

Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and nine month periods ended 30 September 2023
and Independent Auditor's Review Report

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023**

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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 September 2023 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month period ended 30 September 2023 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

A handwritten signature in blue ink, appearing to read 'Ali H. Al Basri', is written over a horizontal blue line.

Ali H. Al Basri
License Number 409

22 October 2023

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

	Note	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
<u>Assets</u>			
<u>Non-current assets</u>			
Property, plant and equipment	6	11,788,669	11,944,009
Right-of-use assets		109,485	104,635
Intangible assets		554,262	553,087
Goodwill		630,483	630,483
Investments in equity accounted investees	7	3,965,499	3,960,481
Long term investments		194,192	190,926
Deferred tax assets		4,932	4,932
Long term prepaid employees' benefits		601,676	632,982
Other non-current assets		32,606	30,536
Total non-current assets		17,881,804	18,052,071
<u>Current assets</u>			
Inventories		1,130,722	1,398,550
Trade receivables	9	1,199,731	1,172,378
Prepayments and other current assets		319,806	246,353
Short term investments	12	332,780	150,019
Cash and cash equivalents		1,908,133	2,455,935
Total current assets		4,891,172	5,423,235
Total assets		22,772,976	23,475,306
<u>Equity and liabilities</u>			
Share capital		7,333,333	7,333,333
Share premium		4,040,570	4,059,262
Treasury shares		(82,463)	(92,261)
Statutory reserve		1,971,650	1,971,650
Other reserves		(356,291)	(355,887)
Retained earnings		3,001,100	2,891,166
Equity attributable to the equity holders of the parent company		15,907,899	15,807,263
Non-controlling interests		915,815	929,560
Total equity		16,823,714	16,736,823
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Long term borrowings	8	2,365,484	3,049,133
Contractual liabilities		39,319	42,788
Lease liabilities		139,748	135,169
Employees' benefits		639,870	587,276
Deferred tax liabilities		55,839	55,839
Decommissioning liability		144,066	138,842
Other non-current liabilities		8,556	8,556
Total non-current liabilities		3,392,882	4,017,603

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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

	Note	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
<u>Current liabilities</u>			
Short term borrowings	8	296,875	-
Current portion of long term borrowings	8	235,264	284,385
Current portion of contractual liabilities		133,057	135,239
Current portion of lease liabilities		7,571	3,679
Trade payables		207,838	251,003
Accrued expenses and other current liabilities		1,023,373	1,052,463
Provision for precious metals		297,628	505,058
Zakat and income tax payable	5	354,774	489,053
Total current liabilities		2,556,380	2,720,880
Total liabilities		5,949,262	6,738,483
Total equity and liabilities		22,772,976	23,475,306


The condensed consolidated interim financial statements were approved by the Board of Directors of the Company on 2 Rabi Al Thani 1445H (corresponding to 17 October 2023) and have been signed on their behalf by:

 <hr/> Khalid Abdullah Al- Zamil Chairman of the Board	 <hr/> Abdullah Saif Al-Saadoon Chief Executive Officer	 <hr/> Rushdi Khalid Al-Dulaijan Vice President, Finance
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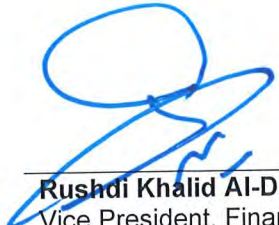
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

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

	Note	Three months from 1 July to 30 September (Unaudited)		Nine months from 1 January to 30 September (Unaudited)	
		2023	2022	2023	2022
			(Restated - Note 14)		(Restated - Note 14)
Revenue	1,3	1,789,373	2,853,423	5,578,234	8,298,940
Cost of revenues		(1,331,548)	(1,730,243)	(3,837,875)	(4,270,508)
Gross profit	1	457,825	1,123,180	1,740,359	4,028,432
Selling and distribution expenses		(26,600)	(79,941)	(178,805)	(226,038)
General and administrative expenses		(126,547)	(133,332)	(342,722)	(372,393)
Operating profit		304,678	909,907	1,218,832	3,430,001
Share of profit from equity accounted investees		26,004	60,731	107,210	322,647
Finance income		21,169	19,287	69,380	36,363
Finance cost		(63,465)	(62,856)	(193,445)	(184,745)
Other income / (expenses), net		5,115	(3,921)	16,836	(1,449)
Profit before zakat and income tax		293,501	923,148	1,218,813	3,602,817
Zakat		(12,334)	(42,613)	(49,095)	(127,860)
Income tax		(8,081)	(20,642)	(31,632)	(65,625)
Profit for the period		273,086	859,893	1,138,086	3,409,332
Profit is attributable to:					
Equity holders of the Company		233,085	774,409	1,016,336	3,116,328
Non-controlling interests		40,001	85,484	121,750	293,004
Profit for the period		273,086	859,893	1,138,086	3,409,332
Earnings per share (Saudi Riyals):					
Basic earnings per share	13	0.32	1.07	1.40	4.30
Diluted earnings per share	13	0.32	1.06	1.39	4.25


Khalid Abdullah Al-Zamil
Chairman of the Board

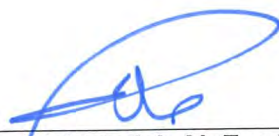

Abdullah Saif Al-Saadoon
Chief Executive Officer


Rushdi Khalid Al-Dulajjan
Vice President, Finance

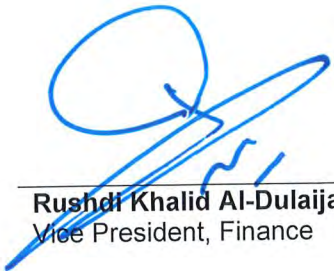
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

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

	Three months from 1 July to 30 September (Unaudited)		Nine months from 1 January to 30 September (Unaudited)	
	2023	2022 (Restated - Note 14)	2023	2022 (Restated - Note 14)
Profit for the period	273,086	859,893	1,138,086	3,409,332
Other comprehensive (loss) / income Items that will be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	(86)	(2,324)	(23)	(2,732)
Items that will not be reclassified to profit or loss in subsequent periods:				
Changes in fair value of financial assets classified at fair value through other comprehensive income	1,341	281	2,961	1,612
Total other comprehensive income / (loss) for the period	1,255	(2,043)	2,938	(1,120)
Total comprehensive income for the period	274,341	857,850	1,141,024	3,408,212
Total comprehensive income is attributable to:				
Equity holders of the Company	234,340	772,366	1,019,274	3,115,208
Non-controlling interests	40,001	85,484	121,750	293,004
Total comprehensive income for the period	274,341	857,850	1,141,024	3,408,212


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
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Attributable to the equity holders of Company						Non-controlling interests		Total
	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Total	Total	
As at 1 January 2023 (Audited)	7,333,333	4,059,262	(92,261)	1,971,650	(355,887)	2,891,166	15,807,263	929,560	16,736,823
Profit for the period (Unaudited)	-	-	-	-	-	1,016,336	1,016,336	121,750	1,138,086
Other comprehensive income for the period (Unaudited)	-	-	-	-	2,938	-	2,938	-	2,938
Total comprehensive income for the period (Unaudited)	-	-	-	-	2,938	1,016,336	1,019,274	121,750	1,141,024
Net change in treasury shares (Unaudited)	-	(18,692)	9,798	-	-	-	(8,894)	-	(8,894)
Net change in other reserves (Unaudited)	-	-	-	-	(3,342)	-	(3,342)	-	(3,342)
Dividends (Unaudited)	-	-	-	-	-	(906,402)	(906,402)	(135,495)	(1,041,897)
As at 30 September 2023 (Unaudited)	7,333,333	4,040,570	(82,463)	1,971,650	(356,291)	3,001,100	15,907,899	915,815	16,823,714

	Attributable to the equity holders of Company						Non-controlling interests (Restated - Note 14)		Total
	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Total	Total	
As at 1 January 2022 (Audited)	7,333,333	4,134,529	(67,949)	1,612,121	(440,866)	2,013,981	14,585,149	1,136,929	15,722,078
Profit for the period (Unaudited)	-	-	-	-	-	3,116,328	3,116,328	293,004	3,409,332
Other comprehensive loss for the period (Unaudited)	-	-	-	-	(1,120)	-	(1,120)	-	(1,120)
Total comprehensive income (loss) for the period (Unaudited)	-	-	-	-	(1,120)	3,116,328	3,115,208	293,004	3,408,212
Purchase of non-controlling interest (Unaudited)	-	-	-	-	78,234	-	78,234	(171,625)	(93,391)
Net change in treasury shares (Unaudited)	-	(78,843)	(19,985)	-	-	-	(98,828)	-	(98,828)
Net change in other reserves (Unaudited)	-	-	-	-	(8,197)	-	(8,197)	-	(8,197)
Dividends (Unaudited)	-	-	-	-	-	(1,270,894)	(1,270,894)	(155,111)	(1,426,005)
As at 30 September 2022 (Unaudited)	7,333,333	4,055,686	(87,934)	1,612,121	(371,949)	3,859,415	16,400,672	1,103,197	17,503,869


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 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
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Note	Nine months from 1 January to 30 September 2023 (Unaudited)	Nine months from 1 January to 30 September 2022 (Restated - Note 14) (Unaudited)
Cash flow from operating activities			
Profit before zakat and income tax for the period		1,218,813	3,602,817
<i>Non-cash adjustments to reconcile profit before zakat and income tax to net cash flows:</i>			
Depreciation		607,192	608,816
Amortization of intangible assets and deferred costs		61,098	81,146
Amortization of contractual liabilities		(5,651)	(8,529)
Share of profit from equity accounted investees	7	(107,210)	(322,647)
Provision for employees' benefits		51,723	48,801
Provision for precious metals		(207,430)	50,447
Loss on disposal of property, plant and equipment		-	2,739
Fair value gain on investments		(805)	(7,132)
Finance income		(69,380)	(36,363)
Finance cost		193,445	184,725
		<u>1,741,795</u>	<u>4,204,820</u>
Changes in:			
Trade receivables		(27,353)	61,806
Inventories		284,368	(50,206)
Prepayments and other current assets		(69,804)	(58,535)
Trade payables, accrued expenses and other current liabilities		(50,462)	266,154
Long term prepaid employees' benefits		14,074	53,889
		<u>1,892,618</u>	<u>4,477,928</u>
Cash flows from operations		1,892,618	4,477,928
Employees' benefits paid		(12,956)	(19,180)
Zakat and income tax paid		(215,006)	(289,128)
		<u>1,664,656</u>	<u>4,169,620</u>
Net cash generated from operating activities		1,664,656	4,169,620
Cash flow from investing activities			
Additions to property, plant and equipment	6	(508,620)	(455,013)
Additions to intangibles		(1,106)	(28,472)
Disposals of long term investments		-	45,303
Placements in short term investments		(1,013,603)	(1,341,000)
Redemption of short term investments		827,500	950,527
Finance income received		65,731	33,529
Dividend received from an associate		113,925	203,438
Loan given to a joint venture		(9,375)	-
		<u>(525,548)</u>	<u>(591,688)</u>
Net cash used in investing activities		(525,548)	(591,688)


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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

	Note	Nine months from 1 January to 30 September 2023 (Unaudited)	Nine months from 1 January to 30 September 2022 (Restated - Note 14) (Unaudited)
Cash flow from financing activities			
Proceeds from long term borrowings		-	202,000
Repayment of long term borrowings		(733,123)	(1,327,367)
Proceeds from short term borrowings	8	296,875	-
Net change in advances from non-controlling interests		-	1,204
Purchase of additional shares in subsidiaries		-	(97,881)
Purchase of treasury shares		(23,759)	(98,828)
Dividends paid by subsidiaries to non-controlling interests		(135,495)	(155,111)
Dividend paid to shareholders		(906,402)	(1,270,894)
Finance cost paid		(179,033)	(164,724)
Payment of lease liabilities		(5,620)	(6,087)
Net cash used in financing activities		(1,686,557)	(2,917,688)
Net change in cash and cash equivalents			
		(547,449)	660,244
Cash and cash equivalents at 1 January		2,455,935	2,690,390
Effect of exchange rate fluctuations		(353)	(2,793)
Cash and cash equivalents at 30 September		1,908,133	3,347,841


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 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 NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023
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 (“KSA”) under commercial registration number 2051023922 dated 30 Shawwal 1420H, corresponding to 6 February 2000. The Company’s registered head office is in Al-Khobar, with a branch in the city of Riyadh having commercial registration number 1010156910 dated 14 Ramadan 1420H, corresponding to 22 December 1999, and another branch in Jubail Industrial City having commercial registration number 2055007570 dated 4 Jumada Al-Awal, 1427H, corresponding to 1 June 2006.

The Company’s principal place of business is in Al Jubail, Kingdom of Saudi Arabia.

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 has the following subsidiaries (the Company and its subsidiaries hereinafter collectively referred to as the “Group”):

Subsidiaries	Country of incorporation and principal place of business	Effective ownership percentage at	
		30 September 2023	31 December 2022
Sahara Petrochemicals Company (“Sahara”)	Saudi Arabia	100%	100%
International Methanol Company (“IMC”)	Saudi Arabia	65%	65%
International Diol Company (“IDC”)	Saudi Arabia	100%	100%
International Acetyl Company (“IAC”)	Saudi Arabia	100%	100%
International Vinyl Acetate Company (“IVC”)	Saudi Arabia	100%	100%
International Gases Company (“IGC”)	Saudi Arabia	100%	100%
Sipchem Marketing Company (“SMC”)	Saudi Arabia	100%	100%
Sahara Marketing Company (“SaMC”)	Saudi Arabia	100%	100%
Sipchem Europe Cooperative U.A	Netherlands	100%	100%
Sipchem Europe B.V.	Netherlands	100%	100%
Sipchem Europe SA	Switzerland	100%	100%
Sipchem Asia PTE Ltd.	Singapore	100%	100%
International Utility Company (“IUC”)	Saudi Arabia	93%	93%
International Polymers Company (“IPC”)	Saudi Arabia	75%	75%
Sipchem Chemical Company (“SCC”)	Saudi Arabia	100%	100%
Saudi Specialized Products Company (“SSPC”)	Saudi Arabia	100%	100%
Saudi Advanced Technologies Company (“SAT”)	Saudi Arabia	100%	100%
Sipchem InnoVent SA	Switzerland	100%	-

The principal activities of the subsidiaries include production of petrochemical products, industrial gases, manufacturing of metal equipment and spare parts, provision of industrial utilities to the Group companies and provision of marketing services for the products manufactured by the Group companies.

The Group’s revenues and profitability decreased during the nine-month period ended 30 September 2023 compared to the corresponding period ended 30 September 2022 mainly due to decline in the sales prices of the Group’s products in the global and local markets. The Group management believes that such decline is short-term and the sales prices are expected to improve in the next 12 months. The Group management has also assessed the impact of such decline in the sales prices on the carrying values of its non-financial assets and no impairment losses were identified as a result of such assessment as at 30 September 2023.

During 2023, Sipchem Europe B.V., established a fully owned subsidiary, Sipchem InnoVent SA, which is primarily involved in innovation, investments and productions of various compounds. The subsidiary is yet to commence commercial operations.

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

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. Al-Waha commenced its commercial operations in 2011.

1.2. Equity accounted investees

The Group also holds equity interests in following joint ventures and associates, incorporated and operating in the Kingdom of Saudi Arabia, which are primarily involved in manufacturing of petrochemical and other industrial products:

	Effective ownership percentage at	
	30 September 2023	31 December 2022
Joint ventures		
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	50%	50%
Gulf Advanced Cable Insulation Company ("GACI")	50%	50%
Linde Sipchem Industrial Gases Company ("LSIG")	50%	50%
Wahaj Nexter Industrial Company ("Nexture")	51%	-
Associates		
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%	30%

During 2023, SAT has incorporated Wahaj Nexter Industrial Company ("Nexture"), a joint venture with a foreign entity, which will primarily be engaged in the manufacturing and sale of conventional ammunition and non-combustible ammunition. Nexture is yet commence commercial operations.

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"). The Interim Financial Statements do not include all of the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022 ("Last Annual 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 Interim Financial Statements have been prepared on a historical cost basis, using accrual basis of accounting, except for the following material items in the condensed consolidated statement of financial position:

- Investments in equity accounted investees, equity securities and certain financial assets measured at fair value;
- The defined benefit obligation for employees' end of service liability;
- Trade receivables;
- Right-of-use assets and lease liabilities;
- Deferred tax assets and liabilities; and
- Decommissioning liability and provision for precious metals.

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 judgments and estimates used by management in the preparation of the Interim Financial Statements from those that were applied and disclosed in the Last Annual Financial Statements.

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

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 2022.

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

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for their reporting period commencing 1 January 2023:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet adopted

There are no new accounting standards, amendments to accounting standards and interpretations that have been issued but not yet adopted by the Group.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's operations and main revenue streams are those described in the Last Annual Financial Statements.

	Nine months from 1 January to 30 September 2023 (Unaudited)	Nine months from 1 January to 30 September 2022 (Unaudited)
Primary geographical markets		
Foreign countries	4,855,804	7,522,715
Kingdom of Saudi Arabia	722,430	776,225
	5,578,234	8,298,940
Timing of revenue recognition		
Revenue recognised at a point in time	5,557,619	8,285,746
Revenue recognised over time	20,615	13,194
	5,578,234	8,298,940

Contract balances

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Receivables included in trade receivables	1,199,731	1,171,261
Contract assets included in trade receivables	-	1,117
Contractual liabilities	172,376	178,027

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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.
- **Trading**, 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.

Nine month period ended 30 September 2023 (Unaudited)

	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Inter segment transaction elimination	Total
<i>Revenue</i>							
External customers	1,106,321	1,325,526	2,094,535	987,865	63,987	-	5,578,234
Inter-segment	335,639	684,914	-	2,975,110	10,281	(4,005,944)	-
Total revenue	1,441,960	2,010,440	2,094,535	3,962,975	74,268	(4,005,944)	5,578,234
Gross profit / (loss)	665,039	352,343	557,288	149,830	(7,285)	23,144	1,740,359
Operating profit / (loss)	539,318	150,336	426,724	88,653	(48,810)	62,611	1,218,832
Share of profit from equity accounted investees	-	-	-	-	107,210	-	107,210
Profit before zakat and tax	505,303	116,839	336,399	88,495	138,764	33,013	1,218,813
Total assets	3,757,531	4,855,309	6,674,848	1,475,394	23,825,401	(17,815,507)	22,772,976
Total liabilities	1,043,907	1,098,258	2,565,722	838,468	3,912,204	(3,509,297)	5,949,262

Nine month period ended 30 September 2022 (Unaudited)

	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Inter segment transaction elimination	Total
<i>Revenue</i>							
External customers	2,130,293	2,538,221	2,684,752	923,512	22,162	-	8,298,940
Inter-segment	402,121	1,268,663	-	5,696,468	-	(7,367,252)	-
Total revenue	2,532,414	3,806,884	2,684,752	6,619,980	22,162	(7,367,252)	8,298,940
Gross profit / (loss)	1,596,092	1,461,430	732,779	286,192	(16,805)	(31,256)	4,028,432
Operating profit / (loss)	1,437,540	1,223,089	622,014	236,103	(88,418)	(327)	3,430,001
Share of profit from equity accounted investees	-	-	-	-	322,647	-	322,647
Profit before zakat and tax	1,412,099	1,170,996	572,325	232,953	254,370	(39,926)	3,602,817
Total assets	3,817,954	5,994,437	7,263,851	2,098,595	28,663,768	(22,436,259)	25,402,346
Total liabilities	1,178,164	1,609,294	2,769,067	1,470,349	4,677,507	(3,776,392)	7,927,989

For the year ended 31 December 2022 (Audited)

Total assets	3,356,313	5,475,573	6,880,762	1,687,560	27,097,483	(21,022,385)	23,475,306
Total liabilities	1,106,853	1,546,335	2,677,033	1,135,421	3,799,491	(3,526,650)	6,738,483

Segment performance is evaluated based on profit or loss before zakat and tax and is measured consistently with profit or loss before zakat and tax in these Interim Financial Statements.

Revenue recognised over time amounts to Saudi Riyals 20.6 million (2022: Saudi Riyals 13.2 million) and is included in "corporate and others" segment.

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Revenue by geography and segment

	For the nine month period ended 30 September 2023 (Unaudited)					
	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Total
<u>Revenue:</u>						
Foreign countries	1,019,980	1,325,526	2,094,535	415,763	-	4,855,804
Kingdom of Saudi Arabia	86,341	-	-	572,102	63,987	722,430
Total revenue	1,106,321	1,325,526	2,094,535	987,865	63,987	5,578,234
	For the nine month period ended 30 September 2022 (Unaudited)					
	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Total
<u>Revenue:</u>						
Foreign countries	2,050,138	2,538,221	2,684,752	227,442	22,162	7,522,715
Kingdom of Saudi Arabia	80,155	-	-	696,070	-	776,225
Total revenue	2,130,293	2,538,221	2,684,752	923,512	22,162	8,298,940

5. ZAKAT AND INCOME TAX

The Group is subject to zakat and income tax in accordance with the Zakat, Tax and Customs Authority (“ZATCA”) regulations. Zakat and income tax computation involves relevant knowledge and judgment of the zakat and tax rules and regulations to assess the impact of zakat liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA has been completed until which the Group retains exposure to additional zakat and tax liability. Wherever necessary, the Group has recorded estimated additional zakat and income tax liability in respect of the following open assessments.

Status of zakat and income tax assessments

Sipchem has finalized its zakat position with ZATCA up to 2008 and received assessments for the years up to 2018. ZATCA has issued additional zakat assessment for the years 2009 through 2018 amounting to Saudi Riyals 148.3 million (31 December 2022: Saudi Riyals 148.3 million), which are still under various stages of appeal. As at 30 September 2023, the Group management believes that sufficient provisions are recorded against such open assessments.

Certain subsidiaries in KSA file their zakat and income tax returns individually and certain subsidiaries have received additional assessments for certain years from ZATCA amounting to Saudi Riyals 27.7 million (31 December 2022: Saudi Riyals 77.3 million) which are under various stages of appeal. As at 30 September 2023, the Group management believes that sufficient provisions are recorded against such open assessments.

6. PROPERTY, PLANT AND EQUIPMENT

a. Acquisitions and disposals

- During the nine month period ended 30 September 2023, the Group acquired assets with a cost of Saudi Riyals 508.6 million (nine month period ended 30 September 2022: Saudi Riyals 341.5 million).
- During the nine month period ended 30 September 2023, there are no disposal of assets (nine month period ended 30 September 2022: Saudi Riyals 2.7 million).

b. Capital work in progress

The Group’s capital work-in-progress as at 30 September 2023 amounts to Saudi Riyals 1,148.4 million (as at 31 December 2022: Saudi Riyals 885.5 million) comprises mainly of costs related to plant turnarounds and other costs related to several projects for improvements and enhancements of operating plants.

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7. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Investment in associates	7.1	3,588,327	3,549,137
Investment in joint ventures	7.2	377,172	411,344
		3,965,499	3,960,481

7.1. Investment in associates

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Tasnee and Sahara Olefins Company ("TSOC")	3,408,343	3,365,553
Khair Inorganic Chemical Industries Company ("Inochem")	179,984	183,584
	3,588,327	3,549,137

7.2. Investment in joint ventures

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	346,375	386,490
Gulf Advanced Cable Insulation Company ("GACI")	21,347	23,758
Linde Sipchem Industrial Gases Company ("LSIG")	9,450	1,096
	377,172	411,344

Also see note 1 and 14.

8. BORROWINGS

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Current portion of long-term borrowings		
Sharia compliant loans	223,664	272,883
Saudi Industrial Development Fund ("SIDF")	11,600	11,502
	235,264	284,385
Short term borrowings	296,875	-
Total current borrowings	532,139	284,385
Non-current borrowings		
Shari'a compliant loans	2,365,484	3,049,133
Total non-current borrowings	2,365,484	3,049,133
Total borrowings	2,897,623	3,333,518

The borrowings bear financial charges at Saudi Arabian Inter Bank Offered Rate ("SAIBOR") plus a specified fixed margin. During the nine month period ended 30 September 2023, the Group repaid an amount of Saudi Riyals 733 million (nine month period ended 30 September 2022: Saudi Riyals 1,327 million) related to Sharia compliant loans.

Short term borrowings relate to financing obtained during the nine month period ended 30 September 2023 amounting to Saudi Riyals 296.9 million to finance its working capital requirements. These borrowings bear financial charges at a specified fixed margin.

The borrowing agreements include covenants to maintain certain financial ratios. As at 30 September 2023, the Group was in compliance with all such covenants except for the breach in certain covenants related to borrowing from SIDF. Accordingly, entire SIDF outstanding liability has been classified as a current liability.

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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 September 2023 (Unaudited)					
<u>Trade receivables</u>	1,175,156	1,175,156	-	1,175,156	-
<u>Long term investments</u>					
Listed mutual fund	31,725	31,725	31,725	-	-
Unlisted mutual fund	98,845	98,845	-	98,845	-
Equity shares	18,622	18,622	18,622	-	-
Total	1,324,348	1,324,348	50,347	1,274,001	-

	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2022 (Audited)					
<u>Trade receivables</u>	1,155,046	1,155,046	-	1,155,046	-
<u>Short term investments</u>					
Equity securities	20,019	20,019	20,019	-	-
<u>Long term investments</u>					
Listed mutual fund	37,050	37,050	37,050	-	-
Unlisted mutual fund	93,216	93,216	-	93,216	-
Equity shares	15,660	15,660	15,660	-	-
Total	1,320,991	1,320,991	72,729	1,248,262	-

10. COMMITMENTS AND CONTINGENCIES

- The capital expenditure contracted by the Group but not incurred till 30 September 2023 was approximately Saudi Riyals 329.9 million (31 December 2022: Saudi Riyals 263.2 million).
- At 30 September 2023, banks have issued guarantees and letters of credit on behalf of the Group amounting to Saudi Riyals 593.9 million (31 December 2022: Saudi Riyals 556.3 million).
- Also see Note 5 for details on zakat and income tax assessments.

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11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associates and their shareholders, joint arrangements and their shareholders, non-controlling interests, key management personnel, directors, and entities controlled, jointly controlled or significantly influenced by such parties. During the period, the Group transacted with and had balances with the following related parties

Name	Relationship
Japan Arabia Methanol Company Limited ("JAMC")	Shareholder of a subsidiary (non-controlling interest)
Hanwha Chemical Malaysia Sdn Bhd ("Hanwha")	Shareholder of a subsidiary (non-controlling interest)
SAMAPCO	Joint venture
LSIG	Joint venture
GACI	Joint venture
Basell Arabia Investments Limited and its associates ("Lyondell Basell")	Shareholder of a joint operation
Saudi Ethylene and Polyethylene Company ("SEPC")	Indirect associate

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

Related party	Nature of transaction	Three months from 1 July to 30 September		Nine months from 1 January to 30 September	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Hanwha	Sales made to Hanwha	132,559	247,729	425,904	620,460
JAMC	Sales made to JAMC	64,894	95,031	172,051	304,402
SAMAPCO	Shared service cost charged to SAMAPCO	29,765	27,877	86,497	80,873
Lyondell Basell	Sales made to Lyondell Basell	84,824	145,265	261,572	343,337
	Shared services cost charged to Lyondell Basell	10,416	8,169	24,091	22,972
SEPC	Purchase of ethylene by Al-Waha	28,937	31,393	52,573	98,282
	Purchase of ethylene by IVC	81,720	293,581	283,778	460,277

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

i) Trade receivables

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Lyondell Basell	173,058	186,433
Hanwha	89,144	85,665
JAMC	31,528	50,069
	293,730	322,167

ii) Prepayments and other current assets

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
SAMAPCO	43,335	37,594
Lyondell Basell	8,080	10,074
LSIG	1,196	925
	52,611	48,593

iii) Accrued expenses and other current liabilities

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
SAMAPCO	83,135	48,971
Lyondell Basell	68,920	54,024
Hanwha	5,883	7,299
GACI	49	-
	157,987	110,294

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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:

	Three months from		Nine months from	
	1 July to 30 September		1 January to 30 September	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short-term employee benefits	2,950	2,681	8,700	7,956
End of service benefits	504	459	2,920	2,064
Thrift plan	337	306	992	906
Share based payment transactions	66	50	177	129
Total compensation related to key management personnel	3,857	3,496	12,789	11,055

12. 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.

13. EARNINGS PER SHARE

Basic earnings per share for profit attributable to ordinary shareholders for the nine month period ended 30 September 2023 and 2022 are computed based on the weighted average number of shares outstanding during such periods. Diluted earnings per share for profit attributable to ordinary shareholders for the nine month period ended 30 September 2023 and 2022 (restated see note 14, as the dilutive impact of share based payments was not considered in the nine month period ended 30 September 2022) are computed based on the weighted average number of shares outstanding during such periods adjusted for treasury shares.

	Three months from		Nine months from	
	1 July to 30 September		1 January to 30 September	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Profit for the year attributable to equity holders of parent company	233,085	774,409	1,016,336	3,116,328
Weighted average number of shares used in calculating basic earnings per share	725,122	725,147	725,122	725,147
Weighted average number of shares used in calculating dilutive earnings per share	733,333	733,333	733,333	733,333
Basic earnings per share	0.32	1.07	1.40	4.30
Diluted earnings per share	0.32	1.06	1.39	4.25

14. COMPARATIVE FIGURES

- a) During the three month period ended 31 December 2022, the Group re-assessed its position in relation to the control over GACI and concluded that GACI meets the definition of a joint venture and accordingly deconsolidated and accounted for under the equity method of accounting; and
- b) During the nine month period ended 30 September 2023, the Group reclassified shipping and handling costs for the nine months period ended 30 September 2022 amounting to Saudi Riyals 242.3 million (three months period ended 30 September 2022: Saudi Riyals 85.4 million) from "Selling and distribution expenses" to "Revenue" in the comparative consolidated statement of profit or loss based on the incoterms of the underlying transactions.

As a result of the above, to comply with the requirements of IFRS, management has restated the comparative 2022 condensed consolidated interim financial statements for the three and nine month periods ended 30 September 2022 as follows:

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i) Condensed consolidated interim statement of profit or loss for the nine month period ended 30 September 2022

	Note	Previously reported	Adjustment	Restated
Revenue	b	8,541,279	(242,339)	8,298,940
Cost of revenues		(4,270,508)	-	(4,270,508)
Gross profit		4,270,771	(242,339)	4,028,432
Selling and distribution expenses	b	(468,377)	242,339	(226,038)
General and administrative expenses	a	(376,090)	3,697	(372,393)
Operating profit		3,426,304	3,697	3,430,001
Share of profit from equity accounted investees	a	325,992	(3,345)	322,647
Finance income	a	36,523	(160)	36,363
Finance cost	a	(187,294)	2,549	(184,745)
Other income, net	a	(1,465)	16	(1,449)
Profit before zakat and income tax		3,600,060	2,757	3,602,817
Zakat and income tax expenses	a	(193,780)	295	(193,485)
Profit for the period		3,406,280	3,052	3,409,332
Attributable to non-controlling interests		289,952	3,052	293,004
Diluted earnings per share	13	4.3	(0.05)	4.25

ii) Condensed consolidated interim statement of comprehensive income for the nine month period ended 30 September 2022

	Note	Previously reported	Adjustment	Restated
Profit for the period	a	3,406,280	3,052	3,409,332
Total comprehensive income for the period		3,405,160	3,052	3,408,212
Attributable to non-controlling interests		289,952	3,052	293,004

iii) Condensed consolidated interim statement of profit or loss for the three month period ended 30 September 2022

	Note	Previously reported	Adjustment	Restated
Revenue	b	2,938,829	(85,406)	2,853,423
Cost of revenues		(1,730,243)	-	(1,730,243)
Gross profit		1,208,586	(85,406)	1,123,180
Selling and distribution expenses	b	(165,347)	85,406	(79,941)
General and administrative expenses	a	(134,572)	1,240	(133,332)
Operating profit		908,667	1,240	909,907
Share of profit from equity accounted investees	a	61,617	(886)	60,731
Finance income	a	19,355	(68)	19,287
Finance cost	a	(63,453)	597	(62,856)
Other income, net	a	(3,924)	3	(3,921)
Profit before zakat and income tax		922,262	886	923,148
Zakat and income tax expenses	a	(63,255)	-	(63,255)
Profit for the period		859,007	886	859,893
Attributable to non-controlling interests		84,598	886	85,484
Diluted earnings per share	13	1.07	(0.01)	1.06

iv) Condensed consolidated interim statement of comprehensive income for the three month period ended 30 September 2022

	Note	Previously reported	Adjustment	Restated
Profit for the period	a	859,007	886	859,893
Total comprehensive income for the period		856,964	886	857,850
Attributable to non-controlling interests		84,598	886	85,484

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v) Condensed consolidated interim statement of changes in equity for the nine month period ended 30 September 2022

	Note	Previously reported	Adjustment	Restated
Non-controlling interests as at 1 January 2022	a	1,110,469	26,460	1,136,929
Non-controlling interests as at 30 September 2022	a	1,073,685	29,512	1,103,197

vi) Condensed consolidated interim statement of cash flows for the nine month period ended 30 September 2022

The impact of the adjustments on the condensed consolidated interim statement of cash flows for the nine month period ended 30 September 2022 was not material.

15. DIVIDENDS

On 21 June 2023, the Board of Directors of the Company approved to distribute interim cash dividends for the first half of 2023 amounting to Saudi Riyals 906.4 million (i.e. Saudi Riyals 1.25 per share).

16. SUBSEQUENT EVENTS

No adjusting event occurred between 30 September 2023 and the date of approval of these condensed consolidated interim financial statements by the Board of Directors, which may have an impact on these condensed consolidated interim financial statements.