

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

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

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023

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Report on review of the Interim Condensed Consolidated Financial Statements

To the shareholders of National Industrialization Company
(Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industrialization Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 March 2023 and the related interim condensed consolidated statements of profit or loss, 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 No. 34 - "Interim Financial Reporting" ("IAS 34"), as 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", 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

A blue ink signature, appearing to be "Bader I. Benmohareb", written over a circular stamp or seal.

Bader I. Benmohareb
License Number 471

7 May 2023

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in SR'000 unless otherwise stated)

	Note	As at 31 March 2023 (Unaudited)	As at 31 December 2022 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,596,955	2,638,653
Projects under progress	6	1,516,058	1,602,376
Right-of-use assets		159,050	159,378
Intangible assets		101,230	96,045
Investments in equity accounted associates and joint ventures	7	11,976,474	11,764,509
Investments in financial assets designated as FVOCI	13	1,125,496	1,095,648
Investments in debt securities		101,375	102,140
Other non-current assets		805,356	890,550
Total non-current assets		18,381,994	18,349,299
Current assets			
Inventories		704,175	759,832
Accounts receivable		1,313,779	1,223,422
Prepayments and other current assets		725,453	554,070
Short term investments		189,000	935,500
Cash and cash equivalents		3,635,529	2,835,779
Total current assets		6,567,936	6,308,603
Total assets		24,949,930	24,657,902
EQUITY AND LIABILITIES			
Equity			
Share capital		6,689,142	6,689,142
Statutory reserve		1,564,995	1,556,786
Other reserves		(376,131)	(383,343)
Retained earnings		1,826,245	1,752,367
Equity attributable to the equity holders of parent		9,704,251	9,614,952
Non-controlling interests		2,812,015	2,780,479
Total equity		12,516,266	12,395,431
Liabilities			
Non-current liabilities			
Long-term borrowings	8	4,459,311	4,514,563
Employee benefits obligations		513,022	506,687
Lease liabilities		144,905	151,752
Provisions and other non-current liabilities		1,624,787	1,641,373
Total non-current liabilities		6,742,025	6,814,375
Current liabilities			
Long-term borrowings – current portion	8	1,379,349	1,327,922
Lease liabilities – current portion		33,547	22,284
Accounts payable		1,486,959	1,414,189
Accruals, provisions and other current liabilities		1,751,143	1,716,954
Zakat and income tax payable	9	1,040,641	966,747
Total current liabilities		5,691,639	5,448,096
Total liabilities		12,433,664	12,262,471
Total equity and liabilities		24,949,930	24,657,902


 Chief Financial Officer


 Chief Executive Officer


 Authorized Board Member

The accompanying notes from (1) to (17) form an integral part of these interim condensed consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

(All amounts in SR'000 unless otherwise stated)

	Note	For the three month period ended 31 March	
		2023	2022
Revenue	12	888,688	979,183
Cost of revenue		(773,648)	(691,033)
Gross profit		115,040	288,150
Selling and distribution expenses		(42,235)	(47,565)
General and administrative expenses		(94,013)	(92,228)
Impairment of financial assets		(79,573)	(5,068)
Share of net profit from associates and joint ventures, net		262,279	399,866
Operating profit		161,498	543,155
Other income, net		51,052	9,363
Finance costs, net		(20,291)	(39,486)
Profit before zakat and income tax		192,259	513,032
Zakat and income tax		(73,201)	(67,930)
Profit for the period		119,058	445,102
Attributable to:			
Equity holders of Parent		82,087	308,960
Non-controlling interests		36,971	136,142
		119,058	445,102
Basic and diluted earnings per share (SR)	10		
From operating profit		0.24	0.81
From profit attributable to equity holders of Parent		0.12	0.46



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(All amounts in SR'000 unless otherwise stated)

	Note	For the three month period ended 31 March	
		2023	2022
Profit for the period		119,058	445,102
Other comprehensive income / (loss)			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Cash flow hedge reserve		(2,169)	2,821
Share of other comprehensive (loss) / income from associates and joint ventures, net		(3,109)	31,871
Total items that may be reclassified to profit or loss in subsequent periods		(5,278)	34,692
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Gain from investments in financial assets designated as FVOCI	13.1	29,825	315,955
Share of other comprehensive (loss) / income from associates and joint ventures, net	7	(22,770)	86,513
Total items that will not be reclassified to profit or loss in subsequent periods		7,055	402,468
Total other comprehensive income for the period		1,777	437,160
Total comprehensive income for the period		120,835	882,262
Attributable to:			
Equity holders of Parent		89,299	721,259
Non-controlling interests		31,536	161,003
		120,835	882,262



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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NATIONAL INDUSTRIALIZATION COMPANY

(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 SR'000 unless otherwise stated)

	Attributable to the equity holders of Parent				Total shareholders' equity	Non- controlling interests	Total equity
	Share capital	Statutory reserve	Other reserves	Retained earnings			
As at 1 January 2022 (Audited)	6,689,142	1,490,151	(586,603)	1,109,374	8,702,064	2,860,844	11,562,908
Profit for the period	-	-	-	308,960	308,960	136,142	445,102
Other comprehensive income	-	-	412,299	-	412,299	24,861	437,160
Total comprehensive income for the period	-	-	412,299	308,960	721,259	161,003	882,262
Transfer on disposal of investment in financial assets designated as FVOCI (note 13.1)	-	-	(43,282)	43,282	-	-	-
Transfer to statutory reserve	-	30,896	-	(30,896)	-	-	-
As at 31 March 2022 (Unaudited)	6,689,142	1,521,047	(217,586)	1,430,720	9,423,323	3,021,847	12,445,170
As at 1 January 2023 (Audited)	6,689,142	1,556,786	(383,343)	1,752,367	9,614,952	2,780,479	12,395,431
Profit for the period	-	-	-	82,087	82,087	36,971	119,058
Other comprehensive income / (loss)	-	-	7,212	-	7,212	(5,435)	1,777
Total comprehensive income for the period	-	-	7,212	82,087	89,299	31,536	120,835
Transfer to statutory reserve	-	8,209	-	(8,209)	-	-	-
As at 31 March 2023 (Unaudited)	6,689,142	1,564,995	(376,131)	1,826,245	9,704,251	2,812,015	12,516,266



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompany notes from (1) to (17) form an integral part of these interim condensed consolidated financial statements.

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(All amounts in SR'000 unless otherwise stated)

		For the three month period ended 31 March	
	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and income tax		192,259	513,032
Adjustments for:			
Depreciation and amortization		62,765	56,676
Right-of-use assets deprecation		5,163	4,442
Amortization of deferred settlement income		(4,734)	(4,734)
Share of net profit from associates and joint ventures, net		(262,279)	(399,866)
Impairment of financial assets		79,573	5,068
Provision for slow moving inventory		850	373
Employee benefits expenses		17,816	13,642
Finance costs, net		20,291	39,486
Changes in operating assets and liabilities:			
Other non-current assets		7,697	8,558
Inventories		54,807	(9,336)
Accounts receivable		(95,170)	170,479
Prepayments and other current assets		(52,683)	80,928
Provisions and other non-current liabilities		(12,549)	(12,259)
Accounts payable		187,029	(250,622)
Accruals, provisions and other current liabilities		(30,208)	13,772
Cash generated from operations		170,627	229,639
Employee benefits paid		(11,481)	(4,922)
Net cash generated from operating activities		159,146	224,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(15,907)	(10,082)
Disposals of property, plant and equipment		-	18
Additions to projects under progress		(37,328)	(26,511)
Additions to intangible assets		(958)	(1,413)
Disposal of investment in financial assets designated as FVOCI		-	55,812
Interest income received		25,927	8,652
Short term investments		746,500	-
Dividends received from associates and joint ventures		-	24,026
Loan given to a joint venture		-	(100,000)
Net cash generated from / (used in) investing activities		718,234	(49,498)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term borrowings		(54,679)	(81,623)
Finance costs paid		(21,888)	(22,025)
Payment of principal portion of lease liabilities		(1,063)	(289)
Net cash used in financing activities		(77,630)	(103,937)
Net change in cash and cash equivalents		799,750	71,282
Cash and cash equivalents at beginning of the period		2,835,779	3,393,975
Cash and cash equivalents at end of the period		3,635,529	3,465,257

Refer note 15 for non-cash transactions.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes from (1) to (17) 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 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

1. STATUS AND NATURE OF ACTIVITIES

National Industrialization Company (the "Company" or "Tasnee") is a Saudi Joint Stock Company registered in Riyadh under Commercial Registration no. 1010059693 dated 7 Shawwal 1405H (corresponding to 25 June 1985G). The Company was formed pursuant to the Ministerial Resolution no. 601 dated 24 Dhul Hijja 1404H (corresponding to 19 September 1984G).

The principal activities, registered address, shareholding percentages in subsidiaries, associates, joint ventures and joint operation of the Company and its subsidiaries (collectively referred to as "the Group") have not materially changed from year ended 31 December 2022.

2. BASIS OF PREPARATION

(i) Statement of Compliance

These interim condensed consolidated financial statements are prepared in accordance with the International Accounting Standard No. 34 – "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

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

(ii) Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals, which is also Tasnee's functional currency. All amounts have been rounded to the nearest thousand (SR '000), unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022. New standard and amendments to existing standards which are effective from 1 January 2023 as explained in the Group's annual consolidated financial statements are applied for the first time in 2023 and are explained as follows:

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

IFRS 17, 'Insurance contracts', as amended in December 2021

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

This standard and amendments to existing standards do not have a material effect on these interim condensed consolidated financial statements.

4. USE OF CRITICAL ESTIMATES AND JUDGMENTS

In preparing these interim condensed consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual result may differ from these estimates. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual consolidated financial statements for the year ended 31 December 2022.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

During the three month period ended 31 March 2023, the Group added property, plant, and equipment with a cost of SR 15.9 million (three month period ended 31 March 2022: SR 10.08 million). Property, plant, and equipment with a net book value of SR nil were disposed of by the Group during the three month period ended 31 March 2023 (three month period ended 31 March 2022: SR 0.18 million).

6. PROJECTS UNDER PROGRESS

Projects under progress mainly represent costs of establishing a smelting complex relating titanium ore and pig iron (Slagger) at Jizan by a subsidiary and certain costs of expansion of facilities of production lines, safety and environment improvement costs.

During the quarter ended 31 March 2023, a settlement agreement has been signed between AMIC, a subsidiary of the Group and Metso Outotec ("MO") in respect of the engineering, procurement and construction contract (the "EPC Contract") entered into between the parties in 2012, as subsequently amended and supplemented, in respect of the Slagger project. As part of this settlement, the Group and MO have also entered into a Collaborative Refurbishment and Optimisation Works Contract (the "CROW Contract"), which governs the works to be carried out in respect of the Slagger as well as the funding arrangements for such works. The CROW Contract entails value engineering phase for both furnaces prior to the commencement of detail refurbishment and optimization works to ensure sustainable operating performance at higher operating rates. The value engineering phase shall evaluate the viability of any design changes and other enhancements required for sustainable higher operating performance for both furnaces as well as the required capital expenditures to be incurred. The value engineering phase is expected to be completed by 30 September 2023.

6.1 Option Agreement for slagger asset in AMIC

AMIC has signed an Option Agreement with Tronox Holdings Plc ("Tronox") with the following key terms:

1. AMIC shall (a) incorporate a wholly owned Special Purpose Vehicle ("SPV") in the Kingdom of Saudi Arabia and (b) subject to certain exceptions as set out in the Option Agreement, transfer (or procure the transfer of) the assets, liabilities and contracts used for its Jazan-based titanium slag smelting Slagger Business (as defined in the Option Agreement) to the SPV;
2. subject to the satisfaction of certain conditions precedent set out in the Option Agreement including reaching the Sustainable Operations (as defined in the Option Agreement), AMIC shall have an option to require Tronox to purchase, and Tronox shall have an option to require AMIC to sell, 90% of AMIC's ownership in the SPV.

Furthermore, pursuant to the Option Agreement, Tronox has lent AMIC principal amount of \$125 million for capital expenditures intended to facilitate the start-up of the Slagger. The Tronox loan is recorded within "Provisions and other non-current liabilities" in the interim condensed consolidated statement of financial position and carries a charge at SAIBOR plus agreed margin and will be settled as detailed in the Option Agreement. Additionally, the Group maintains a Technical Services Agreement (TSA) with Tronox. Under the TSA, Tronox provides technical advice and support project management services. As compensation for these services, Tronox receives a management fee under the TSA.

For the period ended 31 March 2023, Tronox purchased feedstock material produced by the Slagger amounting to SR 159.7 million (three month period ended 31 March 2022: SR 31.9 million). Such sales and related costs are recorded under "Revenue" and "Cost of revenue" respectively in the interim condensed consolidated statement of profit or loss.

AMIC and Tronox are in discussions to review the circumstances under which to extend the term of the Option Agreement which expires on 10 May 2023. In the meanwhile, Tronox has agreed to extend the term of the TSA and continue to work with AMIC to support the Slagger.

At the interim condensed consolidated statement of financial position date, the Group's management is of the view that the high probability test of transaction completion as required by IFRS 5: "Non-current Assets Held-for-Sale and Discontinued Operations" before assets and liabilities are reclassified as "held for sale" had not been met due to the conditions precedent for the exercise of call or put option, and consequently no reclassification has been made in these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

7. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Investments in associates	3,124,479	3,143,549
Investments in joint ventures	8,851,995	8,620,960
	11,976,474	11,764,509

The share of other comprehensive (loss) / income of associates and joint ventures mainly includes exchange loss due to foreign currency translation differences.

8. LONG-TERM BORROWINGS

The Group's long-term borrowings were as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Saudi Industrial Development Fund	960,833	1,015,511
Commercial banks	4,845,507	4,845,508
Total loans	5,806,340	5,861,019
Add: Accrued finance cost	87,849	40,573
Less: Unamortized finance cost	(55,529)	(59,107)
	5,838,660	5,842,485
Less: Long-term borrowings – current portion	(1,379,349)	(1,327,922)
Total non-current loans	4,459,311	4,514,563

The restructuring discussions with the lenders are still in progress and there is no material change in the status since the year ended 31 December 2022.

9. ZAKAT AND INCOME TAX PAYABLE

Status of zakat and income tax returns and assessments

The Company

During 2015, the Company received an approval from ZATCA in the Kingdom of Saudi Arabia to file consolidated zakat returns of the Company and its 100% owned Saudi subsidiaries since 2008. The Company has filed consolidated zakat returns while non-wholly owned subsidiaries have filed their zakat and income tax returns with ZATCA up to the years ended 31 December 2022. The Company has finalized its Zakat and income tax status with ZATCA up to 2007 and received initial assessments for the years up to 2018 resulting in additional liability of SR 246 million (31 December 2022: SR 246 million). The Company has submitted appeal against these assessments which are still under review. The management believes that sufficient provisions are recorded, and no additional material liability is likely to arise from open assessments, once finalized.

Subsidiaries

Non-wholly owned subsidiaries in KSA file their Zakat and income tax returns individually. Some of these subsidiaries have received initial assessments for several years from the ZATCA, resulting in additional liability amounting to SR 378 million (31 December 2022: SR 378 million). The subsidiaries have submitted appeal against these assessments which are still under review. The management believes sufficient provisions are recorded by the Group wherever necessary and no material additional liability is likely to arise from open assessments, once finalized. Any additional zakat and income tax liabilities or adjustments are recorded when known and finalized.

10. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing net profit attributable to equity holder of Parent by the weighted average number of ordinary shares issued, that is 668,914 thousand shares as at 31 March 2023 (31 March 2022: 668,914 thousand shares).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

11. RELATED PARTIES TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Group transacts business with related parties, based on mutually agreed terms and conditions. Balances and transactions between the Company and its subsidiaries are eliminated. A summary of such transactions and balances with the related parties are as follows:

11.1 Trading transactions

The following are the significant related party transactions:

	Sale of goods and services		Purchase of goods and services	
	For the three month period ended		For the three month period ended	
	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)	31 March 2023 (Unaudited)	31 March 2022 (Unaudited)
Associates	159,672	31,993	11,250	11,250
Joint ventures	178,629	182,006	237,875	312,126

11.2 Amounts due from / to related parties

The following balances were outstanding as at 31 March 2023:

	Due from related parties			Due to related parties		
	Associates	Joint Ventures	Total	Associates	Joint Ventures	Total
<u>Current</u>						
Trade	107,813	107,588	215,401	647	1,094,074	1,094,721
Other non-trade	-	174,797	174,797	-	95,508	95,508
Loans	-	-	-	-	55,010	55,010
	107,813	282,385	390,198	647	1,244,592	1,245,239
<u>Non-current</u>						
Long term advance	-	86,320	86,320	-	-	-
Loans	-	416,964	416,964	515,851	248,003	763,854
	-	503,284	503,284	515,851	248,003	763,854
Total	107,813	785,669	893,482	516,498	1,492,595	2,009,093

The following balances were outstanding as at 31 December 2022:

	Due from related parties			Due to related parties		
	Associates	Joint Ventures	Total	Associates	Joint Ventures	Total
<u>Current</u>						
Trade	60,468	125,827	186,295	3,697	1,047,278	1,050,975
Other non-trade	(757)	144,478	143,721	-	-	-
Loans	-	-	-	-	55,010	55,010
	59,711	270,305	330,016	3,697	1,102,288	1,105,985
<u>Non-current</u>						
Long term advance	-	85,468	85,468	-	-	-
Loans	-	406,824	406,824	515,851	259,153	775,004
	-	492,292	492,292	515,851	259,153	775,004
Total	59,711	762,597	822,308	519,548	1,361,441	1,880,989

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

11. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

11.3 Other related party transactions and balances

- Loans from non-controlling interests amounts to SR 335 million (31 December 2022: SR 333 million). Interest expense for the period amounts to SR 2.4 million (three month period ended 31 March 2022: SR 1.5 million).
- Liabilities relating to research and development contribution from joint ventures amounts to SR 557 million (31 December 2022: SR 548 million). Contribution received during the period amounts to SR 36 million (three month period ended 31 March 2022: SR 39 million).
- Net obligation pertaining to the sale of MGT amounts to SR 273 million (31 December 2022: SR 277 million).
- Investment in quoted securities includes investment in a related party amounting to SR 176 million (31 December 2022: SR 158 million).
- Interest income on loans to related parties amounts to SR 16.9 million (three month period ended 31 March 2022: SR 10.1 million).
- Financial support provided to a loss-making joint venture during the period amounts to SR 70.5 million (three month period ended 31 March 2022: SR nil), which is fully impaired.
- Also refer notes 7 & 14 in respect of investments in equity accounted associates and joint ventures and financial guarantees to joint ventures.

11.4 Compensation of key management personnel

The remuneration of key management personnel during the three month period ended 31 March 2023 amounts to SR 9.1 million (three month period ended 31 March 2022: SR 11.9 million).

12. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable segments, Chemicals, Petrochemicals and Downstream & Others. The Group's total revenue, expenses items for the three month period ended 31 March 2023 and 2022 by operating segments, are as follows:

	Chemicals	Petrochemicals	Downstream & Others	Total
For the three month period ended 31 March 2023				
Sale of goods	165,982	380,324	288,710	835,016
Rendering of services	-	-	29,918	29,918
Others	-	23,519	235	23,754
Total segment revenue	165,982	403,843	318,863	888,688
Segment expenses	205,893	440,470	343,106	989,469
Share of profit from associates and joint ventures, net	22,190	233,022	7,067	262,279
Depreciation and amortization	1,957	23,514	42,457	67,928
Segment EBITDA	(16,128)	198,146	98,460	280,478
For the three month period ended 31 March 2022				
Sale of goods	31,993	542,807	324,912	899,712
Rendering of services	-	-	29,870	29,870
Others	-	36,865	12,736	49,601
Total segment revenue	31,993	579,672	367,518	979,183
Segment expenses	47,552	496,536	291,806	835,894
Share of profit / (loss) from associates and joint ventures, net	2,959	398,156	(1,249)	399,866
Depreciation and amortization	1,596	25,825	33,697	61,118
Segment EBITDA	21,847	413,601	178,188	613,636

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

12. SEGMENT INFORMATION (continued)

The Group's total assets and liabilities as at 31 March 2023 and 31 December 2022 by operating segments are as follows:

	Chemicals	Petrochemicals	Downstream & Others	Total
As at 31 March 2023 (Unaudited)				
Segment assets	5,608,234	10,181,394	9,160,302	24,949,930
Segment liabilities	2,292,969	3,094,977	7,045,718	12,433,664
Investments in equity accounted associates and joint ventures	2,956,393	8,864,676	155,405	11,976,474
As at 31 December 2022 - Audited				
Segment assets	5,699,242	9,684,143	9,274,517	24,657,902
Segment liabilities	2,376,068	2,771,742	7,114,661	12,262,471
Investments in equity accounted associates and joint ventures	2,977,698	8,633,641	153,170	11,764,509

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All financial assets and liabilities have been accounted at amortized cost except for the investments in equity instruments designated at FVOCI which have been carried at fair value.

The management assessed that fair value of other current financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments and / or the contracting rate approximates market value.

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

Nature of financial instrument	Carrying value	Level 1	Level 2	Level 3
As at 31 March 2023				
Investments in quoted equity shares	631,693	631,693	-	-
Investments in unquoted equity shares	493,803	-	-	493,803
	1,125,496	631,693		493,803
Interest rate swap	37,627	-	37,627	-
	1,163,123	631,693	37,627	493,803
As at 31 December 2022				
Investments in quoted equity shares	601,845	601,845	-	-
Investments in unquoted equity shares	493,803	-	-	493,803
	1,095,648	601,845		493,803
Interest rate swap	39,796	-	39,796	-
	1,135,444	601,845	39,796	493,803

Apart from the above financial instruments, other financial instruments have been carried at amortized cost.

13.1 Transfers between levels

There have been no transfers between the levels during the three month period ended 31 March 2023. There were also no changes made during the period ended 31 March 2023 to any of the valuation techniques applied as of 31 December 2022.

During the three month period ended 31 March 2022, an investee company, AMAK, which was previously included as unlisted entity (Level 3) completed process of listing its shares on Saudi stock exchange, and accordingly moved from level 3 to level 1 and the Group has recognized fair valuation gain in OCI amounting to SR 252 million during the three month period ended 31 March 2022. Further, during the same period the Group has sold part of its investment in AMAK, and the related gain of SR 43 million realized from this disposal has been reclassified from other reserves to retained earnings.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

14. COMMITMENTS AND CONTINGENCIES

14.1 Capital commitments

The Group's capital commitments as of reporting date are as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Capital commitments for projects under progress and property, plant and equipment	46,032	61,516

14.2 Contingencies

The Group contingencies as of reporting date are as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Letters of guarantee	296,350	294,394
Letters of credit	40,500	104,157
	336,850	398,551

Additionally, the Group has issued corporate guarantees to external lenders against loans obtained by certain joint ventures, in proportion to its shareholding in those joint ventures. As at 31 March 2023 such guarantees amounted to SR 1,320 million (31 December 2022: SR 1,320 million).

15. NON-CASH TRANSACTIONS

Following non-cash transactions were recorded during the period:

- (i) The transfer of SR 9.4 million (three month period ended 31 March 2022: SR 11.2 million) from projects under progress to property, plant and equipment and intangible assets.
- (ii) Additions to right-of-use assets and lease liabilities of SR 4.8 million (three month period ended 31 March 2022: SR 4.3 million).
- (iii) Gain of SR 29.8 million (three month period ended 31 March 2022: SR 315.9 million) was recognized in respect of investments in financial assets designated as FVOCI.
- (iv) Accounts payable in respect of the Slagger project amounting to SR 114.2 million (three month period ended 31 March 2022: SR nil) were adjusted against projects under progress (refer note 6).
- (v) Dividend amounting to SR 17.6 million (three month period ended 31 March 2022: SR nil) was recognized in respect of investments in equity accounted associates and joint ventures.
- (vi) Payable to a joint venture in respect of financial support amounting to SR 70.5 million (three month period ended 31 March 2022: SR nil).
- (vii) Receivable under forward sale agreement amounting to SR 86.3 million (three month period ended 31 March 2022: SR nil) was transferred from other non-current assets to prepayments and other current assets based on the settlement period.

16. EVENTS AFTER THE REPORTING DATE

No material events have occurred subsequent to the reporting date and before the issuance of these interim condensed consolidated financial statements which require adjustment to, or disclosure, in these interim condensed consolidated financial statements.

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved from the Board of Directors on 7 May 2023 (corresponding to 17 Shawwal 1444H).