

Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and six month periods ended 30 June 2022
With Independent Auditor's Review Report

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2022**

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Report on review of condensed consolidated interim financial statements

To the shareholders of Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sahara International Petrochemical Company (the "Company") and its subsidiaries (collectively the "Group") as of 30 June 2022 and the related condensed consolidated interim statements of profit or loss and profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended 30 June 2022 and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

31 July 2022



SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	<u>Notes</u>	<u>As at 30 June 2022</u> <u>(Unaudited)</u>	<u>As at 31 December</u> <u>2021 (Audited)</u>
<u>Assets</u>			
<u>Non-current assets</u>			
Property, plant and equipment	6	12,129,641	12,218,031
Right-of-use assets		116,677	120,128
Intangible assets		582,658	606,185
Goodwill		630,483	630,483
Investments in a joint venture and associates	7	4,024,360	3,963,423
Long term investments		201,473	251,896
Deferred tax assets		2,177	2,177
Long term prepaid employees' benefits		675,030	728,614
Other non-current assets		37,982	37,583
Total non-current assets		18,400,481	18,558,520
<u>Current assets</u>			
Inventories		1,432,464	1,145,427
Trade receivables	11	1,873,629	1,862,415
Prepayments and other current assets		385,824	227,367
Short term investments	13	995,365	20,223
Cash and cash equivalents		2,840,630	2,690,390
Total current assets		7,527,912	5,945,822
Total assets		25,928,393	24,504,342
<u>Equity and Liabilities</u>			
Share capital		7,333,333	7,333,333
Share premium		4,097,391	4,134,529
Treasury shares		(74,153)	(67,949)
Statutory reserve		1,612,121	1,612,121
Other reserves		(423,124)	(440,866)
Retained earnings		3,085,006	2,013,981
Equity attributable to the equity holders of the parent		15,630,574	14,585,149
Non-controlling interests		1,135,228	1,110,469
Total equity		16,765,802	15,695,618
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Long term borrowings	8	4,029,690	4,721,472
Long term advances from non-controlling shareholders	8	55,717	54,802
Contractual liabilities		168,301	170,614
Lease liabilities		152,767	154,157
Employees' benefits		597,976	574,097
Deferred tax liabilities		55,417	55,417
Decommissioning liability		136,748	133,408
Other non-current liabilities		8,556	8,556
Total non-current liabilities		5,205,172	5,872,523

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

	<u>Notes</u>	<u>As at 30 June 2022 (Unaudited)</u>	<u>As at 31 December 2021 (Audited)</u>
<u>Current liabilities</u>			
Current portion of long term borrowings	8	312,441	582,820
Short term borrowings	8	-	70,000
Current portion of contractual liabilities		4,626	9,686
Current portion of lease liabilities		10,311	10,744
Trade and other payables		243,323	312,333
Accrued expenses and other current liabilities	15	2,953,345	1,387,741
Zakat and income tax payable	5	433,373	562,877
Total current liabilities		3,957,419	2,936,201
Total liabilities		9,162,591	8,808,724
Total equity and liabilities		25,928,393	24,504,342

The condensed consolidated interim financial statements appearing on pages 2 to 20 were approved by the Board of Directors of the Company on 26 Dhul Hijjah 1443H (corresponding to 25 July 2022) and have been signed on their behalf by:



Khalid Abdullah Al- Zamil
Chairman of the Board



Abdullah Salf Al-Saadoon
Chief Executive Officer



Rushdi Khalid Al-Dulajjan
Vice President, Finance

The accompanying notes 1 through 17 appearing on pages 9 to 20 form an integral part of these condensed consolidated interim financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	Three months from 1 April to 30 June		Six months from 1 January to 30 June	
		2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenue	3	3,192,975	2,362,651	5,602,450	4,393,626
Cost of sales		(1,513,695)	(885,082)	(2,540,265)	(1,959,997)
Gross profit		1,679,280	1,477,569	3,062,185	2,433,629
Selling and distribution expenses		(181,928)	(119,018)	(303,030)	(222,080)
General and administrative expenses		(127,835)	(218,599)	(241,518)	(338,327)
Impairment of non-financial assets*		-	-	-	(260,000)
Operating profit*		1,369,517	1,139,952	2,517,637	1,613,222
Share of profit from a joint venture and associates		148,671	82,010	264,375	167,897
Finance income		4,502	4,467	17,168	8,908
Finance cost		(63,560)	(88,018)	(123,841)	(179,585)
Other income/(expenses), net*	12	110	(51,306)	2,459	(30,277)
Profit before Zakat and income tax		1,459,240	1,087,105	2,677,798	1,580,165
Zakat and income tax expense		(76,709)	(139,873)	(130,527)	(181,982)
Profit for the period		1,382,531	947,232	2,547,271	1,398,183
Profit attributable to:					
Equity holders of the Parent		1,263,101	829,878	2,341,919	1,241,343
Non-controlling interests		119,430	117,354	205,352	156,840
Profit for the period		1,382,531	947,232	2,547,271	1,398,183
Earnings per share:					
Basic and diluted earnings per share attributable to the equity holders of the parent presented in Saudi Riyals	14	1.74	1.14	3.22	1.71

* see note 17 for reclassification of comparative figures



Khalid Abdullah Al- Zamil
Chairman of the Board



Abdullah Saif Al-Saeed
Chief Executive Officer



Rushdi Khalid Al-Dulaijan
Vice President, Finance

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**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

	Three month period from 1 April to 30 June		Six month period from 1 January to 30 June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Profit for the period	1,382,531	947,232	2,547,271	1,398,183
Other comprehensive income				
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>				
Exchange difference on translation of foreign operations	(313)	43	(408)	(80)
Changes in fair value of derivative financial instruments designated as hedge	-	6,377	-	6,321
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Changes in the fair value of financial assets at fair value through other comprehensive income	(1,907)	14,653	1,331	22,701
Total other comprehensive income for the period	(2,220)	21,073	923	28,942
Total comprehensive income for the period	1,380,311	968,305	2,548,194	1,427,125
Total comprehensive income attributable to:				
Equity holders of the parent	1,260,881	850,951	2,342,842	1,270,285
Non-controlling interests	119,430	117,354	205,352	156,840
Total comprehensive income for the period	1,380,311	968,305	2,548,194	1,427,125


Khalid Abdullah Al-Zamil
Chairman of the Board


Abdullah Saif Al-Saadoon
Chief Executive Officer


Rusdji Khalid Al-Dulaljan
Vice President, Finance

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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Attributable to the equity holders of the parent					Non-controlling interest	Total
	Share Capital	Share premium	Treasury shares	Statutory reserve	Other reserves		
As at 1 January 2022 (Audited)	7,333,333	4,134,529	(67,949)	1,612,121	(440,866)	2,013,981	15,695,618
Profit for the period (Unaudited)	-	-	-	-	-	2,341,919	1,110,469
Other comprehensive income (Unaudited)	-	-	-	-	-	-	205,352
Total comprehensive income (Unaudited)	-	-	-	-	-	-	923
Purchase of additional shares in subsidiaries, net (Unaudited)	-	(37,138)	(6,204)	-	17,212	-	(25,482)
Purchase of treasury shares (Unaudited)	-	-	-	-	-	-	(43,342)
Net change in other reserves (Unaudited)	-	-	-	-	(393)	-	(393)
Dividends (Unaudited), see Note 15	-	-	-	-	-	(1,270,894)	(1,426,005)
As at 30 June 2022 (Unaudited)	7,333,333	4,097,391	(74,153)	1,612,121	(423,124)	3,085,006	16,765,802

	Attributable to the equity holders of the parent					Non-controlling interest	Total
	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves		
As at 1 January 2021 (Audited)	7,333,333	4,145,053	(59,990)	1,252,936	(82,178)	397,522	13,835,876
Profit for the period (Unaudited)	-	-	-	-	-	1,241,343	1,398,183
Other comprehensive income (Unaudited)	-	-	-	-	28,942	-	28,942
Total comprehensive income (Unaudited)	-	-	-	-	28,942	-	28,942
Purchase of additional shares in subsidiaries, net (Unaudited)	-	-	-	-	28,942	1,241,343	1,427,125
Capital contribution by non-controlling interest (Unaudited)	-	-	-	-	(361,124)	-	(225,012)
Purchase of treasury shares (Unaudited)	-	(10,524)	(9,589)	-	-	-	(20,113)
Net change in other reserves (Unaudited)	-	-	-	-	(371)	-	(371)
Dividends (Unaudited)	-	-	-	-	-	(545,372)	(714,445)
As at 30 June 2021 (Unaudited)	7,333,333	4,134,529	(69,579)	1,252,936	(414,731)	1,093,493	14,333,990

Khalid Abdullah Al-Zamil
Chairman of the Board

Abdullah Saif Al-Saadoon
Chief Executive Officer

Rushdi Khalid Al-Durraijan
Vice President Finance

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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Cash flow from operating activities		
Profit before zakat and income tax for the period	2,677,798	1,580,165
<i>Non-cash adjustments to reconcile profit before Zakat and income tax to net cash flow generated from operating activities:</i>		
Depreciation	372,763	378,368
Impairment loss on non-financial assets	-	260,000
Amortization of intangible assets and deferred costs	57,880	69,753
Amortization of contractual liabilities	(7,373)	(7,373)
Share of profit from a joint venture and associates	(264,375)	(167,897)
Provision for employees' benefits	33,937	39,196
Provision for expected credit loss	-	30,800
Property, plant and equipment - written off	-	5,745
Loss/(gain) on disposal of property, plant and equipment	2,039	(14,247)
Net foreign exchange difference	2,386	(63)
Finance income	(17,168)	(8,908)
Finance cost	123,841	179,585
	<u>2,981,728</u>	<u>2,345,124</u>
Changes in:		
Trade receivables	(11,214)	(342,680)
Inventories	(287,037)	(205,800)
Prepayments and other current assets	(156,595)	49,485
Accrued expenses, trade and other payables	257,023	332,557
Long term prepaid employees' benefits	39,230	122,850
	<u>2,823,135</u>	<u>2,301,536</u>
Cash flows from operations		
Employee benefits paid	(15,316)	(121,349)
Zakat and income tax paid	(260,031)	(93,593)
Net cash generated from operating activities	<u>2,547,788</u>	<u>2,086,594</u>
Cash flow from investing activities		
Additions to property, plant and equipment	(283,661)	(185,387)
Additions to intangibles	(22,684)	(110,963)
(Placements In)/redemption of short term investments	(974,219)	14,801
Disposals of long term investments	49,959	5,197
Finance income received	15,306	10,486
Sale proceed from disposal of property, plant and equipment	700	14,712
Dividend received from an associate	203,438	14,584
Purchase of additional shares in subsidiaries	-	(225,012)
Net cash used in investing activities	<u>(1,011,161)</u>	<u>(461,582)</u>

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**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

	<u>30 June 2022</u> <u>(Unaudited)</u>	<u>30 June 2021</u> <u>(Unaudited)</u>
Cash flow from financing activities		
Proceeds from long term borrowings	2,000	1,830,000
Repayment of long term borrowings	(982,935)	(2,468,060)
Repayment of short term loan	(70,000)	-
Net change in advances from non-controlling shareholders	915	909
Movement in treasury shares	(37,138)	(9,589)
Movement in share premium	(6,204)	(10,524)
Capital contribution by non-controlling interests	-	30,930
Dividend to non-controlling interests	(155,111)	(169,073)
Finance cost paid	(131,161)	(134,169)
Payment of lease liabilities	(3,960)	(3,000)
Net cash used in financing activities	<u>(1,383,594)</u>	<u>(932,576)</u>
Net change in cash and cash equivalents	153,033	692,436
Cash and cash equivalents at 1 January	2,690,390	2,496,871
Effect of exchange rate fluctuations	(2,793)	(17)
Cash and cash equivalents at 30 June	<u>2,840,630</u>	<u>3,189,290</u>



Khalid Abdullah Al-Zamil
Chairman of the Board



Abdullah Saif Al-Seadoon
Chief Executive Officer



Rushdi Khalid Al-Dulaljan
Vice President, Finance

The accompanying notes 1 through 17 appearing on pages 9 to 20 form an integral part of these condensed consolidated interim financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2022
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

1. CORPORATE INFORMATION

Sahara International Petrochemical Company "Sipchem" or "the Company", is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial registration number 2051023922 dated 30 Shawwal 1420H, corresponding to 6 February 2000G.

The Company's registered head office is in Al-Khobar, where the headquarters for the executive management is located, with a branch in the city of Riyadh which is registered Commercial registration number 1010156910 dated 14 Ramadan 1420H, corresponding to 22 December 1999G, and another branch in Jubail Industrial City which is registered under commercial registration number 2055007570 dated 4 Jumada Al-Awal, 1427H, corresponding to 1 June 2006.

The principal activities of the Company are to own, establish, operate and manage industrial projects especially those related to chemical and petrochemical industries.

As of 30 June, the Company had the following subsidiaries (the Company and its subsidiaries hereinafter referred to as "the Group"):

Subsidiaries	Effective ownership percentage at	
	30 June 2022	31 December 2021
Sahara Petrochemicals Company ("Sahara")	100%	100%
International Methanol Company ("IMC")	65%	65%
International Diol Company ("IDC")	100%	100%
International Acetyl Company ("IAC")	97%	97%
International Vinyl Acetate Company ("IVC")	97%	97%
International Gases Company ("IGC")	100%	97%
Sipchem Marketing Company ("SMC")	100%	100%
Sahara Marketing Company ("SaMC")	100%	100%
International Utility Company ("IUC")	91.8%	91.2%
International Polymers Company ("IPC")	75%	75%
Sipchem Chemical Company ("SCC")	100%	100%
Sipchem Europe Cooperative U.A	100%	100%
Sipchem Europe B.V.	100%	100%
Sipchem Europe SA (Formerly Aectra SA)	100%	100%
Gulf Advance Cable Insulation Company ("GACI")	50%	50%
Saudi Specialized Products Company ("SSPC")	100%	100%
Sipchem Asia PTE Ltd.	100%	100%
Saudi Advanced Technologies Company ("SAT")	100%	100%

The principal activity of Sahara is investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities.

The principal activity of IMC is the manufacturing and sale of methanol. IMC commenced its commercial operations in 2004.

The principal activity of IDC is the manufacturing and sale of maleic anhydride, butanediol and tetra hydro furan. IDC commenced its commercial operations in 2006. During 2021, Sipchem ownership in IDC has been increased from 53.91% to 100%, by purchasing the interest from non-controlling shareholders.

The principal activities of IAC and IVC are the manufacturing and sale of acetic acid and vinyl acetate monomer respectively. IAC and IVC commenced their commercial operations in 2010. In 2009, one of the shareholders of IAC and IVC contributed less than required contribution towards shareholders' advances, as a result, the Group's effective percentage of interest in both the companies increased by 2.52%. In 2016, the Group acquired an additional 11% shares from a minority shareholder in each of IAC and IVC, increasing its effective ownership from 78.52% to 89.52%. During 2021, Sipchem acquired additional shares from a minority shareholder in each of IAC and IVC which increased Sipchem's ownership to 97%.

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2022
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

1. CORPORATE INFORMATION (continued)

The principal activity of IGC is the manufacturing and sale of carbon monoxide. IGC commenced its commercial operations in June 2010. During Q2 2022, Sipchem ownership in IGC has been increased from 97% to 100%, by purchasing the interest from non-controlling shareholders.

The principal activities of SMC and SaMC are to provide marketing services for the products manufactured by the Group Companies and other petrochemical products.

The principal activity of IUC is to provide industrial utilities to the Group companies.

The principal activity of IPC is to manufacture and sell low-density polyethylene (LDPE), polyvinyl acetate (PVAC) and polyvinyl alcohol (PVA). IPC commenced its commercial operations in 2015.

The principal activity of SCC is the manufacture and sale of ethyl acetate, butyl acetate and polybutylene terephthalate. The ethyl acetate plant commenced its commercial operations in 2013 while Polybutylene Terephthalate Plant (PBT) commenced its commercial operations in 2018.

The principal activities of Sipchem Europe Cooperative U.A and its 100% owned subsidiaries including Sipchem Europe B.V. and Sipchem Europe SA are to provide marketing and distribution services of petrochemical products of the Company.

The principal activity of Sipchem Asia pte Ltd is to act as a marketing agent and coordinator for sales of the Company's products.

The principal activity of GACI is the manufacture and sale of cross-linked polyethylene and electrical connecting wire products. GACI commenced its commercial operations in 2015.

The principal activity of SSPC is the manufacture and sale of metal moulds and related services as well as production of Ethylene-Vinyl Acetate "EVA" films. Tool Manufacturing facility commenced commercial operations in 2016. The EVA film plant has commenced commercial operations in 2019.

Sipchem Asia PTE Ltd. was incorporated in 2013 in Singapore. Its Article of Association is dated 13 Jumada Al-Awal, 1434H, corresponding to 25 March 2013. The principal activity of the Company is to provide marketing services for the products manufactured by the Group.

The principal activity of SAT is the manufacturing of metal equipment and spare parts. The Tool Manufacturing Factory ("TMF") plant has started commercial operations in 2016 and was transferred from SSPC to SAT in 2020.

1.1. Joint operation

The Company, through its subsidiary Sahara, holds 75% equity interest in Al-Waha Petrochemicals Company ("Al-Waha"), a Joint operation which is primarily involved in manufacturing of Polypropylene.

1.2. Equity accounted investees

The Company, through its subsidiary Sahara, holds 50% equity interest in Sahara and Ma'aden Petrochemicals Company ("SAMAPCO"), a Joint Venture which is primarily involved in manufacturing of Caustic Soda and Ethyl di-Chloride.

The Company, through its subsidiary Sahara, also holds equity interests in following associates which are primarily involved in manufacturing of petrochemical products:

	Effective ownership percentage at 30 June	
	2022	2021
Tasnee and Sahara Olefins Company ("TSOC")	32.55%	32.55%
Saudi Acrylic Acid Company ("SAAC")	43.16%	43.16%
Khair Inorganic Chemicals Industries Company ("Inochem")	30.00%	30.00%

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2022
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

These condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021 ("Last Annual Financial Statements"). They do not include all of the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, changes in accounting policies (if any) and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the Last Annual Financial Statements.

2.2. Basis of preparation

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the condensed consolidated statement of financial position:

- Investment in equity securities and certain financial assets measured at fair value;
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method; and
- Derivative financial instruments that are measured at fair value.

2.3. Use of judgements and estimates

In preparing these Interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. There are no significant changes in judgements and estimates used by management in the preparation of the condensed consolidated interim financial statements from those that were applied and disclosed in Last Annual Financial Statements.

2.4. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2021.

2.5. SUMMARY OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES DUE TO NEW STANDARDS

A. Newly effective standards from 1 January 2022

The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods:

- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37), effective for annual periods beginning on or after 1 January 2022.
- Annual Improvements to IFRS Standards 2018-2020, effective for annual periods beginning on or after 1 January 2022.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective for annual periods beginning on or after 1 January 2022.
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective for annual periods beginning on or after 1 January 2022.

B. Standards available for early adoption

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Group.

Management is currently in the process of assessing the impact of new accounting standards and interpretations on the condensed consolidated interim financial statements of the Group.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
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3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's operations and main revenue streams are those described in the last annual financial statements.

i) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Primary geographical markets		
Foreign countries	5,089,810	4,015,877
Saudi Arabia	512,640	377,749
	5,602,450	4,393,626
Major products/service lines		
Petrochemical products	5,593,517	4,382,429
Product on contract basis - specialized products, tools etc	8,933	11,197
	5,602,450	4,393,626
Timing of revenue recognition		
Point in time	5,593,517	4,382,429
Over time	8,933	11,197
	5,602,450	4,393,626

ii) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Receivables included in trade receivables	1,866,583	1,854,512
Contract assets included in trade receivables	7,046	7,903
Contract liabilities	172,927	180,300

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. Details of balances due from related parties are included in Note 11. The contractual liabilities primarily relate to the advance consideration received from customers for which revenue is recognised on satisfaction of performance obligation.

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4. SEGMENT INFORMATION

The Group has the following operating segments:

- **Basic chemicals**, which includes Methanol, Butane products and Carbon monoxide.
- **Intermediate chemicals**, which includes Acetic acid, Vinyl acetate monomer, Ethyl acetate, Butyl acetate, and utilities.
- **Polymers**, which includes Low-density polyethylene, polyvinyl acetate, polyvinyl alcohol, Polybutylene terephthalate, and electrical connecting wire products. This segment also includes polypropylene.
- **Marketing**, which includes trading revenues of Sipchem Marketing Company and its foreign subsidiaries as defined in Note 1.
- **Corporate and others**, which includes Sipchem, EVA films and Tool manufacturing plant. This segment also includes Sahara's enabling functions and support activities.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in these consolidated financial statements.

Period ended 30 June 2022 (Unaudited)	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Consolidation elimination	Total
Revenue							
External customers	1,604,424	1,759,939	1,760,785	465,158	12,144	-	5,602,450
Inter-segment	254,180	823,527	-	4,015,762	-	(5,093,469)	-
Total revenue	1,858,604	2,583,466	1,760,785	4,480,920	12,144	(5,093,469)	5,602,450
Gross profit / (loss)	1,293,904	1,048,388	611,493	194,224	(11,204)	(74,620)	3,062,185
Operating profit / (loss)	1,116,751	915,009	435,611	162,303	(58,511)	(53,526)	2,517,637
Share of profit from a joint venture and associates	-	-	-	-	264,375	-	264,375
Profit before zakat and tax	1,098,199	879,066	406,073	161,665	247,300	(114,505)	2,677,798
Total assets	3,636,379	6,457,404	7,187,090	2,347,869	29,134,141	(22,834,490)	25,928,393
Total liabilities	1,203,309	1,552,097	2,890,530	1,785,745	5,869,558	(4,138,648)	9,162,591
Capital expenditure	18,769	34,612	163,692	277	66,311	-	283,661

Period ended 30 June 2021 (Unaudited)	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Consolidation elimination	Total
Revenue							
External customers	1,203,990	1,123,794	1,759,974	294,671	11,197	-	4,393,626
Inter-segment	197,197	771,703	27,196	2,892,055	-	(3,888,151)	-
Total revenue	1,401,187	1,895,497	1,787,170	3,186,726	11,197	(3,888,151)	4,393,626
Gross profit / (loss)	847,469	783,483	779,441	137,995	(9,077)	(105,682)	2,433,629
Operating profit / (loss)	688,883	646,996	380,036	110,893	(121,763)	(91,823)	1,613,222
Share of profit from a joint venture and associates	-	-	-	-	167,897	-	167,897
Profit before zakat and tax	646,213	600,061	297,205	111,278	252,456	(327,048)	1,580,165
Total assets	3,834,804	5,812,334	7,207,096	1,635,459	25,921,803	(19,850,134)	24,561,362
Total liabilities	2,354,895	2,365,877	3,156,392	1,276,826	5,659,249	(4,585,867)	10,227,372
Capital expenditure	24,388	67,954	21,076	14	71,955	-	185,387

Revenue based on geographical information

	Saudi Arabia	Foreign countries	Total
Revenue from external customers			
30 June 2022	512,640	5,089,810	5,602,450
30 June 2021	377,749	4,015,877	4,393,626

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4. SEGMENT INFORMATION (continued)

Revenue by geography and segment

	For the period ended 30 June 2022 (Unaudited)					Total
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	
Revenue:						
Foreign countries	1,551,147	1,759,939	1,760,785	5,795	12,144	5,089,810
Saudi Arabia	53,277	-	-	459,363	-	512,640
Total revenue	1,604,424	1,759,939	1,760,785	465,158	12,144	5,602,450

	For the period ended 30 June 2021 (Unaudited)					Total
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	
Revenue:						
Foreign countries	1,054,077	1,123,794	1,699,970	126,839	11,197	4,015,877
Saudi Arabia	149,913	-	60,004	167,832	-	377,749
Total revenue	1,203,990	1,123,794	1,759,974	294,671	11,197	4,393,626

5. ZAKAT AND INCOME TAX

Outstanding assessments:

Details of outstanding assessments of the Group are the same as disclosed in Group's Last Annual Financial Statements for the year ended 31 December 2021 except for the following:

Sahara International Petrochemical Company

During Q2 2022, for years 2009 to 2010, Sipchem submitted additional appeal memo in response to Zakat, Tax and Customs Authority ("ZATCA") viewpoints upon notification from General Secretariat of Tax Committees ("GSTC"). GSTC review is awaited. For 2014, Sipchem received notification from GSTC informing that the appeal hearing will be scheduled. Appeal hearing date is still awaited. For years 2015 to 2018, Sipchem received notification from GSTC informing that the appeal hearing will be scheduled. Appeal hearing date is still awaited.

International Acetyl Company

During Q2 2022, for years 2006 to 2008, IAC received notification from GSTC that the appeal hearing will be conducted in Q3 2022. For years 2016 to 2018, IAC has received tax and Zakat assessments with Zakat, tax and delay fine of approximately SR 8.4 million and SR 0.154 million respectively. IAC has accepted and settled Zakat and tax amount of SR 1.5 million and SR 0.13 million respectively. The Company filed objection with ZATCA for reconsideration. ZATCA review is awaited.

International Vinyl Acetate Company

During Q2 2022, for years 2013 to 2014, GSTC conducted an appeal hearing session and issued its decision. IVC is currently in process of reviewing the decision. For 2015, IVC received notification from GSTC informing that the appeal hearing will be scheduled. Appeal hearing date is still awaited. For years 2016 to 2018, IVC received notification from GSTC that the appeal hearing will be conducted in Q3 2022.

International Gases Company (IGC)

During Q2 2022, for 2018, IGC received notification from GSTC to submit additional memo in response to ZATCA viewpoints. IGC is in process of submitting requested information.

Saudi Specialized Products Company (SSPC)

During Q2 2022, for 2019, upon GSTC request, SSPC submitted 2nd additional appeal memo against ZATCA viewpoints with GSTC. GSTC review is awaited.

Sahara Petrochemical Company

During Q2 2022, for years 2016 to 2018, Sahara submitted additional appeal memo in response to ZATCA viewpoints on GSTC 1 decision. GSTC review is awaited.

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6. PROPERTY, PLANT AND EQUIPMENT

a. Acquisitions and disposals

- During the six month period ended 30 June 2022, the Group acquired assets with a cost of SR 283.7 million (six months period ended 30 June 2021: SR 185.4 million).
- During the six months period ended 30 June 2022, assets with a carrying amount of SR 2.7 million (six months period ended 30 June 2021: SR 5.7 million) were disposed off.

b. Capital work in progress

The Group's capital work-in-progress as at 30 June 2022 is SR 791 million (as at 31 December 2021: SR 677 million) comprises mainly of costs related to turnaround costs, home ownership program and other costs related to several projects for improvements and enhancements of operating plants.

c. Impairment

Management of the Group, in line with its strategy of improving profitability and efficiency of operations, and ensuring the best level of liquidity and stability, decided to mothball the operations of PBT and GACI CGUs during 2021. Consequently, recoverable amount of the PBT were estimated based on value-in-use calculations where management has anticipated the resumption of the operations by 2025 based on available information. As a result of the exercise, the Group determined that the recoverable amount of PBT was less than its carrying amount. Therefore, impairment loss of SR 160 million was recognized in 2021 in PBT. This is in addition to impairment loss of SR 150 million in PBT previously recognized in 2019 and SR 300 million in PBT previously recognised in 2016.

Furthermore, an impairment loss of SR 100 million recognized for GACI during 2021. No impairment has been recorded previously with respect to GACI plant. Following the cumulative impairment losses recognized for GACI and PBT, the recoverable amount is equals to its carrying amount as at 30 June 2022.

The Group presents the statement of profit or loss by function where impairment losses are included either before or after gross profit depending on their nature. The Group's management has recorded impairment losses related to the abovementioned CGUs as a separate line item in the statement of profit or loss after gross profit but within operating profit as these CGUs were idle i.e. not generating revenues.

Furthermore, all CGUs were analyzed by the management as at 30 June 2022. Based on the analysis, no indicators for impairment exist.

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7. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

	<u>Note</u>	<u>30 June 2022</u> <u>(Unaudited)</u>	<u>31 December 2021</u> <u>(Audited)</u>
Investment in a joint venture	1.2	366,870	280,998
Investment in associates	7.1	3,657,490	3,682,425
		<u>4,024,360</u>	<u>3,963,423</u>

7.1. Investment in Associates

	<u>30 June 2022</u> <u>(Unaudited)</u>	<u>31 December 2021</u> <u>(Audited)</u>
Investment in Associates:		
Tasnee and Sahara Olefins Company ("TSOC")	3,470,137	3,492,672
Khair Inorganic Chemical Industries Company ("Inochem")	187,353	189,753
	<u>3,657,490</u>	<u>3,682,425</u>

8. BORROWINGS

	<u>30 June 2022</u> <u>(Unaudited)</u>	<u>31 December 2021</u> <u>(Audited)</u>
Current borrowings		
Shari'a compliant borrowings	312,441	498,820
Saudi Industrial Development Fund ("SIDF")	-	84,000
	<u>312,441</u>	<u>582,820</u>
Short term loan	-	70,000
Total current borrowings	<u>312,441</u>	<u>652,820</u>
Non-current borrowings		
Shari'a compliant borrowings	4,018,223	4,712,324
SIDF	11,467	9,148
	<u>4,029,690</u>	<u>4,721,472</u>
Other non-current borrowings		
Advances from non-controlling shareholders	55,717	54,802
Total non-current borrowings	<u>4,085,407</u>	<u>4,776,274</u>
Total borrowings	<u>4,397,848</u>	<u>5,429,094</u>

The loan bears financial charges at Saudi Arabian Inter Bank Offered Rate ("SAIBOR") plus a specified fixed margin. During the six months period ended 30 June 2022, the Group obtained Sharia' compliant loans amounting to SR Nil (30 June 2021: SR 1,700 million) which carries interest at market rates, and repaid an amount of SR 1,053 million (30 June 2021: SR 1,468 million) related to Sharia' compliant, SIDF and short term loans.

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9. FINANCIAL INSTRUMENTS

The Group's principal financial assets include cash and cash equivalents, trade receivable, long term investments and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise short and long term loans and borrowings, advances from partners and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations.

Fair value hierarchy

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated interim financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 30 June 2022 (Unaudited)					
<u>Short term investments</u>					
Equity securities	20,365	20,365	20,365	-	-
<u>Long term investments</u>					
Listed mutual fund	39,974	39,974	39,974	-	-
Unlisted mutual fund	99,291	99,291	-	99,291	-
Equity shares	17,208	17,208	17,208	-	-
Total	176,838	176,838	77,547	99,291	-
	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2021 (Audited)					
<u>Short term investments</u>					
Equity securities	20,223	20,223	20,223	-	-
<u>Long term investments</u>					
Listed mutual fund	73,875	73,875	73,875	-	-
Unlisted mutual fund	117,143	117,143	-	117,143	-
Equity shares	15,878	15,878	15,878	-	-
Total	227,119	227,119	109,976	117,143	-

10. COMMITMENTS AND CONTINGENCIES

Commitments

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Capital commitments	222,070	143,802

Contingencies

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Letters of guarantee and credit	512,410	515,710

Also see note 5.

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11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associated companies and their shareholders, key management personnel, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. During the period, the Group transacted with the following related parties:

Name	Relationship
Japan Arabia Methanol Company Limited ("JAMC")	Shareholder of a subsidiary
Hanwha Chemical Malaysia Sdn Bhd ("Hanwha")	Shareholder of a subsidiary
SAMAPCO	Joint venture of a subsidiary
Basell Arabia Investments Limited and its associates ("Lyondell Basell")	Shareholder of joint operations of a subsidiary
Saudi Ethylene and Polyethylene Company ("SEPC")	Subsidiary of an associate

a) Significant transaction with related parties other than key management personnel

Significant transactions with related parties have been disclosed below:

Related party	Nature of transaction	For the six months period ended 30 June 2022 (Unaudited)	For the six months period ended 30 June 2021 (Unaudited)
Hanwha	Sales made to Hanwha	372,731	398,841
JAMC	Sales made to JAMC	209,371	191,369
SAMAPCO	Shared service cost charged to SAMAPCO	52,994	61,455
Lyondell Basell	Sales made to Lyondell Basell	198,072	222,369
	Shared services cost charged to Lyondell Basell	14,803	16,044
SEPC	Purchase of ethylene by Al-Waha	50,621	21,483
	Purchase of ethylene by IVC	166,696	217,121

The above transactions resulted in the following unsecured balances with related parties:

i) Trade receivables

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Lyondell Basell	203,990	297,407
Hanwha	129,524	141,643
JAMC	45,578	46,381
	379,092	485,431

ii) Prepayment and other current assets

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
SAMAPCO	35,704	58,064
Lyondell Basell	7,703	11,918
	43,407	69,982

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11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

- a) Significant transaction with related parties other than key management personnel (continued)
 iii) Accrued expenses and other current liabilities

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
SAMAPCO	178,770	26,040
Hanwha	5,883	7,273
Lyondell Basell	59,170	58,692
	243,823	92,005

b) Key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Short-term employee benefits	5,275	5,108
End of service benefits	1,605	1,936
Thrift plan	600	580
Share based payment transactions	79	69
Total compensation related to key management personnel	7,559	7,693

12. OTHER INCOME/(EXPENSES), NET

Impairment of non-financial assets which was previously presented in "Other income/(expenses), net" has been reclassified to a separate line in the condensed consolidated interim statement of profit or loss for a representative presentation of the Group's operating profit (see Note 17).

13. SHORT TERM INVESTMENTS

Short term investments represent deposits with commercial banks, carrying profit at prevailing market rates, having maturity of more than three months but less than a year from date of placement.

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14. EARNINGS PER SHARE

The calculation of Earnings per share has been based on the following profit attributable to the equity holders of the Company and weighted average number of ordinary shares outstanding:

	Three months from April to June		Six months from January to June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to the equity holders of the Company	1,263,101	829,878	2,341,919	1,241,343
Weighted average number of ordinary shares outstanding during the period	726,225	727,162	726,225	727,162
Basic and diluted earnings per share attributable to the equity holders of	1.74	1.14	3.22	1.71

15. DIVIDENDS

On 29 June 2022, Board of directors approved to distribute cash dividends for the first half of 2022 amounting to SR 1,270.9 million (i.e. SR 1.75 per share). On 26 July 2022, Sipchem will distribute the dividend to shareholders and accordingly, as at 30 June 2022, dividend payable is included in accrued expenses and other current liabilities.

16. SUBSEQUENT EVENTS

No adjusting event occurred between 30 June 2022 and the date of authorization of these condensed consolidated interim financial statements by the Board of Directors, which may have an impact on these condensed consolidated interim financial statements.

17. COMPARATIVE FIGURES

During the three-month period ended 30 June 2022, the Group reclassified impairment of non-financial assets relating to the six-month period ended 30 June 2021 and amounting to Saudi Riyals 260.0 million, from "Other income and expenses, net" to a separate line item in the condensed consolidated interim statement of profit or loss, for a representative presentation of the Group's operating profit.

Accordingly, the comparative information in the condensed consolidated interim statement of profit or loss for the six-month period ended 30 June 2021 has been restated to reflect such appropriate classification in accordance with IFRS. Such reclassification resulted in a decrease in operating profit and "Other income and expenses, net" for the six-month period ended 30 June 2021 by Saudi Riyals 260.0 million but did not affect either the Group's profit or the net worth for such period.