

Sahara International Petrochemical Company
(A Saudi Joint Stock Company)

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

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

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Report on review of condensed consolidated interim financial statements

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Sahara International Petrochemical Company (the "Company") and its subsidiaries (collectively the "Group") as of 30 September 2022 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 2022 and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409



18 October 2022

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

| | Note | As at 30 September 2022 (Unaudited) | As at 31 December 2021 (Audited) |
|--|------|---|--|
| <u>Assets</u> | | | |
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | 6 | 12,066,789 | 12,218,031 |
| Right-of-use assets | | 109,706 | 120,128 |
| Intangible assets | | 570,955 | 606,185 |
| Goodwill | | 630,483 | 630,483 |
| Investments in a joint venture and associates | 7 | 4,085,977 | 3,963,423 |
| Long term investments | | 208,205 | 251,896 |
| Deferred tax assets | | 2,177 | 2,177 |
| Long term prepaid employees' benefits | | 654,269 | 728,614 |
| Other non-current assets | | 38,307 | 37,583 |
| Total non-current assets | | 18,366,868 | 18,558,520 |
| <u>Current assets</u> | | | |
| Inventories | | 1,195,633 | 1,145,427 |
| Trade receivables | 11 | 1,800,609 | 1,862,415 |
| Prepayments and other current assets | | 288,896 | 227,367 |
| Short term investments | 12 | 402,499 | 20,223 |
| Cash and cash equivalents | | 3,347,841 | 2,690,390 |
| Total current assets | | 7,035,478 | 5,945,822 |
| Total assets | | 25,402,346 | 24,504,342 |
| <u>Equity and Liabilities</u> | | | |
| Share capital | | 7,333,333 | 7,333,333 |
| Share premium | | 4,055,686 | 4,134,529 |
| Treasury shares | | (87,934) | (67,949) |
| Statutory reserve | | 1,612,121 | 1,612,121 |
| Other reserves | | (371,949) | (440,866) |
| Retained earnings | | 3,859,415 | 2,013,981 |
| Equity attributable to the equity holders of the parent | | 16,400,672 | 14,585,149 |
| Non-controlling interests | | 1,073,685 | 1,110,469 |
| Total equity | | 17,474,357 | 15,695,618 |
| <u>Liabilities</u> | | | |
| <u>Non-current liabilities</u> | | | |
| Long term borrowings | 8 | 4,000,968 | 4,721,472 |
| Long term advances from non-controlling shareholders | 8 | 56,006 | 54,802 |
| Contractual liabilities | | 167,145 | 170,614 |
| Lease liabilities | | 148,563 | 154,157 |
| Employees' benefits | | 611,605 | 574,097 |
| Deferred tax liabilities | | 55,417 | 55,417 |
| Decommissioning liability | | 138,418 | 133,408 |
| Other non-current liabilities | | 8,556 | 8,556 |
| Total non-current liabilities | | 5,186,678 | 5,872,523 |

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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 2022 (Unaudited) | As at 31 December 2021 (Audited) |
|--|------|---|--|
| <u>Current liabilities</u> | | | |
| Current portion of long term borrowings | 8 | 266,986 | 582,820 |
| Short term borrowings | 8 | - | 70,000 |
| Current portion of contractual liabilities | | 4,626 | 9,686 |
| Current portion of lease liabilities | | 5,128 | 10,744 |
| Trade and other payables | | 293,720 | 312,333 |
| Accrued expenses and other current liabilities | | 1,703,322 | 1,387,741 |
| Zakat and income tax payable | 5 | 467,529 | 582,877 |
| Total current liabilities | | 2,741,311 | 2,936,201 |
| Total liabilities | | 7,927,989 | 8,808,724 |
| Total equity and liabilities | | 25,402,346 | 24,504,342 |

The condensed consolidated interim financial statements appearing on pages 2 to 17 were approved by the Board of Directors of the Company on 21 Rabi ul Awal 1444H (corresponding to 17 October 2022) and have been signed on their behalf by:



Khalid Abdullah Al-Zamil
Chairman of the Board



Abdullah Saif Al-Saadoon
Chief Executive Officer



Rashid Khalid Al-Dulaijan
Vice President, Finance

The accompanying notes 1 through 17 appearing on pages 9 to 17 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 July to 30 September | | Nine months from 1 January to 30 September | |
|--|------|--|---------------------|--|---------------------|
| | | 2022 (Unaudited) | 2021 (Unaudited) | 2022 (Unaudited) | 2021 (Unaudited) |
| Revenue | 3 | 2,938,829 | 2,505,596 | 8,541,279 | 6,899,222 |
| Cost of sales | | (1,730,243) | (1,136,296) | (4,270,508) | (3,096,293) |
| Gross profit | | 1,208,586 | 1,369,300 | 4,270,771 | 3,802,929 |
| Selling and distribution expenses | | (165,347) | (98,152) | (468,377) | (320,232) |
| General and administrative expenses | | (134,572) | (131,652) | (376,090) | (469,979) |
| Impairment of non-financial assets* | 6 | - | - | - | (260,000) |
| Operating profit* | | 908,667 | 1,139,496 | 3,426,304 | 2,752,718 |
| Share of profit from a joint venture and associates | 7 | 61,617 | 97,322 | 325,992 | 265,219 |
| Finance income | 12 | 19,355 | 5,818 | 36,523 | 14,726 |
| Finance cost | 8 | (63,453) | (67,151) | (187,294) | (246,736) |
| Other expenses, net* | 13 | (3,924) | (3,175) | (1,465) | (33,453) |
| Profit before zakat and income tax | | 922,262 | 1,172,310 | 3,600,060 | 2,752,474 |
| Zakat and income tax expense | | (63,255) | (53,045) | (193,780) | (235,027) |
| Profit for the period | | 859,007 | 1,119,265 | 3,406,280 | 2,517,447 |
| Profit attributable to: | | | | | |
| Equity holders of the parent | | 774,409 | 1,029,506 | 3,116,328 | 2,270,849 |
| Non-controlling interests | | 84,598 | 89,759 | 289,952 | 246,598 |
| Profit for the period | | 859,007 | 1,119,265 | 3,406,280 | 2,517,447 |
| Earnings per share: | | | | | |
| Basic and diluted earnings per share attributable to the equity holders of the parent presented in Saudi Riyals | 14 | 1.07 | 1.42 | 4.30 | 3.12 |

*see note 17 for reclassification of comparative figures



Khalid Abdullah Al- Zamil
Chairman of the Board



Abdullah Saif Al-Saadoon
Chief Executive Officer



Rusdan Khalid Al-Dulajjan
Vice President, Finance

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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 | | Nine months from 1 January to 30 September | |
|--|--|---------------------|--|---------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) | 2022 (Unaudited) | 2021 (Unaudited) |
| Profit for the period | 859,007 | 1,119,265 | 3,406,280 | 2,517,447 |
| Other comprehensive (loss) income | | | | |
| <i>Items that will be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Exchange difference on translation of foreign operations | (2,324) | (135) | (2,732) | (215) |
| Changes in fair value of derivative financial instruments designated as hedge | - | - | - | 6,321 |
| <i>Items that will not be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Changes in the fair value of financial assets at fair value through other comprehensive income | 281 | 10,741 | 1,612 | 33,442 |
| Total other comprehensive (loss) income for the period | (2,043) | 10,606 | (1,120) | 39,548 |
| Total comprehensive income for the period | 856,964 | 1,129,871 | 3,405,160 | 2,556,995 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the parent | 772,363 | 1,040,112 | 3,115,208 | 2,310,397 |
| Non-controlling interests | 84,601 | 89,759 | 289,952 | 246,598 |
| Total comprehensive income for the period | 856,964 | 1,129,871 | 3,405,160 | 2,556,995 |


Khalid Abdullah Al- Zamil
Chairman of the Board


Abdulah Saif Al-Saadoon
Chief Executive Officer


Rushdi Khalid Al-Dulajjan
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

Atributable to the equity holders of the parent

| | Share capital | Share premium | Treasury shares | Statutory reserve | Other reserves | Retained earnings | Total | Non-controlling interest | 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 | 1,110,469 | 15,895,618 |
| Profit for the period (Unaudited) | - | - | - | - | - | 3,116,328 | 3,116,328 | 289,952 | 3,406,280 |
| Other comprehensive income (Unaudited) | - | - | - | - | (1,120) | - | (1,120) | - | (1,120) |
| Total comprehensive income (Unaudited) | - | - | - | - | (1,120) | 3,116,328 | 3,115,208 | 289,952 | 3,405,160 |
| Purchase of additional shares in subsidiaries, net (Unaudited), see Note 1 | - | - | - | - | 78,234 | - | 78,234 | (171,625) | (93,391) |
| Purchase of 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), see Note 17 | - | - | - | - | - | (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) | 3,859,416 | 16,400,672 | 1,073,885 | 17,474,357 |

Atributable to the equity holders of the parent

| | Share capital | Share premium | Treasury shares | Statutory reserve | Other reserves | Retained earnings | Total | Non-controlling interest | Total |
|--|---------------|---------------|-----------------|-------------------|----------------|-------------------|------------|--------------------------|------------|
| As at 1 January 2021 (Audited) | 7,333,333 | 4,145,053 | (59,960) | 1,252,936 | (82,178) | 397,522 | 12,996,676 | 849,200 | 13,835,876 |
| Profit for the period (Unaudited) | - | - | - | - | - | 2,270,849 | 2,270,849 | 246,598 | 2,517,447 |
| Other comprehensive income (Unaudited) | - | - | - | - | 39,548 | - | 39,548 | - | 39,548 |
| Total comprehensive income (Unaudited) | - | - | - | - | 39,548 | 2,270,849 | 2,310,397 | 246,598 | 2,556,995 |
| Purchase of additional shares in subsidiaries, net (Unaudited), see Note 1 | - | - | - | - | (392,388) | - | (392,388) | 165,976 | (226,412) |
| Capital contribution by non-controlling interest (Unaudited) | - | - | - | - | - | - | - | 30,930 | 30,930 |
| Purchase of treasury shares (Unaudited) | - | (10,524) | (9,589) | - | - | - | (20,113) | - | (20,113) |
| Net change in other reserves (Unaudited) | - | - | - | - | 2,268 | - | 2,268 | - | 2,268 |
| Dividends (Unaudited) | - | - | - | - | - | (545,372) | (545,372) | (169,073) | (714,445) |
| As at 30 September 2021 (Unaudited) | 7,333,333 | 4,134,529 | (69,579) | 1,252,936 | (432,720) | 2,122,999 | 14,341,498 | 1,123,631 | 15,465,129 |

Khalid Abdullah Al-Zamil
Chairman of the Board

Abdullah Saif Al-Saadoun
Chief Executive Officer

Rushdi Khalid Al-Oulaikan
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

| | Nine months from 1 January to 30 September | |
|---|---|------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) |
| Cash flow from operating activities | | |
| Profit before zakat and income tax for the period | 3,600,060 | 2,752,474 |
| <i>Non-cash adjustments to reconcile profit before zakat and income tax to net cash flow generated from operating activities:</i> | | |
| Depreciation | 608,816 | 563,654 |
| Impairment loss on non-financial assets | - | 260,000 |
| Amortization of intangible assets and deferred costs | 81,146 | 124,045 |
| Amortization of contractual liabilities | (8,529) | (11,059) |
| Share of profit from a joint venture and associates | (325,992) | (265,219) |
| Provision for employees' benefits | 48,801 | 57,365 |
| Provision for expected credit loss | - | 30,800 |
| Loss/(gain) on disposal of property, plant and equipment | 2,739 | (8,502) |
| Net foreign exchange difference | 61 | (122) |
| Finance income | (36,523) | (14,726) |
| Finance cost | 187,294 | 246,736 |
| | <u>4,157,873</u> | <u>3,735,446</u> |
| Changes in: | | |
| Trade receivables | 61,806 | (430,522) |
| Inventories | (50,206) | (198,083) |
| Prepayments and other current assets | (58,535) | (124,188) |
| Accrued expenses, trade and other payables | 313,101 | 324,116 |
| Long term prepaid employees' benefits | 53,889 | 150,642 |
| | <u>4,477,928</u> | <u>3,457,411</u> |
| Cash flows from operations | | |
| Employee benefits paid | (19,180) | (131,718) |
| Zakat and income tax paid | (289,128) | (93,142) |
| Net cash generated from operating activities | <u>4,169,620</u> | <u>3,232,551</u> |
| Cash flow from investing activities | | |
| Additions to property, plant and equipment | (455,013) | (288,010) |
| Additions to intangibles | (28,472) | (94,535) |
| (Placements in)/redemption of short term investments | (390,473) | 22,122 |
| Disposals of long term investments | 45,303 | 17,145 |
| Finance income received | 33,529 | 14,903 |
| Sale proceed from disposal of property, plant and equipment | - | 14,712 |
| Dividend received from an associate | 203,438 | 63,410 |
| Purchase of additional shares in subsidiaries | (97,881) | (226,412) |
| Net cash used in investing activities | <u>(689,569)</u> | <u>(476,665)</u> |

ATS

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

| | Nine months from 1 January to 30 September | |
|--|---|--------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) |
| Cash flow from financing activities | | |
| Proceeds from long term borrowings | 202,000 | 1,700,000 |
| Repayment of long term borrowings | (1,327,367) | (2,888,855) |
| Proceeds from short term loans | - | 130,000 |
| Net change in advances from non-controlling shareholders | 1,204 | 1,193 |
| Purchase of treasury shares | (98,828) | (20,113) |
| Capital contribution by non-controlling interests | - | 30,930 |
| Dividend paid to non-controlling interest | (155,111) | (169,073) |
| Dividend paid to shareholders | (1,270,894) | (545,372) |
| Finance cost paid | (164,724) | (178,107) |
| Payment of lease liabilities | (6,087) | (4,745) |
| Net cash used in financing activities | (2,819,807) | (1,944,142) |
| Net change in cash and cash equivalents | 660,244 | 811,744 |
| Cash and cash equivalents at 1 January | 2,690,390 | 2,496,871 |
| Effect of exchange rate fluctuations | (2,793) | (93) |
| Cash and cash equivalents at 30 September | 3,347,841 | 3,308,522 |



Khalid Abdullah Al-Zamil
Chairman of the Board



Abdullah Saif Al-Saadoon
Chief Executive Officer



Rusdi Khalid Al-Dulajjan
Vice President, Finance

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

1. CORPORATE INFORMATION

Sahara International Petrochemical Company "Sipchem" or "the Company", is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2051023922 dated 30 Shawwal 1420H, corresponding to 6 February 2000G. The Company's registered head office is in Al-Khobar, with a branch in the city of Riyadh which is registered commercial registration number 1010156910 dated 14 Ramadan 1420H, corresponding to 22 December 1999G, and another branch in Jubail Industrial City which is registered under commercial registration number 2055007570 dated 4 Jumada Al-Awal, 1427H, corresponding to 1 June 2006.

The principal activities of the Company are to own, establish, operate and manage industrial projects especially those related to chemical and petrochemical industries. The Company had the following subsidiaries (the Company and its subsidiaries hereinafter referred to as "the Group"):

| Subsidiaries | Effective ownership percentage at | |
|--|--|-------------------------|
| | 30 September 2022 | 31 December 2021 |
| Sahara Petrochemicals Company ("Sahara") | 100% | 100% |
| International Methanol Company ("IMC") | 65% | 65% |
| International Diol Company ("IDC") | 100% | 100% |
| International Acetyl Company ("IAC") | 100% | 97% |
| International Vinyl Acetate Company ("IVC") | 100% | 97% |
| International Gases Company ("IGC") | 100% | 97% |
| Sipchem Marketing Company ("SMC") | 100% | 100% |
| Sahara Marketing Company ("SaMC") | 100% | 100% |
| International Utility Company ("IUC") | 93% | 91.2% |
| International Polymers Company ("IPC") | 75% | 75% |
| Sipchem Chemical Company ("SCC") | 100% | 100% |
| Sipchem Europe Cooperative U.A. | 100% | 100% |
| Sipchem Europe B.V. | 100% | 100% |
| Sipchem Europe SA (Formerly Aectra SA) | 100% | 100% |
| Gulf Advance Cable Insulation Company ("GACI") | 50% | 50% |
| Saudi Specialized Products Company ("SSPC") | 100% | 100% |
| Sipchem Asia PTE Ltd. | 100% | 100% |
| Saudi Advanced Technologies Company ("SAT") | 100% | 100% |

The principal 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 the nine month period ended 30 September 2022, Sipchem acquired the remaining 3% shares from the respective minority shareholders of IAC, IVC and IGC which increased Sipchem's ownership to 100% in these subsidiaries resulting in a gain of Saudi Riyals 78.2 million which was recognized in other reserves in the statement of condensed consolidated interim statement of changes in equity. As a result of increase in Sipchem's ownership in IAC, IVC and IGC, Sipchem's effective ownership in IUC increased to 93%.

During the nine month period ended 30 September 2021, Sipchem acquired additional shares from the respective minority shareholders in of IAC, IVC and IDC. This increased Sipchem's ownership to 97% each in IAC and IVC and 100% in IDC resulting in a loss of Saudi Riyals 392.4 million which was recognized in other reserves in the statement of condensed consolidated interim statement of changes in equity.

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.

**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 2022
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

1.2. Equity accounted investees

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

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

2.2. Basis of preparation

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

- Investment in equity securities and certain financial assets measured at fair value; and
- The defined benefit obligation is recognised at the present value of future obligations 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 condensed consolidated interim financial statements from those that were applied and disclosed in Last Annual Financial Statements.

2.4. Significant accounting policies

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

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

A. Newly effective standards from 1 January 2022

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

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

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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B. Standards available for early adoption

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

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

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

i) Disaggregation of revenue from contracts with customers

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

| | Nine months from 1 January to 30 September 2022 (Unaudited) | Nine months from 1 January to 30 September 2021 (Unaudited) |
|--|--|--|
| Primary geographical markets | | |
| Foreign countries | 7,765,054 | 6,312,785 |
| Saudi Arabia | 776,225 | 586,437 |
| | <u>8,541,279</u> | <u>6,899,222</u> |
| Major products/service lines | | |
| Petrochemical products | 8,528,085 | 6,887,943 |
| Product on contract basis - specialized products, tools etc. | 13,194 | 11,279 |
| | <u>8,541,279</u> | <u>6,899,222</u> |
| Timing of revenue recognition | | |
| Point in time | 8,528,085 | 6,887,943 |
| Over time | 13,194 | 11,279 |
| | <u>8,541,279</u> | <u>6,899,222</u> |

ii) Contract balances

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

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|---|--|---------------------------------------|
| Receivables included in trade receivables | 1,719,022 | 1,854,512 |
| Contract assets included in trade receivables | 8,939 | 7,903 |
| Contract liabilities | 171,771 | 180,300 |

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

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4. SEGMENT INFORMATION

The Group has the following operating segments:

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

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

| Nine month period ended 30 September 2022 (Unaudited) | Basic chemicals | Intermediate chemicals | Polymers | Marketing | Corporate and others | Consolidation elimination | Total |
|--|----------------------------|-----------------------------------|------------------|------------------|---------------------------------|--------------------------------------|------------------|
| Revenue | | | | | | | |
| External customers | 2,268,044 | 2,517,043 | 2,806,926 | 927,104 | 22,162 | - | 8,541,279 |
| Inter-segment | 402,121 | 1,268,663 | - | 5,696,468 | - | (7,367,252) | - |
| Total revenue | 2,670,165 | 3,785,706 | 2,806,926 | 6,623,572 | 22,162 | (7,367,252) | 8,541,279 |
| Gross profit / (loss) | 1,733,844 | 1,440,251 | 854,953 | 289,784 | (16,805) | (31,256) | 4,270,771 |
| Operating profit / (loss) | 1,437,540 | 1,223,089 | 618,317 | 236,103 | (88,418) | (327) | 3,426,304 |
| Share of profit from a joint venture and associates | - | - | - | - | 325,992 | - | 325,992 |
| Profit before zakat and tax | 1,412,099 | 1,170,996 | 566,221 | 232,953 | 257,714 | (39,923) | 3,600,060 |
| Total assets | 3,817,954 | 5,994,437 | 7,323,817 | 2,098,595 | 28,603,803 | (22,436,260) | 25,402,346 |
| Total liabilities | 1,178,164 | 1,609,294 | 2,891,681 | 1,470,349 | 4,554,893 | (3,776,392) | 7,927,989 |
| Capital expenditure | 39,991 | 45,593 | 173,932 | 318 | 195,179 | - | 455,013 |

| Nine month period ended 30 September 2021 (Unaudited) | Basic chemicals | Intermediate chemicals | Polymers | Marketing | Corporate and others | Consolidation elimination | Total |
|--|----------------------------|-----------------------------------|------------------|------------------|---------------------------------|--------------------------------------|------------------|
| Revenue | | | | | | | |
| External customers | 1,940,457 | 1,909,228 | 2,570,589 | 467,669 | 11,279 | - | 6,899,222 |
| Inter-segment | 301,845 | 1,083,240 | 27,196 | 4,683,781 | - | (6,096,062) | - |
| Total revenue | 2,242,302 | 2,992,468 | 2,597,785 | 5,151,450 | 11,279 | (6,096,062) | 6,899,222 |
| Gross profit / (loss) | 1,427,306 | 1,158,661 | 1,098,760 | 232,558 | (15,880) | (98,476) | 3,802,929 |
| Operating profit / (loss) | 1,191,739 | 956,766 | 634,560 | 191,579 | (144,210) | (77,716) | 2,752,718 |
| Share of profit from a joint venture and associates | - | - | - | - | 265,219 | - | 265,219 |
| Profit before zakat and tax | 1,133,046 | 818,489 | 532,319 | 191,684 | 403,848 | (326,912) | 2,752,474 |
| Total assets | 3,924,620 | 5,880,929 | 7,187,374 | 1,760,715 | 26,440,099 | (20,397,542) | 24,796,195 |
| Total liabilities | 2,100,673 | 2,170,064 | 3,039,039 | 1,322,593 | 5,036,811 | (4,338,114) | 9,331,066 |
| Capital expenditure | 56,434 | 77,409 | 68,823 | 102 | 85,242 | - | 288,010 |

Revenue recognized over time for the nine month periods ended 30 September 2022 and 2021 is included in "Corporate and others".

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Revenue by geography and segment

| | For the nine month period ended 30 September 2022 (Unaudited) | | | | | |
|----------------------|--|-------------------------------|------------------|------------------|-----------------------------|------------------|
| | Basic chemicals | Intermediate chemicals | Polymers | Marketing | Corporate and others | Total |
| Revenue: | | | | | | |
| Foreign countries | 2,187,889 | 2,517,043 | 2,806,926 | 231,034 | 22,162 | 7,765,054 |
| Saudi Arabia | 80,155 | - | - | 696,070 | - | 776,225 |
| Total revenue | 2,268,044 | 2,517,043 | 2,806,926 | 927,104 | 22,162 | 8,541,279 |

| | For the nine month period ended 30 September 2021 (Unaudited) | | | | | |
|----------------------|--|-------------------------------|------------------|------------------|-----------------------------|------------------|
| | Basic chemicals | Intermediate chemicals | Polymers | Marketing | Corporate and others | Total |
| Revenue: | | | | | | |
| Foreign countries | 1,713,843 | 1,909,228 | 2,510,585 | 167,850 | 11,279 | 6,312,785 |
| Saudi Arabia | 226,614 | - | 60,004 | 299,819 | - | 586,437 |
| Total revenue | 1,940,457 | 1,909,228 | 2,570,589 | 467,669 | 11,279 | 6,899,222 |

5. ZAKAT AND INCOME TAX

Details of outstanding assessments of the Group are the same as disclosed in the Group's Last Annual Financial Statements and no material additional zakat and income tax assessments were received during the nine month period ended 30 September 2022. As at 30 September 2022, there are additional zakat and income tax assessments for certain prior years related to the Company and its Saudi Arabian subsidiaries issued by the Zakat, Tax and Customs Authority ("ZATCA"), which are under various stages of appeals. The Group management believes that no significant additional liability will arise upon the ultimate resolution of such appeals. Zakat and income tax assessments related to the Company and its Saudi Arabian subsidiaries for the remaining years are currently under review by ZATCA.

6. PROPERTY, PLANT AND EQUIPMENT

a. Acquisitions and disposals

- During the nine month period ended 30 September 2022, the Group acquired assets with a cost of Saudi Riyals 341 million (nine month period ended 30 September 2021: Saudi Riyals 288 million).
- During the nine month period ended 30 September 2022, assets with a carrying amount of Saudi Riyals 2.7 million (nine month period ended 30 September 2021: Saudi Riyals 5.7 million) were disposed off.

b. Capital work in progress

The Group's capital work-in-progress as at 30 September 2022 is Saudi Riyals 809 million (as at 31 December 2021: Saudi Riyals 677 million) comprises mainly of costs related to plant turnarounds, home ownership program and other costs related to several projects for improvements and enhancements of operating plants.

c. Impairment

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

Furthermore, an impairment loss of Saudi Riyals 100 million was recognized for GACI during 2021. No impairment has been recorded previously with respect to GACI. Following the cumulative impairment losses recognized for GACI and PBT, the recoverable amount of such CGUs is equal to their carrying amount as at 30 September 2022.

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

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

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7. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES

| | Note | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|-------------------------------|-------------|--|---------------------------------------|
| Investment in a joint venture | 1.2 | 391,933 | 280,998 |
| Investment in associates | 7.1 | 3,694,044 | 3,682,425 |
| | | 4,085,977 | 3,963,423 |

7.1. Investment in associates

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|---|--|---------------------------------------|
| Investment in associates: | | |
| Tasnee and Sahara Olefins Company ("TSOC") | 3,507,891 | 3,492,672 |
| Khair Inorganic Chemical Industries Company ("Inochem") | 186,153 | 189,753 |
| | 3,694,044 | 3,682,425 |

8. BORROWINGS

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|--|--|---------------------------------------|
| Current borrowings | | |
| Shari'a compliant loans | 266,986 | 498,820 |
| Saudi Industrial Development Fund ("SIDF") | - | 84,000 |
| | 266,986 | 582,820 |
| Short term loan | - | 70,000 |
| Total current borrowings | 266,986 | 652,820 |
| Non-current borrowings | | |
| Shari'a compliant loans | 3,989,483 | 4,712,324 |
| SIDF | 11,485 | 9,148 |
| | 4,000,968 | 4,721,472 |
| Other non-current borrowings | | |
| Advances from non-controlling shareholders | 56,006 | 54,802 |
| Total non-current borrowings | 4,056,974 | 4,776,274 |
| Total borrowings | 4,323,960 | 5,429,094 |

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 2022, the Group obtained additional Sharia' compliant loans amounting to Saudi Riyals 202 million (30 September 2021: Saudi Riyals 1,700 million) which carry interest at market rates, and repaid an amount of Saudi Riyals 1,327 million (30 September 2021: Saudi Riyals 1,889 million) related to Sharia' compliant, SIDF and short term loans.

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9. FINANCIAL INSTRUMENTS

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

Fair value hierarchy

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

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

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

| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|--|-----------------|----------------|---------------|---------------|----------|
| As at 30 September 2022 (Unaudited) | | | | | |
| <u>Short term investments</u> | | | | | |
| Equity securities | 20,449 | 20,449 | 20,449 | - | - |
| <u>Long term investments</u> | | | | | |
| Listed mutual fund | 46,200 | 46,200 | 46,200 | - | - |
| Unlisted mutual fund | 99,515 | 99,515 | - | 99,515 | - |
| Equity shares | 17,490 | 17,490 | 17,490 | - | - |
| Total | 183,654 | 183,654 | 84,139 | 99,515 | - |

| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|-----------------|----------------|----------------|----------------|----------|
| As at 31 December 2021 (Audited) | | | | | |
| <u>Short term investments</u> | | | | | |
| Equity securities | 20,223 | 20,223 | 20,223 | - | - |
| <u>Long term investments</u> | | | | | |
| Listed mutual fund | 73,875 | 73,875 | 73,875 | - | - |
| Unlisted mutual fund | 117,143 | 117,143 | - | 117,143 | - |
| Equity shares | 15,878 | 15,878 | 15,878 | - | - |
| Total | 227,119 | 227,119 | 109,976 | 117,143 | - |

10. COMMITMENTS AND CONTINGENCIES

Commitments

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|---------------------|----------------------------------|-------------------------------|
| Capital commitments | 276,823 | 143,802 |

Contingencies

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

Also see note 5.

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11. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

| Related party | Nature of transaction | For the nine month period ended 30 September 2022 (Unaudited) | For the nine month period ended 30 September 2021 (Unaudited) |
|----------------------|---|--|--|
| Hanwha | Sales made to Hanwha | 620,460 | 495,861 |
| JAMC | Sales made to JAMC | 304,402 | 275,589 |
| SAMAPCO | Shared service cost charged to SAMAPCO | 80,873 | 85,519 |
| Lyondell Basell | Sales made to Lyondell Basell | 343,337 | 323,580 |
| | Shared services cost charged to Lyondell Basell | 22,972 | 28,807 |
| SEPC | Purchase of ethylene by Al-Waha | 16,437 | 48,965 |
| | Purchase of ethylene by IVC | 460,277 | 303,661 |

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

i) Trade receivables

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|-----------------|--------------------------------------|-----------------------------------|
| Lyondell Basell | 267,151 | 297,407 |
| Hanwha | 160,889 | 141,643 |
| JAMC | 40,695 | 46,381 |
| | 468,735 | 485,431 |

ii) Prepayment and other current assets

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|-----------------|--------------------------------------|-----------------------------------|
| SAMAPCO | 26,005 | 58,064 |
| Lyondell Basell | 4,711 | 11,918 |
| | 30,716 | 69,982 |

iii) Accrued expenses and other current liabilities

| | 30 September 2022 (Unaudited) | 31 December 2021 (Audited) |
|-----------------|--------------------------------------|-----------------------------------|
| SAMAPCO | 113,392 | 26,040 |
| Hanwha | 5,883 | 7,273 |
| Lyondell Basell | 60,554 | 58,692 |
| | 179,829 | 92,005 |

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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:

| | 30 September 2022 (Unaudited) | 30 September 2021 (Unaudited) |
|--|--|---|
| Short-term employee benefits | 7,956 | 7,703 |
| End of service benefits | 2,064 | 3,103 |
| Thrift plan | 906 | 875 |
| Share based payment transactions | 129 | 104 |
| Total compensation related to key management personnel | 11,055 | 11,785 |

12. SHORT TERM INVESTMENTS

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

13. OTHER EXPENSES, NET

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

14. EARNINGS PER SHARE

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

| | Three month from July to September | | Nine month from January to September | |
|--|---|----------------------------|---|----------------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) | 2022 (Unaudited) | 2021 (Unaudited) |
| Profit attributable to the equity holders of the Company | 774,409 | 1,029,506 | 3,116,328 | 2,270,849 |
| Weighted average number of ordinary shares outstanding during the period | 725,147 | 727,162 | 725,147 | 727,162 |
| Basic and diluted earnings per share attributable to the equity holders of the Company | 1.07 | 1.42 | 4.30 | 3.12 |

15. DIVIDENDS

On 29 June 2022, Board of Directors approved to distribute cash dividends for the first half of 2022 amounting to Saudi Riyals 1,270.9 million (i.e. Saudi Riyals 1.75 per share) which was paid on 26 July 2022.

16. SUBSEQUENT EVENTS

No adjusting event occurred between 30 September 2022 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.

17. COMPARATIVE FIGURES

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

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