

**Sahara International Petrochemical Company**  
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the three and six month periods ended 30 June 2021  
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 2021**

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## KPMG Professional Services

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P.O. Box 4803  
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Kingdom of Saudi Arabia  
Headquarter in Riyadh

Commercial Registration No 2051062328

## كي بي إم جي للاستشارات المهنية

الطابق الأول، أبراج بالطيور  
طريق الملك سعود، الصفا  
ص.ب ٤٨٠٣  
الخير ٣١٩٥٢  
المملكة العربية السعودية  
المركز الرئيسي الرياض

سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Sahara International Petrochemical Company

## Introduction

We have reviewed the accompanying 30 June 2021 condensed consolidated interim financial statements of Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 June 2021;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2021;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2021;
- the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2021;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is 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 the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 that are 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.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة. مسجلة في المملكة العربية السعودية. رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وبتراكمه محاسبين ومراجعين تقوئين". وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة والنائمة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarter in Riyadh is 1010425494.


# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Sahara International Petrochemical Company (Continued)

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed consolidated interim financial statements of Sahara International Petrochemical Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

### KPMG Professional Services



**Abdulaziz Abdullah Alnaim**  
License No: 394



Al Khobar  
Date: 29 July, 2021  
Corresponding to: 19 Dhul Al-Hijjah, 1442H

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**  
**EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

	<u>Notes</u>	<u>30 June 2021</u> <u>(Unaudited)</u>	<u>31 December 2020</u> <u>(Audited)</u>
<b><u>Assets</u></b>			
<b><u>Non-current assets</u></b>			
Property, plant and equipment	6	12,425,286	13,015,719
Right-of-use assets		59,756	61,143
Intangible assets		445,564	379,388
Investments in a joint venture and associates	7	3,646,627	3,493,314
Long term investments		278,126	260,622
Deferred tax assets		4,970	4,970
Long term prepaid employees' benefits		787,745	942,796
Goodwill		630,483	630,483
Other non-current assets		3,282	3,349
<b>Total non-current assets</b>		<b>18,281,839</b>	<b>18,791,784</b>
<b><u>Current assets</u></b>			
Inventories	8	1,113,326	907,526
Trade receivables	12	1,403,598	1,060,918
Prepayments and other current assets		270,366	189,867
Short term investments		302,943	318,115
Cash and cash equivalents		3,189,290	2,496,871
<b>Total current assets</b>		<b>6,279,523</b>	<b>4,973,297</b>
<b>Total assets</b>		<b>24,561,362</b>	<b>23,765,081</b>
<b><u>Equity and Liabilities</u></b>			
<b><u>Equity attributable to the owners of the Company</u></b>			
Share capital		7,333,333	7,333,333
Share premium		4,134,529	4,145,053
Treasury shares		(69,579)	(59,990)
Statutory reserve		1,252,936	1,252,936
Other reserves	16	(414,731)	(82,178)
Retained earnings		1,093,493	397,522
<b>Total owners' equity</b>		<b>13,329,981</b>	<b>12,986,676</b>
Non-controlling interests		1,004,009	849,200
<b>Total equity</b>		<b>14,333,990</b>	<b>13,835,876</b>
<b><u>Liabilities</u></b>			
<b><u>Non-current liabilities</u></b>			
Long term bank loans and borrowings	9	5,698,506	5,339,916
Long term advances from non-controlling shareholders	9	54,235	53,326
Contractual liabilities		172,927	149,500
Lease liabilities		62,604	63,275
Employees' benefits		586,939	661,191
Deferred tax liabilities		49,400	49,400
Decommissioning liability		142,717	138,945
Other non-current liabilities		8,556	8,556
<b>Total non-current liabilities</b>		<b>6,775,884</b>	<b>6,464,109</b>

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 30 JUNE 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b><u>Current liabilities</u></b>			
Sukuk	9	-	987,773
Current portion of long term bank loans and borrowings	9	949,948	1,078,011
Short term loan		130,000	-
Current portion of contractual liabilities		14,746	14,746
Current portion of lease liabilities		3,941	3,898
Trade and other payables		124,498	226,848
Accrued expenses and other current liabilities	17	1,919,562	927,095
Zakat and income tax payable	5	308,234	219,845
Derivative financial instruments		559	6,880
<b>Total current liabilities</b>		<b>3,451,488</b>	<b>3,465,096</b>
<b>Total liabilities</b>		<b>10,227,372</b>	<b>9,929,205</b>
<b>Total equity and liabilities</b>		<b>24,561,362</b>	<b>23,765,081</b>

The condensed consolidated interim financial statements appearing on pages 1 to 21 were approved by the Board of Directors of the Company on 19 Dhul Hijjah, 1442H (corresponding to 29 July 2021G) and have been signed on their behalf by:



Khalid Abdullah Al- Zamil  
Chairman of the Board



Abdullah Saif Al-Saadoon  
Chief Executive Officer



Rushdi Khalid Al-Dulaijan  
Vice President, Finance


\*

The accompanying notes 1 through 19 appearing on pages 7 to 21 form an integral part of these condensed consolidated interim financial statements.


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SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	Three months from April to June		Six months from January to June	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue	3	2,362,651	950,238	4,393,626	2,354,330
Cost of sales		(885,082)	(788,593)	(1,959,997)	(1,920,293)
<b>Gross profit</b>		<b>1,477,569</b>	161,645	<b>2,433,629</b>	434,037
Selling and distribution expenses		(119,018)	(85,857)	(222,080)	(191,450)
General and administrative expenses		(218,599)	(99,204)	(338,327)	(199,658)
<b>Operating profit / (loss)</b>		<b>1,139,952</b>	(23,416)	<b>1,873,222</b>	42,929
Share of profit / (loss) from a joint venture and associates		82,010	(51,503)	167,897	(61,656)
Finance income		4,467	8,684	8,908	15,287
Finance cost		(88,018)	(78,931)	(179,585)	(169,984)
Other (expenses) and income, net	13	(51,306)	36,221	(290,277)	(35,637)
<b>Profit / (loss) before Zakat and income tax</b>		<b>1,087,105</b>	(108,945)	<b>1,580,165</b>	(209,061)
Zakat and income tax expense		(139,873)	(38,036)	(181,982)	(56,818)
<b>Profit / (loss) for the period</b>		<b>947,232</b>	(146,981)	<b>1,398,183</b>	(265,879)
<b>Profit / (loss) attributable to:</b>					
Equity holders of the Company		829,878	(98,961)	1,241,343	(151,786)
Non-controlling interests		117,354	(48,020)	156,840	(114,093)
<b>Profit / (loss) for the period</b>		<b>947,232</b>	(146,981)	<b>1,398,183</b>	(265,879)
<b>Earnings / (loss) per share:</b>					
Basic and diluted earnings per share attributable to the equity holders of the Company presented in Saudi Riyals	14	1.14	(0.13)	1.71	(0.21)

  
Khalid Abdullah Al- Zamil  
Chairman of the Board


  
Abdullah Saif Al-Saadoon  
Chief Executive Officer

  
Rushdi Khalid Al-Dulaijan  
Vice President, Finance

The accompanying notes 1 through 19 appearing on pages 7 to 21 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  
AND OTHER COMPREHENSIVE INCOME  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Three months from April to June		Six months from January to June	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
<b>Profit / (loss) for the period</b>	<b>947,232</b>	<b>(146,981)</b>	<b>1,398,183</b>	<b>(265,879)</b>
<b>Other comprehensive income / (loss)</b>				
<b>Items that will be reclassified to profit or loss in subsequent periods:</b>				
Exchange difference on translation of foreign operations	43	19	(80)	(3)
Changes in fair value of derivative financial instruments designated as hedge	6,377	456	6,321	(4,076)
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>				
Changes in fair value of financial assets at fair value through other comprehensive income	14,653	14,811	22,701	(2,512)
<b>Total other comprehensive income / (loss) for the period</b>	<b>21,073</b>	<b>15,286</b>	<b>28,942</b>	<b>(6,591)</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>968,305</b>	<b>(131,695)</b>	<b>1,427,125</b>	<b>(272,470)</b>
<b>Total comprehensive income / (loss) attributable to:</b>				
Equity holders of the Company	850,951	(83,675)	1,270,285	(158,377)
Non-controlling interests	117,354	(48,020)	156,840	(114,093)
<b>Total comprehensive income / (loss) for the period</b>	<b>968,305</b>	<b>(131,695)</b>	<b>1,427,125</b>	<b>(272,470)</b>

  
Khalid Abdullah Al- Zamil  
Chairman of the Board

  
Abdullah Saif Al-Saadoon  
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 CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

	Attributable to the owners of the Company					Non-controlling interest	Total
	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves		
As at 1 January 2020 (Audited)	7,333,333	4,172,667	(2,062)	1,235,350	(433)	603,326	14,338,000
Loss for the period (Unaudited)	-	-	-	-	-	(151,786)	(265,879)
Other comprehensive loss (Unaudited)	-	-	-	-	(6,591)	-	(6,591)
Total comprehensive loss (Unaudited)	-	-	-	-	(6,591)	-	(6,591)
Reduction of share capital (Unaudited)	-	-	-	-	(6,591)	(151,786)	(272,470)
Movement in treasury shares, net (Unaudited)	-	-	(1,551)	-	-	-	(11,070)
Net change in other reserves (Unaudited)	-	-	-	-	(1,398)	-	(1,551)
Dividends (Unaudited)	-	-	-	-	-	-	(1,398)
As at 30 June 2020 (Unaudited)	7,333,333	4,172,667	(3,613)	1,235,350	(8,422)	451,540	14,025,931

	Attributable to the owners of the Company					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	1,241,343	1,427,125
Additional share capital, net (Unaudited)	-	(10,524)	(9,589)	-	-	-	30,930
Repurchase of treasury shares (Unaudited)	-	-	-	-	(361,495)	-	(20,113)
Net change in other reserves (Unaudited)	-	-	-	-	-	(545,372)	(225,383)
Dividends (Unaudited)	-	-	-	-	-	(169,073)	(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-Dulaijan  
Vice President, Finance

The accompanying notes 1 through 19 appearing on pages 7 to 21 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 CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**  
**EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
<b>Cash flow from operating activities</b>		
Profit / (loss) before Zakat and income tax for the period	1,580,165	(209,061)
<i>Non-cash adjustments to reconcile profit / (loss) before Zakat and income tax to net cash flow generated from operating activities:</i>		
Depreciation of property, plant and equipment	375,889	416,143
Depreciation of right-of-use assets	2,479	2,231
Impairment loss	260,000	280,000
Amortization of intangible assets and deferred costs	69,753	33,940
Amortization of contractual liabilities	(7,373)	(5,060)
Gain on precious metal	(14,247)	(222,988)
Share of (profit) / loss from a joint venture and associates	(167,897)	61,656
Provision for employees' benefits	39,196	36,244
Inventories - written off	-	47,398
Property, plant and equipment - written off	5,745	-
Net foreign exchange difference	(63)	(335)
Finance income	(8,908)	(15,287)
Finance cost	179,585	169,984
	<b>2,314,324</b>	<b>594,865</b>
<b>Changes in:</b>		
Trade receivables	(342,680)	160,500
Inventories	(205,800)	(135,229)
Prepayments and other current assets	49,485	(112,311)
Accrued expenses, trade and other payables	332,557	300,922
Proceeds under home ownership program	122,850	32,605
	<b>2,270,736</b>	<b>841,352</b>
<b>Cash flows from operations</b>		
Employee benefits paid	(121,349)	(2,647)
Zakat and income tax paid	(93,593)	(12,978)
	<b>2,055,794</b>	<b>825,727</b>
<b>Net cash generated from operating activities</b>		
<b>Cash flow from investing activities</b>		
Additions to property, plant and equipment	(185,387)	(328,130)
Additions to long term prepaid employees' benefits, net	-	627
Additions to Intangibles	(110,963)	(271)
Movement in long- and short-term investments, net	19,998	34,739
Finance income received	10,486	13,370
Sale proceed from disposal of precious metals	14,712	358,984
Dividend received from an associate	14,584	32,550
Purchase of shares in subsidiaries	(225,012)	-
Additions to contractual liabilities	30,800	-
	<b>(430,782)</b>	<b>111,869</b>
<b>Net cash (used) in / generated from investing activities</b>		
<b>Cash flow from financing activities</b>		
Proceeds from long term loans and borrowings	1,700,000	1,175,000
Repayment of long-term loans and borrowings	(2,468,060)	(832,210)
Net change in advances from non-controlling shareholders	909	(16,136)
Movement in short term loans	130,000	70,000
Movement in treasury shares, net	(9,589)	(1,551)
Movement in share premium	(10,524)	-
Movement in non-controlling interests	(138,143)	(36,650)
Interest paid	(134,169)	(139,195)
Payment of lease liabilities	(3,000)	(3,654)
	<b>(932,576)</b>	<b>215,604</b>
<b>Net cash (used) in / generated from financing activities</b>		
<b>Net change in cash and cash equivalents</b>	<b>692,436</b>	<b>1,153,200</b>
Cash and cash equivalents at 1 January	2,496,871	1,791,277
Effect of exchange rate fluctuations	(17)	332
<b>Cash and cash equivalents at 30 June</b>	<b>3,189,290</b>	<b>2,944,809</b>

Khalid Abdullah Al- Zamil  
Chairman of the Board

Abdullah Saif Al-Saadoon  
Chief Executive Officer

Rushdi Khalid Al-Dulaljan  
Vice President, Finance

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**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

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**1. CORPORATE INFORMATION**

Sahara International Petrochemical Company "Sipchem" or "the Company", (formerly Saudi International Petrochemical Company), is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial registration number 1010156910 dated 14 Ramadan 1420H, corresponding to 22 December 1999.

The Company's head office is in the city of Riyadh with a branch in Al-Khobar, where the headquarters for the executive management is located, which is registered under commercial registration number 2051023922 dated 30 Shawwal 1420H, corresponding to 6 February 2000, 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. The Company incurs costs on projects under development and subsequently establishes a separate Company for each project that has its own commercial registration. Costs incurred by the Company are transferred to the separate companies when they are established.

**Economic environment and its effects on business:**

On 11 March 2020, the World Health Organization declared COVID-19 coronavirus outbreak to be a pandemic. Consequently, asset prices became more volatile and a marked decline was seen in long-term interest rates in developed economies. These circumstances impacted FY2020 and resulted in a decrease in sales, net income, EBIT, free cash flow and other financial metrics.

Sipchem, in response to these developments, implemented active prevention programs at its sites and devised contingency plans in order to minimize the risks related to COVID-19 and to continue business operations, ensuring the health and safety of its employees, customers, contractors and wider community. During Q2 2021, Sipchem is recovering very well from these impacts and the future outlook looks promising in relation to sales, net income, EBIT, free cash flow and other financial metrics.

Sipchem has also taken measures to optimize spending, which have resulted in reducing operational and capital expenditures during the period. Additionally, the Group has secured additional credit facilities to ensure sufficient funds remain available to meet forecasted cash flow requirements and limit any potential financial exposure. Moreover, the management has considered potential impacts of the current economic uncertainties and volatility in determining the carrying amounts of the Group's financial and non-financial assets. These are based on management's best estimates based on observable information at the year end. Also, the changes in geographical distribution of the Sipchem's customer base, compared to previous period have assisted the management to minimize challenges from COVID-19, impacting the demand and recoverability. Sipchem also continues to monitor long term supplier contracts in order to ensure minimal disruption in operations and timely delivery of its products.

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**  
**EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

**1. CORPORATE INFORMATION (continued)**

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	
	2021	2020
Sahara Petrochemicals Company ("Sahara")	100%	100%
International Methanol Company ("IMC")	65%	65%
International Diol Company ("IDC")	95.65%	53.91%
International Acetyl Company ("IAC") (1.1)	97%	89.52%
International Vinyl Acetate Company ("IVC") (1.1)	97%	89.52%
International Gases Company ("IGC")	97%	97%
Sipchem Marketing Company ("SMC")	100%	100%
Sahara Marketing Company ("SaMC")	100%	100%
International Utility Company ("IUC")	90.33%	78.19%
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") (1.2)	50%	50%
Saudi Specialized Products Company ("SSPC")	100%	75%
Sipchem Asia PTE Ltd. (1.3)	100%	100%
Saudi Advanced Technologies Company ("SAT") (1.4)	100%	100%

Sahara is principally involved in 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 Q1 2021, IDC ownership has been increased from 53.91% to 95.65%, 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 activities in 2010. During Q2 2021, Sipchem ownership in IAC and IVC has been increased from 89.52% to 97%, by purchasing the interest from non-controlling shareholders.

The principal activity of IGC is the manufacturing and sale of carbon monoxide. IGC commenced its commercial operations in 2010.

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 from 1 April 2015 after successful commissioning, testing and completion of acceptance formalities with the main contractors.

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 the commercial operations on 1 July 2018 after successful commissioning, testing and completion of acceptance formalities.

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**1. CORPORATE INFORMATION (continued)**

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 of petrochemical products of the Company.

The principal activities 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 from 1 June 2015 after the successful commissioning, testing and completion of acceptance formalities with the main contractors.

The principal activities of SSPC which was established in 2014, is the manufacture and sale of moulds and dies and related services as well as production of Ethylene-Vinyl Acetate "EVA" films. The EVA film plant has commenced commercial operations on 1 January 2019.

1.1. On 22 June 2009, one of the shareholders of IAC and IVC contributed less than required contribution towards shareholders' advances and Sipchem agreed to contribute more than its required level to support the project. As a result, the Group's effective percentage of interest in both the companies increased by 2.52%. In February 2016, the Group acquired an additional 11% shares from a minority shareholder (Ikarus Petroleum Industries Company) in each of IAC and IVC, increasing its effective ownership from 78.52% to 89.52% for a consideration of SR 375.3 million. The Group recognized a reduction in non-controlling interests of SR 339.4 million and a reduction of SR 35.9 million in the equity attributable to the shareholders.

1.2. The Group has only a 50% share in GACI. However, pursuant to the shareholders agreement, the control over the relevant activities and the operations of Gulf Advanced Cable Insulation Company are with the Group. Accordingly, the investee company is treated as a subsidiary of the Group.

1.3. The investee company 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.

1.4. In 2019, share capital of SAT amounting to SR 5 million was paid. The principal activity of this Company is the manufacturing of metal equipment and spare parts. The Tool Manufacturing Factory ("TMF") plant has started commercial operations from 1 November 2016 and was transferred from SSPC to SAT in 2020. In 2021, the share capital of SAT has been increased to SR 105.95 million by converting additional contribution to share capital.

**1.5. 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.

**1.6. 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	
	2021	2020
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%

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**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 2020 ("Last Annual Financial Statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, changes in accounting policies and selected explanatory notes (if any) 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 certain 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.

Except for the change in estimate for value in use of certain CGUs as discussed in Note-6, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. Further, the management continues to closely monitor any material developments across the markets in which it operates and sells its products and taking adequate measures to ensure estimates and judgements remain reasonable. Material changes (if any) will be reflected as a part of the operating results and cash flows of the future reporting periods.

**2.4. Basis of consolidation**

The interim financial statements comprise the consolidated interim financial statements of the Company and its subsidiaries (Note 1) for the period ended 30 June 2021. Control is achieved 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; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result 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; and
- The Group's voting rights and potential voting rights.

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4. Basis of consolidation (continued)**

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the 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 period are included in the condensed consolidated interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions among 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 assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed off the related assets or liabilities.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as an equity transactions.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**2.5. 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 2020.

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

**A. New and revised standards with no material effect on the financial statements**

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.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16), effective for annual periods beginning on or after 1 January 2020.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2020.

**B. New and revised standards issued but not yet effective**

- 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.
- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023.
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

The above-mentioned IFRSs are not expected to have a significant impact on the financial statements of the Group.



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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.

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>30 June 2020</b> <b>(Unaudited)</b>
<b>Primary geographic markets</b>		
Foreign countries	4,015,877	1,833,502
Saudi Arabia	377,749	520,828
	<b>4,393,626</b>	<b>2,354,330</b>
 <b>Major products/service lines</b>		
Petrochemical products	4,382,429	2,342,182
Product on contract basis - specialized products, tools etc	11,197	12,148
	<b>4,393,626</b>	<b>2,354,330</b>
 <b>Timing of revenue recognition</b>		
Product transferred at a point in time	4,382,429	2,342,182
Product transferred over time	11,197	12,148
	<b>4,393,626</b>	<b>2,354,330</b>

**ii) Contract balances**

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

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>31 December 2020</b> <b>(Audited)</b>
Receivables included in trade receivables	1,397,358	1,053,388
Contract assets included in trade receivables	6,240	7,530
Contract liabilities	(187,673)	(164,246)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. 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 2021 (Unaudited)	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Consolidation elimination	Total
<b>Revenue</b>							
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)	-
<b>Total revenue</b>	<b>1,401,187</b>	<b>1,895,497</b>	<b>1,787,170</b>	<b>3,186,726</b>	<b>11,197</b>	<b>(3,888,151)</b>	<b>4,393,626</b>
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	640,036	110,893	(121,763)	(91,823)	1,873,222
Share of profit from associates and joint venture	-	-	-	-	167,897	-	167,897
<b>Profit / (loss) before Zakat and tax</b>	<b>646,213</b>	<b>600,061</b>	<b>297,205</b>	<b>111,278</b>	<b>252,456</b>	<b>(327,048)</b>	<b>1,580,165</b>
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

Period ended 30 June 2020 (Unaudited)	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Consolidation elimination	Total
<b>Revenue</b>							
External customers	597,949	583,337	897,360	254,725	20,959	-	2,354,330
Inter-segment	237,925	453,745	29,116	1,419,398	-	(2,140,184)	-
<b>Total revenue</b>	<b>835,874</b>	<b>1,037,082</b>	<b>926,476</b>	<b>1,674,123</b>	<b>20,959</b>	<b>(2,140,184)</b>	<b>2,354,330</b>
Gross profit / (loss)	304,223	(16,188)	84,758	55,358	(5,897)	11,783	434,037
Operating profit / (loss)	163,944	(124,538)	(17,498)	29,944	(35,959)	27,036	42,929
Share of loss from associates and joint venture	-	-	-	-	(61,656)	-	(61,656)
<b>Profit / (loss) before Zakat and tax</b>	<b>28,944</b>	<b>61,403</b>	<b>(70,901)</b>	<b>30,336</b>	<b>(270,622)</b>	<b>11,779</b>	<b>(209,061)</b>
Total assets	3,891,414	5,501,177	7,288,765	946,209	25,488,974	(18,654,837)	24,461,702
Total liabilities	2,495,972	2,343,570	3,384,005	561,152	5,566,888	(3,915,816)	10,435,771
Capital expenditure	48,169	118,328	84,606	338	76,062	-	327,503

**Revenue based on geographical information**

	Saudi Arabia	Foreign countries	Total
<b>Revenue from external customers</b>			
30 June 2021	377,749	4,015,877	4,393,626
30 June 2020	520,828	1,833,502	2,354,330

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**4. SEGMENT INFORMATION (continued)**  
**Revenue by geography and segment**

	For the period ended 30 June 2021 (Unaudited)					Total
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	
<b>Revenue:</b>						
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
<b>Total revenue</b>	<b>1,203,990</b>	<b>1,123,794</b>	<b>1,759,974</b>	<b>294,671</b>	<b>11,197</b>	<b>4,393,626</b>

	For the period ended 30 June 2020 (Unaudited)					Total
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	
<b>Revenue:</b>						
Foreign countries	432,818	487,685	871,656	32,532	8,811	1,833,502
Saudi Arabia	165,131	95,652	25,704	222,193	12,148	520,828
<b>Total revenue</b>	<b>597,949</b>	<b>583,337</b>	<b>897,360</b>	<b>254,725</b>	<b>20,959</b>	<b>2,354,330</b>

**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 2020 except for the following:

**Sahara International Petrochemical Company**

During Q2 2021, following the appeal hearings, GSTC issued decision for the years 2011 to 2013 in favor of Sipchem and 2014 in favor of Zakat, Tax and Customs Authority ("ZATCA").

Sipchem has escalated appeal against the 2014 decision decided in ZATCA's favor to the second level of GSTC.

During Q2 2021, Sipchem has submitted additional appeal memo against ZATCA viewpoints upon GSTC request. GSTC appeal hearing is awaited.

**International Methanol Company**

During Q2 2021, IMC has submitted additional appeal memo against ZATCA viewpoints upon GSTC request. GSTC appeal hearing is awaited.

**International Vinyl Acetate Company**

During Q2 2021, IVC has submitted additional appeal memo against ZATCA viewpoints upon GSTC request. GSTC appeal hearing is awaited.

During Q2 2021, IVC has received request from GSTC for submission of an additional appeal memo against ZATCA viewpoints. The additional memo will be submitted to GSTC by due date in Q3 2021.

During Q2 2021, IVC has received request from GSTC for submission of an additional appeal memo against ZATCA viewpoints for the CGT case. However, ZATCA viewpoints has mixed and combined the CGT and Tax appeal which was a separate case. IVC is currently reviewing the viewpoints and intend to respond to GSTC by due date in Q3 2021.

During Q2 2021, IVC has received final assessments for the years 2016 to 2018 with total additional Zakat, tax and delay fine of SR 4,667,413 and SR 424,556 respectively. The Company has settled an amount of SR 539,299 and SR 169,835 under protest in settlement of additional tax/delay fine and Zakat liability. IVC filed an appeal with ZATCA against the final assessment. However, ZATCA rejected the appeal. IVC is currently reviewing ZATCA rejection of appeal and intends to escalate appeal to GSTC.

**International Gases Company**

During Q2 2021, IGC has received final assessment for the year 2015 with total additional Zakat liability of SR 644,342. The Company has accepted the assessment under protest and settled the amount in full. Accordingly, the year is considered finalized and closed.

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**5. ZAKAT AND INCOME TAX (CONTINUED)**

**Saudi Specialized Products Company**

During Q2 2021, SSPC has submitted additional appeal memo against ZATCA viewpoints upon GSTC request. GSTC appeal hearing is awaited. SSPC has also received final assessment for the year 2019 with total additional Zakat liability of SR 2,015,500. The Company settled an amount of SR 503,878 as guarantee payment i.e. 25% of Zakat liability per new Zakat regulations. SSPC has filed appeal with ZATCA. Appeal review is awaited.

**Sahara Petrochemical Company**

During Q2 2021, Sahara has submitted additional appeal memo against ZATCA viewpoints upon GSTC request. GSTC appeal hearing is awaited.

The Group has recorded the estimated amount of Zakat and income tax liability in respect of all above open assessments.

**6. PROPERTY, PLANT AND EQUIPMENT**

**a. Acquisitions and disposals**

- During the six months period ended 30 June 2021, the Group acquired assets with a cost of SR 185.4 million (six months period ended 30 June 2020: SR 328.1 million).
- During the six months period ended 30 June 2021, gain of SR 14.2 million has been recognized from sale of certain precious metals (six months period ended 30 June 2020: SR 222.9 million).
- During the six months period ended 30 June 2021, assets with a carrying amount of SR 5.7 million (six months period ended 30 June 2020: SR Nil) were written off.

**b. Capital work in progress**

The Group's capital work-in-progress as at 30 June 2021 is SR 512.6 million (as at 31 December 2020: SR 577.3 million) comprises mainly of costs related to turnaround costs and other costs related to several projects for improvements and enhancements of operating plants.

**c. Impairment**

**PBT and GACI**

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 do mothball operations of PBT and GACI CGUs. Consequently, recoverable amount of these CGUs were estimated based on value-in-use calculations which used cash flow projections from revised financial budgets and five-year forecasts. As a result of the exercise, the Group determined that the recoverable amount of PBT and GACI CGUs was less than its carrying amount. Therefore, an additional impairment loss of SR 160 million and SR 100 million was recognized in 2021 financial results in PBT and GACI respectively. This is in addition to impairment loss of SR 150 million in PBT previously recognized in the 2019 annual financial results and SR 300 million in PBT recognised in 2016 financial results. No impairment has been recorded previously with respect to GACI plant.

**IDC**

During FY 2020, following Covid-19 and economic outlook for the near term, management re-assessed the recoverable amount of IDC CGU during the period ended 30 June 2020, and an additional impairment loss was recognized amounting to SR 100 million in Q2 2020 results. For the current period ended, 30 June 2021, management has reassessed IDC performance and as of the period end date, management believes no additional impairment is required in IDC CGU. Historically with respect to IDC, an impairment loss of SR 256 million is recognized in the 2019 annual financial results and SR 400 million is recognised in 2016 financial results.

The key assumptions used in the estimation of value in use for PBT, GACI and IDC CGUs were as follows:

	2021	2020
Discount rate	10%	10%
Terminal Value growth rate	2%	2%

The discount rate was a pre-tax measure calculated based on weighted average cost of capital, using capital asset pricing model ("CAPM") model to calculate the cost of equity. CAPM model used was adjusted for a risk premium to reflect both the increased risk of investing in equities generally and systematic risk of the specific CGU. Five years of cash flows were included in the discounted cash flow model, and a terminal value growth rate of 2% from 2026 has been determined by reference to nominal Gross Domestic Product (GDP) of Saudi Arabia, i.e. the country where the CGUs operate. Following the impairment loss recognized in Group's CGUs as identified above, the recoverable amount was equal to the carrying amount. Therefore, any movement in the key assumptions would cause a change in impairment loss. Furthermore, other CGUs were analyzed by the management considering current situation and recessionary outlook and there is no impairment on other CGUs.

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7. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Investment in a joint venture		161,330	120,628
Investment in associates	7.1	3,485,297	3,372,686
		<u>3,646,627</u>	<u>3,493,314</u>

7.1. Investment in Associates

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Investment in Associates:</b>		
Tasnee and Sahara Olefins Company	3,293,114	3,178,072
Khair Inorganic Chemical Industries Company	192,183	194,614
	<u>3,485,297</u>	<u>3,372,686</u>

8. INVENTORIES

As at 30 June 2021, the Group wrote down its finished goods inventory by SR Nil (As at 30 June 2020: SR 47.4 million) on account of an increase in the cost of production of certain finished goods exceeding the selling prices. The write-down is included in 'cost of sales' in the condensed consolidated income statement.

9. LOANS AND BORROWINGS

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>Current loans and borrowings</b>		
Shari'a compliant loans	651,448	692,303
Saudi Industrial Development Fund ("SIDF")	298,500	331,500
Public Investment Fund loans ("PIF")	-	54,208
	<u>949,948</u>	<u>1,078,011</u>
Short term loan	130,000	-
Islamic Murabaha bonds ("SUKUK")	-	987,773
	<u>1,079,948</u>	<u>2,065,784</u>
<b>Total current loans and borrowings</b>		
<b>Non-current loans and borrowings</b>		
Shari'a compliant loans	5,698,506	4,909,272
Saudi Industrial Development Fund ("SIDF")	-	132,523
Public Investment Fund loans ("PIF")	-	298,121
	<u>5,698,506</u>	<u>5,339,916</u>
<b>Other non-current loans</b>		
Advances from non-controlling shareholders	54,235	53,326
	<u>5,752,741</u>	<u>5,393,242</u>
<b>Total non-current loans and borrowings</b>		
<b>Total loans and borrowings</b>	<u>6,832,689</u>	<u>7,459,026</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 2021, the Group obtained Sharia' compliant loans amounting to SR 1,700 million (30 June 2020 : SR 1,175 million) and short term loan amounting to SR 130 million (30 June 2020 : Nil) which carries interest at market rates, and repaid an amount of SR 1,468 million (30 June 2020 : SR 832.2 million) related to Sharia' compliant, SIDF and PIF loans. Further, the Group repaid an amount of SR 1,000 million (30 June 2020 : Nil) related to SUKUK.

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**10. 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 2021 (Unaudited)					
<b><u>Short term investments</u></b>					
Equity securities	20,124	20,124	20,124	-	-
<b><u>Long term investments</u></b>					
Listed mutual fund	74,775	74,775	74,775	-	-
Unlisted mutual fund	127,530	127,530	-	127,530	-
Equity shares	15,567	15,567	15,967	-	-
<b>Total</b>	<b>237,996</b>	<b>237,996</b>	<b>110,866</b>	<b>127,530</b>	<b>-</b>
	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2020 (Audited)					
<b><u>Short term investments</u></b>					
Equity securities	20,036	20,036	20,036	-	-
<b><u>Long term investments</u></b>					
Listed mutual fund	63,750	63,750	63,750	-	-
Unlisted mutual fund	121,095	121,095	-	121,095	-
Equity shares	15,522	15,522	15,522	-	-
<b>Total</b>	<b>220,403</b>	<b>220,403</b>	<b>99,308</b>	<b>121,095</b>	<b>-</b>

**11. COMMITMENTS AND CONTINGENCIES**

**Commitments**

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Capital commitments	<b>299,341</b>	250,522

**Contingencies**

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Letters of guarantee and credit	<b>647,417</b>	640,260

**Contingent liabilities**

In addition, the Group has no material contingent liabilities as at period ended 30 June 2021 except for those as disclosed in Note 5 to the condensed consolidated interim financial statements.

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**12. 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:

<b>Name</b>	<b>Relationship</b>
Japan Arabia Methanol Company Limited ("JAMC")	Shareholder of a subsidiary
HELM - Arabia GmbH & Co. KG ("Helm - Arabia")	Shareholder of a subsidiary
Hanwha Chemical Malaysia Sdn Bhd ("Hanwha")	Shareholder of a subsidiary
SAMAPCO	Joint venture of a subsidiary
Lyondell Basell	Shareholder of joint operations of a subsidiary
SAAC	Associated Company
Saudi Ethylene and Polyethylene Company ("SEPC")	Associated Company

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

Transactions with related parties have been disclosed below:

<b>Related party</b>	<b>Nature of transaction</b>	<b>For the six months period ended 30 June 2021 (Unaudited)</b>	<b>For the six months period ended 30 June 2020 (Unaudited)</b>
Hanwha	Sales made to Hanwha	398,841	214,077
JAMC	Sales made to JAMC	191,369	97,059
SAMAPCO	Shared service cost charged to SAMAPCO	61,455	49,908
Lyondell Basell	Sales made to Lyondell Basell	222,369	82,389
	Shared services cost charged to Lyondell Basell	16,044	16,484
SEPC	Purchase of ethylene by Al-Waha	21,483	3,493
	Purchase of ethylene by IVC	217,121	192,202

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

**i) Trade receivables**

	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Lyondell Basell and its associates	225,334	194,815
Hanwha Chemical Malaysia Sdn Bhd	147,805	100,037
Japan Arabia Methanol Company Limited (JAMC)	46,895	44,446
	<b>420,034</b>	<b>339,298</b>

**ii) Prepayment and other current assets**

	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
SAMAPCO	34,721	34,465
Lyondell Basell	4,059	4,429
	<b>38,780</b>	<b>38,894</b>

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12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Lyondell Basell	54,486	40,866
SAMAPCO	35,461	35,611
Hanwha	5,767	5,619
Helm – Arabia	-	5,523
	<u>95,714</u>	<u>87,619</u>

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 2021 (Unaudited)	30 June 2020 (Unaudited)
Short-term employee benefits	5,108	6,086
End of service benefits	1,936	1,182
Thrift plan	580	401
Share based payment transactions	69	36
Total compensation related to key management personnel	<u>7,693</u>	<u>7,705</u>

13. OTHER (EXPENSES) AND INCOME, NET

	Notes	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Other income	13.1	41,974	254,689
Other expenses	13.2	(332,251)	(290,326)
		<u>(290,277)</u>	<u>(35,637)</u>

13.1. Other income

	Notes	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Gain on precious metal	13.1.1	14,247	222,988
Others		27,727	31,701
		<u>41,974</u>	<u>254,689</u>

- 13.1.1. Income of SR 14.2 million (six months period ended 30 June 2020: SR 222.9 million) represents gain of sale of certain precious metals used as catalysts in certain plants. The Group has opted to lease such precious metals instead of outright ownership.

13.2. Other expenses

	Notes	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Impairment loss	13.2.1	(260,000)	(280,000)
Others	13.2.2	(72,251)	(10,326)
		<u>(332,251)</u>	<u>(290,326)</u>

- 13.2.1. Loss from impairment of certain CGUs amounting to SR 260 million (six months period ended 30 June 2020: SR 280 million) - for detail refer to note 6.

- 13.2.2. Others mainly include an expected credit loss provision against a financial guarantee contract amounting to SR 30.8 million (six months period ended 30 June 2020: Nil) and mothballing related expenses SR 41.3 million (six months period ended 30 June 2020: Nil).



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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	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Profit / (loss) attributable to the equity holders of the Company	<b>829,878</b>	(98,961)	<b>1,241,343</b>	(151,786)
Weighted average number of ordinary shares outstanding during the period	<b>727,162</b>	733,333	<b>727,162</b>	733,333
Basic and diluted earnings / (loss) per share attributable to the equity holders of the Company	<b>1.14</b>	(0.13)	<b>1.71</b>	(0.21)

**15. DIVIDENDS**

On 23 June 2021, the Group announced to distribute cash dividends for the first half period of 2021 amounting to SR 549.99 million (i.e. SR 0.75 per share). On 14 July 2021, Sipchem distributed the dividend to shareholders.

**16. OTHER RESERVES**

Other reserves primarily includes reserve for results of sale/purchase of shares in subsidiaries. The change in other reserves mainly relates to transfer of net assets from NCI amounting to SR 354.4 million on account of purchase of additional shares in IDC. Further SR 2.3 million and SR 4.3 million is recognized in other reserves on account of purchase of additional shares in IAC and IVC respectively (refer note 1).

The gains or losses resulting from sale/purchase of shares in subsidiaries arises when the Group continues to exercise control over the respective subsidiary, and are booked in the reserve for the results of sale/purchases of shares in subsidiaries.

**17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Dividend Payable	<b>550,089</b>	-
Goods received invoices not received	<b>582,869</b>	322,037
Provision for loss of precious metals	<b>317,496</b>	234,509
Due to related parties	<b>95,714</b>	87,619
Others	<b>373,394</b>	282,930
	<b>1,919,562</b>	927,095

**18. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to comply with the current period presentation of the financial statements.

**19. SUBSEQUENT EVENTS**

No adjusting event occurred between 30 June 2021 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.