

Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three and six month periods ended 30 June 2023
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 2023**

INDEX	PAGE
Independent auditor's review report on the condensed consolidated interim financial statements	1
Condensed consolidated interim statement of financial position	2 - 3
Condensed consolidated interim statement of profit or loss	4
Condensed consolidated interim statement of comprehensive income	5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim statement of cash flows	7 - 8
Notes to the condensed consolidated interim financial statements	9 - 19



Report on review of condensed consolidated interim financial statements

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sahara International Petrochemical Company (the “Company”) and its subsidiaries (collectively the “Group”) as of 30 June 2023 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended 30 June 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

25 July 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 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
<u>Assets</u>			
<u>Non-current assets</u>			
Property, plant and equipment	6	11,741,677	11,944,009
Right-of-use assets		101,089	104,635
Intangible assets		567,379	553,087
Goodwill		630,483	630,483
Investments in equity accounted investees	7	4,049,683	3,960,481
Long term investments		192,168	190,926
Deferred tax assets		4,932	4,932
Long term prepaid employees' benefits		620,705	632,982
Other non-current assets		32,342	30,536
Total non-current assets		17,940,458	18,052,071
<u>Current assets</u>			
Inventories		1,333,004	1,398,550
Trade receivables	9	1,023,699	1,172,378
Prepayments and other current assets		290,185	246,353
Short term investments	12	168,000	150,019
Cash and cash equivalents		2,562,799	2,455,935
Total current assets		5,377,687	5,423,235
Total assets		23,318,145	23,475,306
<u>Equity and liabilities</u>			
Share capital		7,333,333	7,333,333
Share premium		4,056,367	4,059,262
Treasury shares		(82,563)	(92,261)
Statutory reserve		1,971,650	1,971,650
Other reserves		(358,703)	(355,887)
Retained earnings		2,768,015	2,891,166
Equity attributable to the equity holders of the parent company		15,688,099	15,807,263
Non-controlling interests		875,814	929,560
Total equity		16,563,913	16,736,823
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Long term borrowings	8	2,453,903	3,049,133
Contractual liabilities		40,476	42,788
Lease liabilities		133,405	135,169
Employees' benefits		623,214	587,276
Deferred tax liabilities		55,839	55,839
Decommissioning liability		142,325	138,842
Other non-current liabilities		8,556	8,556
Total non-current liabilities		3,457,718	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 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
<u>Current liabilities</u>			
Short term borrowings	8	196,875	-
Current portion of long term borrowings	8	235,264	284,385
Current portion of contractual liabilities		134,675	135,239
Current portion of lease liabilities		4,756	3,679
Trade payables		120,563	251,003
Accrued expenses and other current liabilities	15	1,844,979	1,052,463
Provision for precious metals		393,318	505,058
Zakat and income tax payable	5	366,084	489,053
Total current liabilities		3,296,514	2,720,880
Total liabilities		6,754,232	6,738,483
Total equity and liabilities		23,318,145	23,475,306

The condensed consolidated interim financial statements were approved by the Board of Directors of the Company on 6 Muharram 1445H (corresponding to 24 July 2023) 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 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 STATEMENT OF PROFIT OR LOSS
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Note	Three months from 1 April to 30 June (Unaudited)		Six months from 1 January to 30 June (Unaudited)	
		2023	2022	2023	2022
			(Restated - Note 14)		(Restated - Note 14)
Revenue	1,3	1,701,554	3,097,404	3,788,861	5,445,517
Cost of revenues		(1,173,935)	(1,513,495)	(2,506,327)	(2,540,265)
Gross profit	1	527,619	1,583,909	1,282,534	2,905,252
Selling and distribution expenses		(57,659)	(86,357)	(152,205)	(146,097)
General and administrative expenses		(116,855)	(126,602)	(216,175)	(239,061)
Operating profit		353,105	1,370,950	914,154	2,520,094
Share of profit from equity accounted investees		38,556	147,374	81,206	261,916
Finance income		29,194	4,445	48,211	17,076
Finance cost		(63,485)	(62,930)	(129,980)	(121,889)
Other (expenses) / income, net		(2,582)	111	11,721	2,473
Profit before zakat and income tax		354,788	1,459,950	925,312	2,679,670
Zakat		(17,278)	(50,435)	(36,761)	(85,249)
Income tax		(9,003)	(25,979)	(23,551)	(44,983)
Profit for the period		328,507	1,383,536	865,000	2,549,438
Profit is attributable to:					
Equity holders of the company		312,917	1,263,101	783,251	2,341,919
Non-controlling interests		15,590	120,435	81,749	207,519
Profit for the period		328,507	1,383,536	865,000	2,549,438
Earnings per share (Saudi Riyals):					
Basic earnings per share	13	0.43	1.74	1.08	3.22
Diluted earnings per share	13	0.43	1.72	1.07	3.19


Khalid Abdullah Al- Zamil
Chairman of the Board


Abdullah Saif Al-Saadoon
Chief Executive Officer


Rushdi Khalid Al-Dulaijan
Vice President, Finance

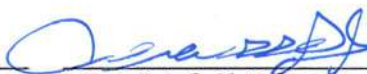
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

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

	Three months from 1 April to 30 June (Unaudited)		Six months from 1 January to 30 June (Unaudited)	
	2023	2022 (Restated - Note 14)	2023	2022 (Restated - Note 14)
Profit for the period	328,507	1,383,536	865,000	2,549,438
Other comprehensive income / (loss) Items that will be reclassified to profit or loss in subsequent periods:				
Exchange difference on translation of foreign operations	6	(313)	63	(408)
Items that will not be reclassified to profit or loss in subsequent periods:				
Changes in the fair value of financial assets at fair value through other comprehensive income	1,522	(1,907)	1,620	1,331
Total other comprehensive income / (loss) for the period	1,528	(2,220)	1,683	923
Total comprehensive income for the period	330,035	1,381,316	866,683	2,550,361
Total comprehensive income is attributable to:				
Equity holders of the company	314,445	1,260,881	784,934	2,342,842
Non-controlling interests	15,590	120,435	81,749	207,519
Total comprehensive income for the period	330,035	1,381,316	866,683	2,550,361



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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
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		
	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)	-	-	-	-	-	783,251	783,251	81,749	865,000
Other comprehensive income for the period (Unaudited)	-	-	-	-	1,683	-	1,683	-	1,683
Total comprehensive income for the period (Unaudited)	-	-	-	-	1,683	783,251	784,934	81,749	866,683
Net change in treasury shares (Unaudited)	-	(2,895)	9,698	-	-	-	6,803	-	6,803
Net change in other reserves (Unaudited)	-	-	-	-	(4,499)	-	(4,499)	-	(4,499)
Dividends (Unaudited)	-	-	-	-	-	(906,402)	(906,402)	(135,495)	(1,041,897)
As at 30 June 2023 (Unaudited)	7,333,333	4,056,367	(82,563)	1,971,650	(358,703)	2,768,015	15,688,099	875,814	16,563,913

	Attributable to the equity holders of Company						Non-controlling interests (Restated - Note 14)		
	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)	-	-	-	-	-	2,341,919	2,341,919	207,519	2,549,438
Other comprehensive income for the period (Unaudited)	-	-	-	-	923	-	923	-	923
Total comprehensive income for the period (Unaudited)	-	-	-	-	923	2,341,919	2,342,842	207,519	2,550,361
Purchase of non-controlling interest (Unaudited)	-	-	-	-	17,212	-	17,212	(25,482)	(8,270)
Net change in treasury shares (Unaudited)	-	(37,138)	(6,204)	-	-	-	(43,342)	-	(43,342)
Net change in other reserves (Unaudited)	-	-	-	-	(393)	-	(393)	-	(393)
Dividends (Unaudited)	-	-	-	-	-	(1,270,894)	(1,270,894)	(155,111)	(1,426,005)
As at 30 June 2022 (Unaudited)	7,333,333	4,097,391	(74,153)	1,612,121	(423,124)	3,085,006	15,630,574	1,163,855	16,794,429


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Chairman of the Board


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Rushdi Khalid Al-Dulain
Vice President, Finance

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

	Note	Six months from 1 January to 30 June 2023 (Unaudited)	Six months from 1 January to 30 June 2022 (Restated - Note 14) (Unaudited)
Cash flow from operating activities			
Profit before zakat and income tax for the period		925,312	2,679,670
<i>Non-cash adjustments to reconcile profit before zakat and income tax to net cash flows:</i>			
Depreciation		399,590	372,763
Amortization of intangible assets and deferred costs		40,961	57,880
Amortization of contractual liabilities		(2,876)	(7,373)
Share of profit from equity accounted investees associates		(81,206)	(261,916)
Provision for employees' benefits		34,224	33,937
Provision for precious metals		(111,740)	(46,640)
Loss on disposal of property, plant and equipment		-	2,039
Net foreign exchange difference		2,857	2,386
Fair value loss on investments		377	-
Finance income		(48,211)	(17,076)
Finance cost		129,980	121,889
		<u>1,289,268</u>	<u>2,937,559</u>
Changes in:			
Trade receivables		148,679	(11,214)
Inventories		65,546	(287,037)
Prepayments and other current assets		(40,424)	(156,595)
Trade payables, accrued expenses and other current liabilities		(195,617)	302,107
Long term prepaid employees' benefits		612	39,230
		<u>1,268,064</u>	<u>2,824,050</u>
Cash flows from operations			
Employees' benefits paid		(7,504)	(15,316)
Zakat and income tax paid		(183,281)	(260,031)
		<u>1,077,279</u>	<u>2,548,703</u>
Net cash generated from operating activities			
Cash flow from investing activities			
Additions to property, plant and equipment	6	(237,076)	(283,661)
Additions to intangibles		(1,020)	(22,684)
Maturity of long term investments		-	49,959
Placements in short term investments		(543,000)	(1,039,000)
Redemption of short term investments		520,520	64,781
Finance income received		44,803	15,306
Sale proceed from disposal of property, plant and equipment		-	700
Dividend received from an associate		-	203,438
Loan given to a joint venture		(9,375)	-
		<u>(225,148)</u>	<u>(1,011,161)</u>
Net cash used in investing activities			

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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	Six months from 1 January to 30 June 2023 (Unaudited)	Six months from 1 January to 30 June 2022 (Restated - Note 14) (Unaudited)
Cash flow from financing activities			
Proceeds from long term borrowings		-	2,000
Repayment of long term borrowings		(644,486)	(982,935)
Repayment of short term borrowings		-	(70,000)
Proceeds from short term borrowings	8	196,875	-
Purchase of treasury shares		(23,759)	(43,342)
Dividends paid by subsidiaries to non-controlling interests		(135,495)	(155,111)
Finance cost paid		(132,045)	(131,161)
Payment of lease liabilities		(3,563)	(3,960)
Net cash used in financing activities		(742,473)	(1,384,509)
Net increase in cash and cash equivalents			
		109,658	153,033
Cash and cash equivalents at 1 January		2,455,935	2,690,390
Effect of exchange rate fluctuations		(2,794)	(2,793)
Cash and cash equivalents at 30 June		2,562,799	2,840,630



Khalid Abdullah Al-Zamil
Chairman of the Board



Abdullah Saif Al-Saadoon
Chief Executive Officer



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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 SIX MONTH PERIODS ENDED 30 JUNE 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 2000G. 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 1999G, and another branch in Jubail Industrial City having commercial registration number 2055007570 dated 4 Jumada Al-Awal, 1427H, corresponding to 1 June 2006G.

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 June 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%	97%
International Vinyl Acetate Company ("IVC")	Saudi Arabia	100%	97%
International Gases Company ("IGC")	Saudi Arabia	100%	97%
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%

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.

During 2023 there has been a decline in the sales prices of the Company's products in the global markets which resulted in decrease in revenue, margin and profitability for the three-month and six-month period ended 30 June 2023. Management believes that such decrease in sales prices is short-term and the sales prices are expected to improve in the foreseeable future.

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.

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

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 June 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%
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%

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 2022 ("Last Annual Financial Statements"). They do not include all of the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, changes in accounting policies (if any) and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the Last Annual Financial Statements.

2.2. Basis of preparation

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

- Investment in equity securities and certain financial assets measured at fair value; and
- The defined benefit obligation for employees' end of service liability is recognised using the projected unit credit method.

2.3. Use of judgements and estimates

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

2.4. Significant accounting policies

The accounting policies applied in these Interim Financial Statements are the same as those applied in the Group's annual consolidated financial statements as at and for the year ended 31 December 2022.

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

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.

	Six months from 1 January to 30 June 2023 (Unaudited)	Six months from 1 January to 30 June 2022 (Unaudited)
Primary geographical markets		
Foreign countries	3,342,295	4,932,877
Kingdom of Saudi Arabia	446,566	512,640
	3,788,861	5,445,517
Timing of revenue recognition		
Revenue recognised at a point in time	3,775,504	5,436,584
Revenue recognised over time	13,357	8,933
	3,788,861	5,445,517

Contract balances

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Receivables included in trade receivables	1,023,528	1,171,261
Contract assets included in trade receivables	171	1,117
Contractual liabilities	175,151	178,027

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2023
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

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.

Six month period ended 30 June 2023 (Unaudited)

	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Inter segment transaction elimination	Total
Revenue							
External customers	736,657	1,035,913	1,361,239	611,607	43,445	-	3,788,861
Inter-segment	220,601	510,045	-	2,022,189	10,281	(2,763,116)	-
Total revenue	957,258	1,545,958	1,361,239	2,633,796	53,726	(2,763,116)	3,788,861
Gross profit	438,651	242,772	357,401	104,931	2,753	136,026	1,282,534
Operating profit / (loss)	383,204	193,937	280,913	67,691	(24,481)	12,890	914,154
Share of profit from equity accounted investees	-	-	-	-	81,206	-	81,206
Profit before zakat and tax	360,472	173,560	222,191	65,104	162,427	(58,442)	925,312
Total assets	3,299,113	5,126,637	6,536,582	1,444,555	27,707,353	(20,796,095)	23,318,145
Total liabilities	971,364	1,279,789	2,516,470	830,034	4,394,560	(3,237,985)	6,754,232

Six month period ended 30 June 2022 (Unaudited)

	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Inter segment transaction elimination	Total
Revenue							
External customers	1,531,237	1,775,201	1,662,896	464,039	12,144	-	5,445,517
Inter-segment	254,180	823,527	-	4,015,762	-	(5,093,469)	-
Total revenue	1,785,417	2,598,728	1,662,896	4,479,801	12,144	(5,093,469)	5,445,517
Gross profit / (loss)	1,220,715	1,063,651	513,605	193,105	(11,204)	(74,620)	2,905,252
Operating profit / (loss)	1,116,751	915,009	438,069	162,303	(58,511)	(53,527)	2,520,094
Share of profit from equity accounted investees	-	-	-	-	261,916	-	261,916
Profit before zakat and tax	1,098,199	879,065	410,406	161,665	244,841	(114,506)	2,679,670
Total assets	3,636,379	6,457,404	7,125,871	2,347,869	29,134,142	(22,834,490)	25,867,175
Total liabilities	1,203,309	1,552,097	2,768,433	1,785,745	5,869,558	(4,138,647)	9,040,495

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 13.4 million (2022: Saudi Riyals 8.9 million) and is included in "corporate and others" segment.

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

Revenue by geography and segment

	For the six month period ended 30 June 2023 (Unaudited)					
	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Total
Revenue:						
Foreign countries	680,948	1,035,913	1,361,239	264,195	-	3,342,295
Kingdom of Saudi Arabia	55,709	-	-	347,412	43,445	446,566
Total revenue	736,657	1,035,913	1,361,239	611,607	43,445	3,788,861
For the six month period ended 30 June 2022 (Unaudited)						
	Basic chemicals	Intermediate chemicals	Polymers	Trading	Corporate and others	Total
Revenue:						
Foreign countries	1,477,960	1,775,201	1,662,896	4,676	12,144	4,932,877
Kingdom of Saudi Arabia	53,277	-	-	459,363	-	512,640
Total revenue	1,531,237	1,775,201	1,662,896	464,039	12,144	5,445,517

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 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. Management believes that sufficient provisions are recorded, and no additional material liability is likely to arise from open assessments, once finalized.

Certain subsidiaries in KSA filed their zakat and income tax returns individually. Some of these subsidiaries have received assessments for several years from the ZATCA. ZATCA has issued additional assessment for these years amounting to Saudi Riyals 48.4 million (31 December 2022: Saudi Riyals 77.3 million) which are still under various stages of appeal. Management believes that sufficient provisions are recorded, and no additional material liability is likely to arise from open assessments, once finalized.

6. PROPERTY, PLANT AND EQUIPMENT

a. Acquisitions and disposals

- During the six month period ended 30 June 2023, the Group acquired assets with a cost of Saudi Riyals 237.1 million (six month period ended 30 June 2022: Saudi Riyals 283.7 million).
- During the six month period ended 30 June 2023, there are no disposal of assets (six month period ended 30 June 2022: Saudi Riyals 2.7 million).

b. Capital work in progress

The Group's capital work-in-progress as at 30 June 2023 amounts to Saudi Riyals 1,009 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.

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

7. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Investment in associates	7.1	3,650,318	3,549,137
Investment in joint ventures	7.2	399,365	411,344
		4,049,683	3,960,481

7.1. Investment in associates

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Tasnee and Sahara Olefins Company ("TSOC")	3,469,134	3,365,553
Khair Inorganic Chemical Industries Company ("Inochem")	181,184	183,584
	3,650,318	3,549,137

7.2. Investment in joint ventures

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	370,551	386,490
Gulf Advanced Cable Insulation Company ("GACI")	28,624	23,758
Linde Sipchem Industrial Gases Company ("LSIG")	190	1,096
	399,365	411,344

8. BORROWINGS

	30 June 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	196,875	-
Total current borrowings	432,139	284,385
Non-current borrowings		
Shari'a compliant loans	2,453,903	3,049,133
Total non-current borrowings	2,453,903	3,049,133
Total borrowings	2,886,042	3,333,518

The borrowings bear financial charges at Saudi Arabian Inter Bank Offered Rate ("SAIBOR") plus a specified fixed margin. During the six month period ended 30 June 2023, the Group repaid an amount of Saudi Riyals 644 million (six month period ended 30 June 2022: Saudi Riyals 1,053 million) related to Sharia compliant loans.

Short term borrowings relate to financing obtained by Al-Waha during the six month period ended 30 June 2023 amounting to Saudi Riyals 196.9 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 June 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 current liability.

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

9. FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 30 June 2023 (Unaudited)					
<u>Trade receivables</u>	979,551	979,551	-	979,551	-
<u>Long term investments</u>					
Listed mutual fund	33,825	33,825	33,825	-	-
Unlisted mutual fund	96,062	96,062	-	96,062	-
Equity shares	17,280	17,280	17,280	-	-
Total	1,126,718	1,126,718	51,105	1,075,613	-

	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 June 2023 was approximately Saudi Riyals 344.3 million (31 December 2022: Saudi Riyals 263.2 million).
- At 30 June 2023, banks have issued guarantees and letters of credit on behalf of the Group amounting to Saudi Riyals 593.8 million (2022: Saudi Riyals 556.3 million).
- Also see Note 5 for details on zakat and income tax assessments.

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

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 April to 30 June		Six months from 1 January to 30 June	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Hanwha	Sales made to Hanwha	142,987	246,774	293,345	372,731
JAMC	Sales made to JAMC	27,584	175,421	107,157	209,371
SAMAPCO	Shared service cost charged to SAMAPCO	30,186	28,432	54,382	52,994
Lyondell Basell	Sales made to Lyondell Basell	76,104	103,932	176,748	198,072
	Shared services cost charged to Lyondell Basell	7,234	7,822	14,485	14,803
SEPC	Purchase of ethylene by Al-Waha	16,584	22,426	48,401	50,621
	Purchase of ethylene by IVC	94,602	13,840	209,974	166,696

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

i) Trade receivables

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Lyondell Basell	199,669	186,433
Hanwha	109,965	85,665
JAMC	3,727	50,069
	313,361	322,167

ii) Prepayments and other current assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
SAMAPCO	32,678	37,594
Lyondell Basell	4,959	10,074
LSIG	1,196	925
GACI	318	-
	39,151	48,593

iii) Accrued expenses and other current liabilities

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
SAMAPCO	99,155	48,971
Lyondell Basell	49,116	54,024
Hanwha	5,883	7,299
GACI	16	-
	154,170	110,294

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

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 1 April to 30 June		Six months from 1 January to 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Short-term employee benefits	2,950	2,681	5,750	5,275
End of service benefits	1,959	1,182	2,416	1,605
Thrift plan	337	305	655	600
Share based payment transactions	61	45	111	79
Total compensation related to key management personnel	5,307	4,213	8,932	7,559

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 six month period ended 30 June 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 six month period ended 30 June 2023 and 2022 (restated see note 14, as the dilutive impact of share based payments was not considered in the six month period ended 30 June 2022) are computed based on the weighted average number of shares outstanding during such periods adjusted for treasury shares.

	Three months from 1 April to 30 June		Six months from 1 January to 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Profit for the year attributable to equity holders of parent company	312,917	1,263,101	783,251	2,341,919
Weighted average number of shares used in calculating basic earnings per share	725,122	726,225	725,122	726,225
Weighted average number of shares used in calculating dilutive earnings per share	733,333	733,333	733,333	733,333
Basic earnings per share	0.43	1.74	1.08	3.22
Diluted earnings per share	0.43	1.72	1.07	3.19

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 six month period ended 30 June 2023, the Group reclassified shipping and handling costs amounting to Saudi Riyals 156.9 million (three months period ended 30 June 2022: Saudi Riyals 95.6 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 six month periods ended 30 June 2022 as follows:

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

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

	Note	Previously reported	Adjustment	Restated
Revenue	b	5,602,450	(156,933)	5,445,517
Cost of revenues	a	(2,540,265)	-	(2,540,265)
Gross profit		3,062,185	(156,933)	2,905,252
Selling and distribution expenses	b	(303,030)	156,933	(146,097)
General and administrative expenses	a	(241,518)	2,457	(239,061)
Operating profit		2,517,637	2,457	2,520,094
Share of profit from equity accounted investees	a	264,375	(2,459)	261,916
Finance income	a	17,168	(92)	17,076
Finance cost	a	(123,841)	1,952	(121,889)
Other income, net	a	2,459	14	2,473
Profit before zakat and income tax		2,677,798	1,872	2,679,670
Zakat and income tax expenses	a	(130,527)	295	(130,232)
Profit for the period		2,547,271	2,167	2,549,438
Attributable to non-controlling interests		205,352	2,167	207,519
Diluted earnings per share	13	3.22	(0.03)	3.19

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

	Note	Previously reported	Adjustment	Restated
Profit for the period	a	2,547,271	2,167	2,549,438
Total comprehensive income for the period		2,548,194	2,167	2,550,361
Attributable to non-controlling interests		205,352	2,167	207,519

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

	Note	Previously reported	Adjustment	Restated
Revenue	b	3,192,975	(95,571)	3,097,404
Cost of revenues	a	(1,513,695)	200	(1,513,495)
Gross profit		1,679,280	(95,371)	1,583,909
Selling and distribution expenses	b	(181,928)	95,571	(86,357)
General and administrative expenses	a	(127,835)	1,233	(126,602)
Operating profit		1,369,517	1,433	1,370,950
Share of profit from equity accounted investees	a	148,671	(1,297)	147,374
Finance income	a	4,502	(57)	4,445
Finance cost	a	(63,560)	630	(62,930)
Other income, net	a	110	1	111
Profit before zakat and income tax		1,459,240	710	1,459,950
Zakat and income tax expenses	a	(76,709)	295	(76,414)
Profit for the period		1,382,531	1,005	1,383,536
Attributable to non-controlling interests		119,430	1,005	120,435
Diluted earnings per share	13	1.74	(0.02)	1.72

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

	Note	Previously reported	Adjustment	Restated
Profit for the period	a	1,382,531	1,005	1,383,536
Total comprehensive income for the period		1,380,311	1,005	1,381,316
Attributable to non-controlling interests		119,430	1,005	120,435

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

v) Condensed consolidated interim statement of changes in equity for the six month period ended 30 June 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 June 2022	a	1,135,228	28,627	1,163,855

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

The impact of the adjustments on the condensed consolidated interim statement of cash flows for the six month period ended 30 June 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). The related liability is currently included in accrued expenses and other current liabilities and has been paid on 19 July 2023.

16. SUBSEQUENT EVENTS

No adjusting event occurred between 30 June 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.