



ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)



المتقدمة
Advanced

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

INDEX	PAGES
Independent auditor's review report	1
Interim condensed consolidated statement of profit or loss	2
Interim condensed consolidated statement of comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 – 13



Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ADVANCED PETROCHEMICAL COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Advanced Petrochemical Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries (collectively referred to as "the Group") as at 31 March 2023, and the related interim condensed consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the three-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated 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" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

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

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)



Al Khobar: 24 Shawwal 1444H
14 May 2023

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended	
		31 March	
		2023	2022
		(Unaudited)	(Unaudited)
Sales		626,873	866,309
Cost of sales		(525,188)	(655,505)
GROSS PROFIT		101,685	210,804
Selling and distribution expenses		(7,025)	(9,222)
General and administration expenses		(30,240)	(19,641)
OPERATING PROFIT		64,420	181,941
Finance costs		(331)	(175)
Share in results of an associate	7	(21,808)	(14,603)
Other income, net		725	1,360
PROFIT BEFORE ZAKAT AND INCOME TAX		43,006	168,523
Zakat and income tax expense			
Zakat		(1,175)	(4,604)
Current tax		(27)	(195)
PROFIT FOR THE PERIOD		41,804	163,724
Attributable to:			
Equity holders of the Parent Company		42,688	164,353
Non-controlling interest		(884)	(629)
		41,804	163,724
Basic and diluted earnings per share			
- Earnings per share from profit for the period attributable to equity holders of the Parent Company	14	0.165	0.632

KHALIFA A. AL-MULHEM
Chairman of the Board

FAHAD S. AL-MATRAFI
President & CEO

ABDULAZIZ S. AL-ARDHI
Chief Financial Officer

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended 31 March	
		2023 <i>(Unaudited)</i>	2022 <i>(Unaudited)</i>
PROFIT FOR THE PERIOD		41,804	163,724
OTHER COMPREHENSIVE (LOSS) INCOME			
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of investment in an associate	7	<u>(17,605)</u>	<u>(12,623)</u>
<i>Net other comprehensive loss to be reclassified to profit or loss in subsequent periods</i>		<u>(17,605)</u>	<u>(12,623)</u>
<i>Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:</i>			
Unrealized fair value (loss) gain on equity investment at fair value through other comprehensive income		<u>(5,212)</u>	<u>127,678</u>
<i>Net other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods</i>		<u>(5,212)</u>	<u>127,678</u>
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		(22,817)	115,055
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		18,987	278,779
Total comprehensive income (loss)			
Attributable to:			
Equity holders of the Parent Company		<u>19,871</u>	279,408
Non-controlling interest		<u>(884)</u>	<u>(629)</u>
		18,987	278,779

KHALIFA A. AL-MULHEM
Chairman of the Board

FAHAD S. AL-MATRAFI
President & CEO

ABDULAZIZ S. AL-ARDHI
Chief Financial Officer

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

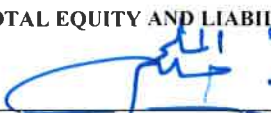

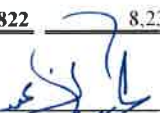
ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)



المتقدمة
Advanced

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		5,859,236	5,184,951
Right-of-use assets		182,892	184,736
Investment in an associate	7	444,628	484,041
Investment in an unconsolidated subsidiary		376	376
Equity investment at fair value through other comprehensive income		454,914	460,126
Other non-current assets	8	213,570	217,611
TOTAL NON-CURRENT ASSETS		7,155,616	6,531,841
CURRENT ASSETS			
Inventories		175,569	180,678
Trade receivables		368,293	354,293
Prepayments and other current assets		156,935	165,009
Cash and cash equivalents		431,409	1,006,535
TOTAL CURRENT ASSETS		1,132,206	1,706,515
TOTAL ASSETS		8,287,822	8,238,356
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	2,600,000	2,600,000
Treasury shares	1	(49,926)	(49,926)
Statutory reserve		464,792	464,792
Other components of equity	6	(49,228)	(27,208)
Retained earnings		152,021	251,866
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		3,117,659	3,239,524
Non-controlling interest		378,080	378,964
TOTAL EQUITY		3,495,739	3,618,488
NON-CURRENT LIABILITIES			
SIDF loan	9	2,042,424	2,042,424
Non-current portion of lease liabilities		171,316	169,821
Long term retentions		100,091	81,605
Employees' defined benefit liabilities and other benefits		172,850	167,221
Deferred tax liabilities, net		1,157	1,157
TOTAL NON-CURRENT LIABILITIES		2,487,838	2,462,228
CURRENT LIABILITIES			
Short term Murabaha loans	9	1,740,400	1,740,400
Current portion of lease liabilities		11,450	11,450
Trade payable		146,149	144,400
Accruals and other current liabilities		243,130	242,009
Zakat and income tax provision		16,526	15,324
Dividends payable		146,590	4,057
TOTAL CURRENT LIABILITIES		2,304,245	2,157,640
TOTAL LIABILITIES		4,792,083	4,619,868
TOTAL EQUITY AND LIABILITIES		8,287,822	8,238,356
			
KHALIFA A. AL-MULHEM Chairman of the Board		FAHAD S. AL-MATRAFI President & CEO	ABDULAZIZ S. AL-ARDHI Chief Financial Officer

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Other components of equity							Total controlling interest	Non-controlling interest	Total equity
	Share capital	Treasury shares	Statutory reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Share-based payment reserve			
At 1 January 2022	2,164,734	-	696,502	81,539	316,458	(17,026)	-	3,734,157	221,782	3,955,939
Profit for the period	-	-	-	-	-	-	-	164,353	(629)	163,724
Other comprehensive income for the period	-	-	-	-	127,678	(12,623)	-	115,055	-	115,055
Total comprehensive income for the period	-	-	-	-	127,678	(12,623)	-	279,408	(629)	278,779
Transfer of fair value reserve of equity instrument at FVOCI	-	-	-	-	(16,129)	-	-	16,129	-	-
Increase in share capital (note 1)	435,266	-	(261,160)	-	-	-	-	(174,106)	-	-
Share-based payment reserve	-	-	-	-	-	-	1,657	1,657	-	1,657
Non-controlling interest	-	-	-	-	-	-	-	-	53,100	53,100
Dividends (note 11)	-	-	-	-	-	-	-	(143,000)	-	(143,000)
At 31 March 2022	2,600,000	-	435,342	81,539	428,007	(29,649)	1,657	3,872,222	274,253	4,146,475
At 1 January 2023	2,600,000	(49,926)	464,792	-	28,189	(58,603)	3,206	3,239,524	378,964	3,618,488
Profit for the period	-	-	-	-	-	-	-	42,688	(884)	41,804
Other comprehensive loss for the period	-	-	-	-	(5,212)	(17,605)	-	(22,817)	-	(22,817)
Total comprehensive income for the period	-	-	-	-	(5,212)	(17,605)	-	19,871	(884)	18,987
Share-based payment reserve	-	-	-	-	-	-	797	797	-	797
Dividends (note 11)	-	-	-	-	-	-	-	(142,533)	-	(142,533)
At 31 March 2023	2,600,000	(49,926)	464,792	-	22,977	(76,208)	4,003	3,117,659	378,080	3,495,739


KHALIFA A. AL-MULHEM
Chairman of the Board


FAHAD S. AL-MATRAFI
President & CEO


ABDULAZIZ S. AL-ARDHI
Chief Financial Officer

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.


ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)




المقدمة
Advanced

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
OPERATING ACTIVITIES			
Profit before zakat and income tax		43,006	168,523
Adjustment to reconcile profit before zakat and income tax to net cash flows from operations:			
Depreciation of property, plant and equipment		44,902	56,589
Depreciation of right-of-use assets		344	344
Finance costs		331	175
Share in results of an associate	7	21,808	14,603
Share-based payment expense		797	-
Employees' defined benefits liabilities and other benefits		7,442	8,404
		<u>118,630</u>	<u>248,638</u>
Working capital adjustments:			
Inventories		5,109	43,244
Trade receivables		(14,000)	25,426
Prepayments and other current assets		10,811	(3,474)
Trade payable		1,749	(42,814)
Accruals and other current liabilities		1,227	(41,515)
Cash generated from operations		<u>123,526</u>	<u>229,505</u>
Employees' defined benefits liabilities and other benefits paid		(1,813)	(786)
Finance costs paid		(26,518)	(4,909)
Net cash generated from operating activities		<u>95,195</u>	<u>223,810</u>
INVESTING ACTIVITIES			
Net movement in investments at fair value through profit or loss		-	(38,738)
Movement in equity investment at FVOCI		-	56,238
Additions to property, plant and equipment		(692,593)	(135,472)
Investment in a subsidiary by a non-controlling shareholder		-	53,100
Net movement in long term retentions payable		18,486	-
Net movement in other non-current assets		4,041	4,356
Net cash used in investing activities		<u>(670,066)</u>	<u>(60,516)</u>
FINANCING ACTIVITIES			
Net movement in short term Murabaha loans		-	200,900
Payment of lease liabilities		(255)	(255)
Dividends paid		-	(138,049)
Net cash (used in) generated from financing activities		<u>(255)</u>	<u>62,596</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(575,126)</u>	<u>225,890</u>
Cash and cash equivalents at the beginning of the period		<u>1,006,535</u>	<u>242,886</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>431,409</u>	<u>468,776</u>
SIGNIFICANT NON-CASH TRANSACTIONS:			
Increase in share capital by issuance of bonus shares from statutory reserve	1	-	261,160
Increase in share capital by issuance of bonus shares from retained earnings	1	-	174,106
Finance costs on short term Murabaha loans charged to capital work in progress		26,081	8,586
Financial charges on lease liabilities against right-of-use assets charged to capital work in progress		1,750	-
Depreciation of right-of-use assets charged to capital work in progress		1,500	-
Finance income on Murabaha deposits credited to capital work in progress		2,737	-


KHALIFA A. AL-MULHEM
Chairman of the Board


FAHAD S. AL-MATRAFI
President & CEO


ABDULAZIZ S. AL-ARDHI
Chief Financial Officer

The attached notes 1 to 16 form an integral part of these interim condensed consolidated financial statements.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. CORPORATE INFORMATION

Advanced Petrochemical Company (the “Company” or the “Parent Company”) is a Saudi joint stock company registered in Dammam city, Kingdom of Saudi Arabia under commercial registration numbered 2050049604 dated 27 Sha’aban, 1426H (corresponding to 1 October 2005). The paid-up share capital of the Company is SR 2,600,000,000 divided into 260,000,000 shares of SR 10 each.

During the Company’s extraordinary General Assembly meeting held on 17 Sha’aban 1443H (corresponding to 20 March 2022), an increase in share capital by 20.11% was approved by the shareholders by way of issuance of one bonus share for every 5 shares held by the existing shareholders. The increase in share capital was funded by way of capitalising retained earnings and statutory reserve amounting to SR 174.1 million and SR 261.2 million, respectively, of the Company. The number of shares increased from Two Hundred Sixteen Million Four Hundred Seventy Three Thousand Four Hundred (216,473,400) shares to Two Hundred Sixty Million (260,000,000) shares. The legal formalities relating to the above capital increase are completed.

Further, the shareholders have also approved the purchase of Company’s own shares, with a maximum of (1,500,000) shares, for the purpose of allocating them to the Company’s employees within the Employees Share Incentive Program, provided that the purchase of these shares to be financed through the Company’s own resources. Further, to authorize the Board of Directors (or whomever it delegates) to complete the purchase within (12 months) from the date of the extraordinary general assembly’s approval, and to determine the terms of the program and its implementation, including determination of the allocation for consideration or not, and to be kept no longer than (10) years from the date of approval as a maximum until the shares are allocated to eligible employees. Upon the end of mentioned period, the Company will follow the rules and procedures stipulated in the relevant laws and regulations. At 31 March 2023, the Company purchased total of 849,345 of its own shares amounting to SR 49.9 million.

In accordance with the Company’s By-Laws, the General Assembly can establish a general reserve as an appropriation of retained earnings. This general reserve can be increased or decreased by a resolution of the shareholders. During the Company’s extraordinary General Assembly meeting held on 1 Rabi Al-Awwal 1444H (corresponding to 27 September 2022), a transfer of general reserve balance amounting to SR 81.54 million to retained earnings was approved by the shareholders. (During year ended 31 December 2021, a transfer of retained earnings balance amounting to SR 81.54 million to general reserve was approved by the shareholders).

The interim condensed consolidated financial statements as at 31 March 2023 and 2022 include the financial statements of the Company and the following subsidiaries (collectively referred to as the “Group”):

	<u>Effective ownership directly and indirectly</u>
Advanced Global Marketing Company (“AGMC”) - note (a)	100%
Advanced Global Investment Company (“AGIC”) - note (b) and its following subsidiary	100%
Advanced Polyolefins Industry Company (“APOC”) - note (c)	85%

Notes:

- a- Advanced Global Marketing Company (“AGMC”), is a single shareholder Limited Liability Company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055015327 dated 27 Rabi’I 1433H (corresponding to 19 February 2012) and is 100% owned by the Company.
- b- Advanced Global Investment Company (“AGIC”) is a single shareholder Limited Liability Company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055017024 dated 12 Ramadan 1433H (corresponding to 1 August 2012) and is 100% owned by the Company.



1. CORPORATE INFORMATION (continued)

- c- Advanced Polyolefins Industry Company (“APOC”) is a Saudi mixed closed joint stock company incorporated in 2021 and is registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 20550130313 dated 14 Ramadan 1442H (corresponding to 26 April 2021) and is 85% owned by AGIC (remaining 15% is owned by SK Gas Petrochemical Pte. Ltd., a company organized and existing under the laws of Republic of Singapore). The Subsidiary has not commenced its commercial operations as its plants are under construction phase, which are expected to be completed by the end of second quarter of 2024.

During the year ended 31 December 2022, the Board of Directors of APOC have proposed to increase the share capital of APOC from SR 1,502,625,000 to SR 2,210,625,000 which is contributed by AGIC and SK Gas Petrochemical Pte. Ltd. amounting to SR 601.8 million and SR 106.2 million respectively, as per their proportionated shareholding.

During 2014, AGIC made 100% investment in Advanced Global Holding Limited (“AGHL”), a Limited Liability Company incorporated in Luxembourg. AGHL has not been consolidated in these interim condensed consolidated financial statements due to immaterial financial position.

The Group is licensed to engaged in production and selling Propylene, Polypropylene, Isopropyl Alcohol, Polysilicon and Polysilicon downstream products which includes Photovoltaic cells and Photovoltaic, and establishing, operating and investing in industrial projects including petrochemical, chemical, basic and conversion industries and industries relating to renewable energy both within and outside the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared using historical cost convention except for equity investments at fair value through other comprehensive income (“FVOCI”) and investments at fair value through profit or loss which are measured at fair value. These interim condensed consolidated financial statements are prepared in Saudi Riyals, which is both the functional and presentation currency of the Group. These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed by Saudi Organization for Chartered and Professional Accountant (“SOCPA”) in the Kingdom of Saudi Arabia.

These interim condensed consolidated financial statements include all the disclosures required for interim condensed consolidated financial statements but do not include all of the disclosures required for the consolidated annual financial statements and should therefore be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

An interim period is considered and integral part of the whole fiscal year, however, the results of operations for the interim period may not be a fair indication of the results of the full year operations.

These interim condensed consolidated financial statements of the Group were approved on 18 Shawwal 1444H (corresponding to 8 May 2023).

Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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



2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the Group to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2022.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2022.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

6. OTHER COMPONENTS OF EQUITY

	31 March	31 December
	2023	2022
	<u>(Unaudited)</u>	<u>(Audited)</u>
Fair value reserve	22,977	28,189
Foreign currency translation reserve	(76,208)	(58,603)
Share-based payment reserve	4,003	3,206
	<u>(49,228)</u>	<u>(27,208)</u>



7. INVESTMENT IN AN ASSOCIATE

	For the three-month period ended 31 March 2023	For the three-month period ended 31 March 2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At the beginning of the period	484,041	636,926
Share in results of an associate	(21,808)	(14,603)
Exchange differences on translation of investment in an associate	(17,605)	(12,623)
At the end of the period	444,628	609,700

The Group has an investment in SK Advanced Co. Limited through its subsidiary AGIC, in which AGIC owns 30% shareholding, and is classified as investment in an associate in these interim condensed consolidated financial statements. It was incorporated in South Korea in accordance with the Commercial Act of the Republic of Korea. The ownership of the associated Company is divided between AGIC with 30%, SK Gas Co. Limited with 45% and Petrochemical Industries Company K.S.C with 25%. It operates a PDH Plant with nameplate capacity of 600,000 MT per annum.

8. OTHER NON-CURRENT ASSETS

	31 March 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Employees' home ownership program (note a)	213,570	217,611

a) It represents balances related to employees' Home Ownership Program (HOP). The Group started building residential houses for its employees in 2013. In May 2016, completed housing units were distributed to direct hire Saudi employees under a long-term repayment agreement in Phase-I. Further, in July 2019, additional completed housing units were distributed in Phase-II. During 2020, remaining completed housing units were also distributed to employees related to Phase-II. The employees pay 17% of their monthly basic salary in addition to their housing allowance which is being applied as loan repayment/installment until the total HOP loan is fully repaid. As at reporting date, SR 213.57 million (31 December 2022: SR 217.61 million) represents non-current portion and SR 17 million (31 December 2022: SR 17 million) represents current portion presented under prepayments and other current assets.

9. BORROWINGS

a) SIDF LOAN

During the year ended 31 December 2022, the Group obtained a term loan facility from Saudi Industrial Development Fund ("SIDF") with total amount of SR 3 billion to finance the construction of new PDH and PP Project. Up-front and administrative fees are charged by SIDF under the loan agreement, amortized as finance cost using the effective interest rate and presented as unamortized transaction costs deducted from the loan. At 31 March 2023, an amount of SR 2.2 billion was withdrawn by the Group from the loan facility. The loan is secured by a mortgage over the property, plant and equipment of APOC ("a subsidiary") and by promissory notes. The loan is payable in 16 un-equal semi-annual instalments, with first instalment payable on 15 Safar 1448H (corresponding to 29 July 2026). The facility agreement with SIDF contains certain covenants, which requires among other things, certain financial ratios to be maintained.

	31 March 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Saudi Industrial Development Fund ("SIDF")	2,220,026	2,220,026
Less: unamortised transaction costs	(177,602)	(177,602)
	2,042,424	2,042,424



9. BORROWINGS (continued)

b) SHORT TERM MURABAHA LOANS

In 2020, the Group entered into a Murabaha Facility Agreement on 9 July 2020 for a period of 5.5 years, with a consortium of local commercial banks amounting to SR 1.5 billion, bearing a commission rate of SIBOR plus 0.95%. This facility is intended to finance the development for new PDH & PP Project. As at 31 March 2023, an amount of SR 1.5 billion was withdrawn by the Group from the facility.

In 2019, the Group entered into a Murabaha Facility Agreement on 20 October 2019 for a period of 5 years, with a local commercial bank amounting to SR 250 million, bearing a commission rate of SIBOR plus 0.75%. This facility is intended to finance the working capital requirements of the Group. As at 31 March 2023, an amount of SR 240.4 million was withdrawn by the Group from the facility.

Murabaha facilities are classified as current based on current maturity ranging from 1 to 3 months with rollover option.

c) ISLAMIC LOAN FACILITIES

During the year ended 31 December 2022, APOC (“a subsidiary”) signed multiple Islamic loan facilities with a consortium of financial institutions with total amount of SR 6.1 billion to finance the construction of new PDH, PP and IPA plants. These loans are secured by promissory notes and Debt Service Undertaking of USD 250 million from the Parent Company and carry a commission which commensurate with prevailing commercial rates which are mainly SIBOR based plus agreed margins. These loans are repayable in unequal semi-annual installments and maturities of these facilities are based on their respective repayment schedules spread up to 2035. These loan agreements include covenants to maintain certain financial ratios during the loans period. As at 31 March 2023, no amount is withdrawn from the above loan facilities.

10. RELATED PARTY TRANSACTION AND BALANCES

Related parties include the Company’s major shareholders, associated companies and their shareholders, key management personnel, Directors, and entities controlled, jointly controlled or significantly influenced by such parties.

During the period, no significant transactions with the related parties resulting in the balances.

Compensation of key management personnel

Below are the details of key management personnel compensation recorded during the period;

	For the three-month period ended 31 March 2023	For the three-month period ended 31 March 2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short-term employee benefits	4,219	3,669
Long-term employee benefits	703	637
	4,922	4,306

11. DIVIDENDS

On 20 February 2023, the Board of Directors resolved to distribute cash dividend for the fourth quarter of 2022 of SR 0.55 per share (totaling SR 142,532,860). The distribution will be on 28 May 2023.

On 28 March 2022, the Board of Directors resolved to distribute interim cash dividend for the first quarter of 2022 of SR 0.55 per share (totaling SR 143,000,000). The distribution date was 22 May 2022.

On 21 December 2021, the Board of Directors resolved to distribute interim cash dividend for the fourth quarter of 2021 of SR 0.65 per share (totaling SR 140,707,710). The distribution date was 20 February 2022.



12. COMMITMENTS AND CONTINGENCIES

Commitments

At 31 March 2023, Capital commitments contracted but not yet incurred amounted to SR 4.51 billion in respect of the new PDH and PP project (31 December 2022: SR 4.9 billion).

The Group has signed a five year agreement for the purchase of 80,000 MT per annum of propylene (an intermediate product) which have been used in the production of polypropylene since 1 October 2014. In 2017, this agreement is extended up to 31 July 2023 with increase in the quantity to 100,000 MT per annum. In 4 January 2022, this agreement was extended up to 31 December 2025 with increase in quantity to 120,000 MT.

Contingencies

The Group's banker has given payment guarantees on behalf of the Group in favor of Jubail Commercial Port for land lease amounting to SR 1.95 million (31 December 2022: SR 1.95 million).

13. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group's management is of the view that all activities and operations of the Group comprise of a single operating segment for the purpose of decision making with respect to performance appraisal and resources allocation.

Substantial portion of the Group's sales are made to the marketers and Group's operations are related to one operating segment. Accordingly, segmental analysis by geographical and operating segment has not been presented.

Operating assets of the Group are located in the KSA. The sales are geographically distributed between domestic sales in the Kingdom representing 7% of the total sales and overseas sales representing 93% of the total sales.

14. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the three-month period ended 31 March 2023 (Unaudited)	For the three-month period ended 31 March 2022 (Unaudited)
Profit for the period attributable to equity holders of the Parent Company	<u>42,688</u>	<u>164,353</u>
*Weighted average number of ordinary shares ('000)	<u>259,151</u>	<u>260,000</u>
Earnings Per Share (SR)	<u><u>0.165</u></u>	<u><u>0.632</u></u>

There has been no significant item of dilution affecting the weighted average number of ordinary shares.

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the period.*



15. FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in transaction. As the interim condensed consolidated financial statements are prepared under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

The Group has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the nature of the inputs used in determining fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

Following is a description of each category in the fair value hierarchy and the financial assets and liabilities of the Group that are included in each category at 31 March 2023.

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.
- Level 2: Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Period ended 31 March 2023				
<i>Assets measured at fair value</i>				
Equity investment at fair value through other comprehensive income	454,914	454,914	-	-
	454,914	454,914	-	-
Year ended 31 December 2022				
<i>Assets measured at fair value</i>				
Equity investment at fair value through other comprehensive income	460,126	460,126	-	-
	460,126	460,126	-	-

The Group has not disclosed the fair value of financial instruments such as cash and cash equivalent, trade receivables, trade payable, accruals, other current liabilities, SIDF loan, short term Murabaha loans and lease liabilities, because their carrying amounts are a reasonable approximation of fair values.

The fair value of the financial assets and liabilities is included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Floating-rate borrowings approximate their carrying amounts largely due to the fact that the floating rate approximates the market interest rate.

The fair value of loans from banks and other financial indebtedness as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.

16. SUBSEQUENT EVENT

In the opinion of management, there have been no significant subsequent events since the period ended 31 March 2023 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.