></i> <i><u>2025</u></i>	<i><u>31 December</u></i> <i><u>2024</u></i>
<b>Opening balance present value of defined benefit obligation</b>	<b>27,062,676</b>	25,081,271
<i>Recognised in the consolidated statement of profit or loss</i>		
Current service cost	<b>4,870,794</b>	3,691,863
Interest cost	<b>1,419,924</b>	1,011,528
	<b>6,290,718</b>	4,703,391
<i>Recognised in the consolidated statement of comprehensive income</i>		
Actuarial loss	<b>1,974,850</b>	2,483,728
Settlements during the year*	<b>(3,113,396)</b>	(5,205,714)
Present value (PV) of defined benefit obligation (DBO)	<b>32,214,848</b>	27,062,676
Advances paid against benefits	<b>(2,526,187)</b>	(2,526,187)
<b>Closing balance</b>	<b>29,688,661</b>	24,536,489

\*Settlements during the year include the utilisation of advances paid against defined benefit obligation amounting to ﷲ nil (2024: ﷲ 460,000).

**19.2 Significant actuarial assumptions**

The significant actuarial assumptions used were as follows:

	<i><u>31 December</u></i> <i><u>2025</u></i>	<i><u>31 December</u></i> <i><u>2024</u></i>
<i>Economic assumptions:</i>		
Discount Rate	<b>5.30%</b>	5.50%
Salary increases rate (long-service)	<b>3.8%</b>	4%
<i>Demographics assumptions</i>		
Number of employees	<b>731</b>	632
Average age of employees (years)	<b>36.59</b>	36.43
Average years of past service	<b>4.98</b>	5.22
Retirement age	<b>60</b>	60

**19.3 Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions made in the calculation is as follows:

	<u>Change in assumption</u>	<i><u>31 December</u></i> <i><u>2025</u></i>	<i><u>31 December</u></i> <i><u>2024</u></i>
Long term salary	1% Decrease	<b>30,959,017</b>	26,192,604
	1% Increase	<b>33,828,685</b>	28,046,488
Discount rate	1% Decrease	<b>33,831,906</b>	28,037,380
	1% Increase	<b>30,999,787</b>	26,217,029

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**20. RELATED PARTIES TRANSACTIONS**

Related parties include major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

Transactions with related parties carried out during the year, in the normal course of business, are approved by Group management. The transactions and balances with related parties are as follows:

**20.1 Due from related parties**

Related party	Relationship	Nature of transactions	Transactions for the year- ended		Balance as at	
			31 December 2025	31 December 2024	31 December 2025	31 December 2024
Shareholders*	Shareholders	Payments of IPO costs on behalf of the shareholders	-	2,670,812	-	-
			<u>-</u>	<u>2,670,812</u>	<u>-</u>	<u>-</u>

\*The Group has paid initial public offer (IPO) costs on behalf of all the shareholders in their respective ownership as mentioned in note 21. During February 2024, the IPO costs have been settled by the shareholders.

**20.2 Compensation and benefits to key managements personnel**

	31 December 2025	31 December 2024
Short-term employee benefits	14,766,121	13,092,420
Employees' defined benefits obligations	1,188,737	765,234
Board members remuneration	1,400,000	1,150,000
Total compensation and benefits to key managements personnel	<u>17,354,858</u>	<u>15,007,654</u>

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**20. RELATED PARTIES TRANSACTIONS (continued)**

**20.2 Compensation and benefits to key managements personnel (continued)**

The compensation and benefits to key management personnel, included in salaries and other related benefits, are allocated as follows:

	<i>31 December 2025</i>	<i>31 December 2024</i>
General and administrative expenses	<b>11,909,378</b>	10,806,372
Cost of revenue	<b>1,595,055</b>	1,477,907
Selling and distribution expense	<b>3,850,425</b>	2,723,375
Total	<b><u>17,354,858</u></b>	<u>15,007,654</u>

**21. SHARE CAPITAL**

	<i>No. of shares</i>	<i>Par value</i>	<i>Total</i>
31 December 2025	<b><u>20,000,000</u></b>	<b><u>10.00</u></b>	<b><u>200,000,000</u></b>
31 December 2024	<u>20,000,000</u>	<u>10.00</u>	<u>200,000,000</u>

On 27 February 2024, the Company offered six million (6,000,000) ordinary shares, representing 30% of the Company's capital, through a public offering in Saudi Stock Exchange ("Tadawul").

**22. GENERAL RESERVE**

On 17 April 2025 (corresponding to Shawwal 19, 1446H), the Company's Board of Directors proposed to the General Assembly the approval of transferring the "General Reserve" totaling SR 25,253,411, as reflected in the financial statements for the year ended 31 December 2024 to the "Retained Earnings." This transfer was subsequently approved by the General Assembly on 29th May 2025.

**23. DIVIDENDS**

On 10<sup>th</sup> April 2025 (corresponding to 12 Shawwal 1446H), the Company's Board of Directors approved to distribute cash dividend for the second half of 2024 to the Company's shareholders amounting to SR 25 million (SR 1.25 per share for a total number of 20,000,000 shares) to eligible shareholders as at 1<sup>st</sup> May 2025 and shall be distributed on 15 May 2025. On 13<sup>th</sup> August 2025, the Company's Board of Directors approved to distribute cash dividend for the first half of 2025 to the Company's shareholders amounting to SR 22 million (SR 1.10 per share for a total number of 20,000,000 shares) to eligible shareholders as at 01 September 2025. As of 31 December 2025, SR 46,979,517 was paid. The remaining amount of SR 20,483 is part of dividends payable included in the accrued and other liabilities. The interim dividends for the year ended 31 December 2025, will be ratified later by the General Assembly.

**24. REVENUE**

The breakdown of revenue by customer type is as follows:

	<i>31 December 2025</i>	<i>31 December 2024</i>
<i>Revenue from:</i>		
Private customers	<b>310,037,377</b>	268,291,609
Public customers	<b>93,426,484</b>	75,682,135
Export customers	<b><u>57,020,962</u></b>	<u>50,026,823</u>
	<b><u>460,484,823</u></b>	<u>394,000,567</u>

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**24. REVENUE (continued)**

Revenue is recognised at a point in time at which the performance obligation is satisfied. The table below represents the segregation of revenue by geographical market.

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Kingdom of Saudi Arabia	<b>403,463,861</b>	343,973,744
Kuwait	<b>13,660,892</b>	10,936,935
UAE	<b>12,378,726</b>	18,057,812
Iraq	<b>8,999,593</b>	4,390,415
Libya	<b>5,573,559</b>	3,409,061
Yemen	<b>3,814,367</b>	3,887,324
Bahrain	<b>2,832,889</b>	2,663,690
Jordan	<b>2,486,607</b>	2,649,534
Oman	<b>2,426,889</b>	1,559,191
Other export market	<b>4,847,440</b>	2,472,861
	<b><u>460,484,823</u></b>	<u>394,000,567</u>

**25. COST OF REVENUE**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Beginning inventory of finished products (Note 9)	<b>39,200,968</b>	36,249,876
Add: Direct purchases	<b>10,326,869</b>	7,184,641
Add: Cost of goods manufactured:		
Packing materials cost	<b>53,121,050</b>	45,993,601
Raw materials cost	<b>50,067,400</b>	45,097,611
Less: ending inventory of finished products (Note 9)	<b>(36,864,616)</b>	(39,200,968)
Cost of inventory consumed during the year	<b>115,851,671</b>	95,324,761
Indirect labor	<b>23,468,953</b>	19,341,413
Direct labor	<b>11,855,824</b>	11,106,150
Depreciation (Note 10.1)	<b>7,263,227</b>	5,936,596
Amortization (Note 11)	<b>6,830,154</b>	5,083,211
Other overheads	<b>8,376,729</b>	13,846,114
	<b><u>173,646,558</u></b>	<u>150,638,245</u>

**26. OTHER INCOME, NET**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Foreign exchange gain (loss)	<b>18,605</b>	(39,244)
Gain on disposal of property, plant and equipment	<b>40,870</b>	120,767
Insurance claim	-	652,173
Other (expense) income	<b>(23,144)</b>	421,771
	<b><u>36,331</u></b>	<u>1,155,467</u>

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**27. SELLING AND DISTRIBUTION EXPENSES**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Salaries and other related benefits	44,551,469	37,838,635
Marketing and advertising expenses	30,316,951	23,349,008
Housing and accommodation allowance	10,829,322	8,660,064
Freight-out charges	6,799,181	6,001,060
Employees' transportation allowance	3,621,860	3,724,359
Travelling expenses	4,301,369	3,027,741
Legal and government fees	1,018,431	2,327,828
Employees' medical insurance	2,347,098	1,960,155
Employees' GOSI expenses	2,216,490	1,743,508
Depreciation (Note 10.1)	1,529,972	1,362,475
Amortisation (Note 11)	2,829	2,829
Others	6,221,633	6,192,831
	<u>113,756,605</u>	<u>96,190,493</u>

**28. GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Salaries and other related benefits	23,012,490	20,753,175
Professional fees*	6,029,851	4,576,433
Housing and accommodation expenses	5,116,392	4,551,700
Communication expenses	4,405,654	4,063,418
Depreciation (Note 10.1)	3,397,863	2,496,170
Board and committee members remuneration (**)	3,030,000	2,355,000
Office expenses	2,338,497	1,564,035
Legal and government fees	2,244,223	1,560,095
Travelling expenses	1,573,720	921,011
Employees' transportation allowance	1,488,016	1,321,850
Employees' medical insurance	1,479,998	1,208,120
Employee GOSI expenses	1,247,887	1,174,852
Repairs and maintenance	1,061,787	953,956
Fees on letter of guarantee / credit	961,193	1,192,887
Amortisation (Note 11)	951,447	955,366
Others	4,900,477	4,108,452
	<u>63,239,495</u>	<u>53,756,520</u>

\* This includes expense pertaining to Company's external auditor for the year ended 31 December 2025 amounting to SR 1,000,000 (31 December 2024: SR 857,000) against services rendered for annual audit and interim reviews.

\*\* This includes Board members remuneration of SR 1,400,000 for the year ended 31 December 2025 (31 December 2024: SR 1,150,000) (note 20.2).

**29. FINANCE COSTS**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Finance cost relating to Murabaha loan	3,251,878	3,673,216
Interest cost: Employees' defined benefits obligations (Note 19.1)	1,419,924	1,011,528
Interest expense on lease liabilities (Note 15)	1,202	-
Total	<u>4,673,004</u>	<u>4,684,744</u>

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**30. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risk, currency risk, interest rate risk and capital management risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The financial instruments in the consolidated statement of financial position are comprised primarily of cash and cash equivalents, trade receivables, loans and borrowings, trade and other payables, and lease liabilities.

**i) 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 and arises principally from the Group's receivables from customers.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

During the year ended 31 December 2025, additional allowance for impairment of SR 1,318,688 (2024: SR 3,537,108) on financial assets was recognised in the consolidated financial statements as per ECL provision.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which the customers operate.

The Group follows 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 to the customer. Management ensures that sales made to customers are within the respective customers' credit limit.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of six months for its customers.

In monitoring customer credit risk, customers are combined according to their credit characteristics, including whether they are private, public or export customers; their geographic location; and the existence of previous and current financial difficulties.

The credit risk of bank balances is limited as cash balances are held with banks with sound credit ratings ranging from BBB+ to A+.

The exposure to credit risk for trade receivables by type of counterparty was as follows:

	<i>Carrying amount</i>	
	<u>31 December 2025</u>	<u>31 December 2024</u>
Private customers	<b>162,187,389</b>	131,456,688
Public customers	<b>81,862,101</b>	77,634,338
Export customers	<b>24,172,216</b>	18,458,241
<b>Total gross carrying amount</b>	<b>268,221,706</b>	227,549,267
Less: Provision for expected credit loss	<b>(11,383,265)</b>	(10,064,577)
<b>Total net carrying amount</b>	<b>256,838,441</b>	217,484,690

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**i) Credit risk (continued)**

The Group uses an allowance matrix to measure expected credit losses (ECLs) of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a “roll rate” method based on the probability of a receivable progressing through successive stages of delinquency to write off. These rates are multiplied by discount rate and inflation rate to reflect differences in economic conditions during the period over which the historical data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables. Any customers wherein there is specific indicators or factors which lead management to believe that the recovery of the amount is doubtful are provided separately.

The following table provides information about the exposure to credit risk for trade receivables:

	<i>31 December 2025</i>		
	<i>Weighted-average loss rate</i>	<i>Gross carrying amount</i>	<i>Impairment loss allowance</i>
Current (not past due)	<b>0.16%</b>	<b>226,334,953</b>	<b>(365,850)</b>
1 to 30 past due	<b>0.69%</b>	<b>6,942,952</b>	<b>(47,766)</b>
31 to 60 past due	<b>0.80%</b>	<b>7,018,874</b>	<b>(55,956)</b>
61 to 90 past due	<b>0.88%</b>	<b>1,729,618</b>	<b>(15,224)</b>
91 to 180 past due	<b>1.33%</b>	<b>2,448,277</b>	<b>(32,656)</b>
181 to 365 past due	<b>2.53%</b>	<b>7,824,182</b>	<b>(198,030)</b>
More than 365 past due	<b>67.00%</b>	<b>15,922,850</b>	<b>(10,667,783)</b>
		<b>268,221,706</b>	<b>(11,383,265)</b>
	<i>31 December 2024</i>		
	<i>Weighted-average loss rate</i>	<i>Gross carrying amount</i>	<i>Impairment loss allowance</i>
Current (not past due)	0.21%	179,582,334	(384,724)
1 to 30 past due	1.85%	4,733,116	(87,682)
31 to 60 past due	3.72%	3,117,512	(115,828)
61 to 90 past due	6.32%	1,374,511	(86,833)
91 to 180 past due	5.53%	2,030,394	(112,192)
181 to 365 past due	9.55%	4,118,926	(393,407)
More than 365 past due	27.26%	32,592,474	(8,883,911)
		<b>227,549,267</b>	<b>(10,064,577)</b>

**ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group’s future commitments. The following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**ii) Liquidity risk (continued)**

	<i>31 December 2025</i>			
	<i>Carrying Amount</i>	<i>Less than 1 year</i>	<i>1 year to 5 years</i>	<i>More than 5 years</i>
<b>Liabilities</b>				
Loans and borrowings	25,983,250	764,702	26,867,633	-
Short term loans	37,389,182	38,461,113	-	-
Lease liabilities	471,251	306,570	210,766	-
Trade payables	44,021,213	44,021,213	-	-
Accruals and other current liabilities	25,897,443	25,897,443	-	-
<b>Total</b>	<b>133,762,339</b>	<b>109,451,041</b>	<b>27,078,399</b>	<b>-</b>
	<i>31 December 2024</i>			
	<i>Carrying Amount</i>	<i>Less than 1 year</i>	<i>1 year to 5 years</i>	<i>More than 5 years</i>
<b>Liabilities</b>				
Loans and borrowings	3,168,968	3,712,780	-	-
Short term loans	60,088,833	62,308,124	-	-
Trade payables	27,349,169	27,349,169	-	-
Accruals and other current liabilities	24,850,076	24,850,076	-	-
<b>Total</b>	<b>115,457,046</b>	<b>118,220,149</b>	<b>-</b>	<b>-</b>

**iii) Market risk**

Market risk is the risk that changes in the market prices – such as foreign exchange rates and commission rates– will affect the Group’s income or the value of its holdings of financial instruments.

**iv) Currency risk**

This is a risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that’s not the Group’s functional currency. The Group has transactions denominated in Euros, U.S. dollars, Great Britain Pounds, Swiss Francs and United Arab Emirates Dirhams. Management monitors the fluctuations in currency exchange rates, and the effect of the currency fluctuation has been accounted for in the consolidated financial statements.

At the end of the year, the Group had the following significant net currency exposures in foreign currencies. Presented below are the monetary assets (liabilities), net in foreign currencies:

<i>Foreign currency exposures</i>	<i>31 December 2025</i>	<i>31 December 2024</i>
United States Dollar	4,173,796	3,030,439
Euro	(1,627,386)	(374,291)
Great Britain Pound	(102,287)	(56,288)
UAE Dirham (AED)	258,898	(254,578)
Swiss Franc	(8,207)	(24,495)

Given the fact that the Saudi Riyal and UAE Dirham are pegged to the US Dollar and the historic performance of the US Dollar against the other currencies listed above, coupled with the values in each respective foreign currency, the Group does not have significant exposure to fluctuations in foreign currencies.

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**30. FINANCIAL RISK MANAGEMENT (continued)**

**v) Interest rate risk**

The Group's exposure to the risk of changes in market interest rates will result in fluctuation of future cash flows relate primarily to the Group's short-term and long-term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before zakat is affected through the impact on floating rate borrowings, as follows:

		<i>Effect on profit before zakat</i>	
		<i>31 December</i>	<i>31 December</i>
		<u>2025</u>	<u>2024</u>
Increase in basis points	+10	(41,021)	(63,258)
Decrease in basis points	-10	41,021	63,258

**vi) Capital management risk**

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a debt ratio, which is net debt divided by total capital plus net debt. The Group includes in the net debt, short and long-term borrowings, lease liabilities, less cash and cash equivalents .

The Group monitors capital using a gearing ratio, which is 'net debt' divided by total shareholders' equity.

	<i>31 December</i>	<i>31 December</i>
	<u>2025</u>	<u>2024</u>
Loans and borrowings (Note 14)	25,983,250	3,168,968
Short term loans (Note 13)	37,389,182	60,088,833
Lease liabilities (Note 15)	471,251	-
Less: Cash, cash equivalents and cash in transit (Note 6)	(34,370,454)	(22,645,719)
<b>Total Net Debt</b>	<b>29,473,229</b>	<b>40,612,082</b>
Total Equity	416,244,010	368,209,395
<b>Total Capital</b>	<b>416,244,010</b>	<b>368,209,395</b>
<b>Capital and Net debt</b>	<b>445,717,239</b>	<b>408,821,477</b>
<b>Gearing Ratio</b>	<b>6.61%</b>	<b>9.93%</b>

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**31. SEGMENT**

**A. Information about reportable segments**

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 Group has three (3) operating segments: Private, Public and Export. The Group's CODM evaluates the segments' revenue and gross profit on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Group's segments based on revenue and gross profit. The Group uses revenue and gross profit as its principal measure of segment performance as it enhances the Group's ability to compare past financial performance with current performance and analyze underlying business performance and trends.

Performance is measured by the CODM based on revenue and gross profit as reported in the management accounts. Management believes that this measure is the most relevant in evaluating the Group's performance. As such, expenses, assets and liabilities related to segments are neither included in the internal management reports nor provided regularly to the management.

The following table presents information for the Group's operating segments for the year ended 31 December 2025 and 31 December 2024, respectively.

<b><u>Year ended 31 December 2025</u></b>	<i>Private customers</i>	<i>Public customers</i>	<i>Export customers</i>	<i>Total</i>
Revenue	310,037,377	93,426,484	57,020,962	460,484,823
Cost of revenue	<u>(91,185,092)</u>	<u>(56,330,584)</u>	<u>(26,130,882)</u>	<u>(173,646,558)</u>
Gross profit	<u>218,852,285</u>	<u>37,095,900</u>	<u>30,890,080</u>	<u>286,838,265</u>
<b>Unallocated income (expenses)</b>				
Selling and distribution expenses				(113,756,605)
General and administrative expenses				(63,239,495)
Charge for impairment loss on trade receivables				(1,465,747)
Other income				36,331
Finance costs				(4,673,004)
<b>Profit before zakat</b>				<u>103,739,745</u>
Zakat expense				<u>(6,730,280)</u>
<b>Profit for the year</b>				<u><u>97,009,465</u></u>
<b><u>Year ended 31 December 2024</u></b>	<i>Private customers</i>	<i>Public customers</i>	<i>Export customers</i>	<i>Total</i>
Revenue	268,291,609	75,682,135	50,026,823	394,000,567
Cost of revenue	<u>(76,310,601)</u>	<u>(49,048,487)</u>	<u>(25,279,157)</u>	<u>(150,638,245)</u>
Gross profit	<u>191,981,008</u>	<u>26,633,648</u>	<u>24,747,666</u>	<u>243,362,322</u>
<b>Unallocated income (expenses)</b>				
Selling and distribution expenses				(96,190,493)
General and administrative expenses				(53,756,520)
Reversal of impairment loss on trade receivable				(3,537,108)
Other income				1,155,467
Finance costs				(4,684,744)
<b>Profit before zakat</b>				<u>86,348,924</u>
Zakat expense				<u>(6,500,004)</u>
<b>Profit for the year</b>				<u><u>79,848,920</u></u>

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**31. SEGMENT (continued)**

**B. Geographic information**

**Year ended 31 December 2025**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Kingdom of Saudi Arabia	<b>403,463,861</b>	343,973,744
Kuwait	<b>13,660,892</b>	10,936,935
UAE	<b>12,378,726</b>	18,057,812
Iraq	<b>8,999,593</b>	4,390,415
Libya	<b>5,573,559</b>	3,409,061
Yemen	<b>3,814,367</b>	3,887,324
Bahrain	<b>2,832,889</b>	2,663,690
Jordan	<b>2,486,607</b>	2,649,534
Oman	<b>2,426,889</b>	1,559,191
Other export market	<b>4,847,440</b>	2,472,861
	<b><u>460,484,823</u></b>	<u>394,000,567</u>

**Major customer**

Revenue from one customer of the Group's public customers segment represents approximately SR 93 million (2024: SR 72 million) of the Group's total revenue.

**32. COMMITMENTS AND CONTINGENCIES**

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Letters of credit (*)	<b>16,759,385</b>	11,682,662
Letters of guarantee (**)	<b>14,674,697</b>	12,876,128
	<b><u>31,434,082</u></b>	<u>24,558,790</u>

(\*) The letters of credit are contractual commitments by the Group's bank to pay once the export suppliers ship the goods and present the required documentation to the exporter's bank as proof. The amount shown above is the total letters of credit issued and outstanding from the Group's facilities with banks.

(\*\*) The letters of guarantee are the commitments or performance bonds of the Group attached to its obligations to the Government deliveries to ensure compliance with terms and conditions of its Government obligations. The amount shown above is the total letters of guarantee issued and outstanding from the Group's bank facilities.

**33. EARNINGS PER SHARE (EPS)**

Basic and diluted earnings per share are based on the net profit for the year ended 31 December 2025 and 2024 divided by a weighted average number of shares.

	<i>31 December</i> <u>2025</u>	<i>31 December</i> <u>2024</u>
Profit for the year	<b>97,009,465</b>	79,848,920
Weighted average number of shares outstanding during the year	<b>20,000,000</b>	20,000,000
Basic and diluted earnings per share	<b><u>4.85</u></b>	<u>3.99</u>

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**34. EVENTS AFTER THE REPORTING DATE**

On 8 Shaban 1447H corresponding to 27 January 2026, the Company's Board of Directors has approved a resolution for the voluntary dissolution and winding-up of Avalon Pharma UK Holdings Ltd and its subsidiaries (the "UK Group"), which are wholly owned by the Company, the ultimate parent of the UK entities.

On 10 Shaban 1447H corresponding to 29 January 2026, the Board of Directors announced its recommendation to the Extraordinary General Assembly to increase the Company's capital from ﷲ 200 million (20 million shares) to ﷲ 350 million (35 million shares) through a bonus share issuance at a ratio of 3 shares for every 4 shares held. The increase will be through capitalizing ﷲ 150 million from the Company's retained earnings balance.

**35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements were approved by the Board of Directors on 14 Ramadan 1447H (corresponding to 3 March 2026).