

**Sahara International Petrochemical Company**  
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the three and nine month periods ended 30 September 2021  
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 2021**

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## KPMG Professional Services

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P.O. Box 4803  
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Kingdom of Saudi Arabia  
Headquarter in Riyadh

Commercial Registration No 2051062328

## كي بي إم جي للاستشارات المهنية

الطابق الأول، أبراج بالطيور  
طريق الملك سعود، الصفا  
ص.ب ٤٨٠٣  
الخير ٣١٩٥٢  
المملكة العربية السعودية  
المركز الرئيسي الرياض

سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Sahara International Petrochemical Company

## Introduction

We have reviewed the accompanying 30 September 2021 condensed consolidated interim financial statements of Sahara International Petrochemical Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 30 September 2021;
- the condensed consolidated income statement for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is 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 the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is 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.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأسمالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبين ومراجعين قانونيين". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarter in Riyadh is 1010425494.



# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Sahara International Petrochemical Company (Continued)

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2021 condensed consolidated interim financial statements of Sahara International Petrochemical Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services



**Abdulaziz Abdullah Alnaim**

License No: 394

Al Khobar

Date: 21 October, 2021

Corresponding to: 15 Rabi Al-Awwal, 1443H

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<b><u>Assets</u></b>			
<b><u>Non-current assets</u></b>			
Property, plant and equipment	6	12,362,027	13,015,719
Right-of-use assets		58,571	61,143
Intangible assets		414,155	379,388
Investments in a joint venture and associates	7	3,695,124	3,493,314
Long term investments		276,919	260,622
Deferred tax assets		4,970	4,970
Long term prepaid employees' benefits		744,847	942,796
Goodwill		630,483	630,483
Other non-current assets		3,249	3,349
<b>Total non-current assets</b>		<b>18,190,345</b>	<b>18,791,784</b>
<b><u>Current assets</u></b>			
Inventories	8	1,105,609	907,526
Trade receivables	12	1,491,440	1,060,918
Prepayments and other current assets	14	401,988	189,867
Short term investments		298,291	318,115
Cash and cash equivalents		3,308,522	2,496,871
<b>Total current assets</b>		<b>6,605,850</b>	<b>4,973,297</b>
<b>Total assets</b>		<b>24,796,195</b>	<b>23,765,081</b>
<b><u>Equity and Liabilities</u></b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		7,333,333	7,333,333
Share premium		4,134,529	4,145,053
Treasury shares		(69,579)	(59,990)
Statutory reserve		1,252,936	1,252,936
Other reserves	17	(432,720)	(82,178)
Retained earnings		2,122,999	397,522
<b>Total owners' equity</b>		<b>14,341,498</b>	<b>12,986,676</b>
Non-controlling interests		1,123,631	849,200
<b>Total equity</b>		<b>15,465,129</b>	<b>13,835,876</b>
<b><u>Liabilities</u></b>			
<b><u>Non-current liabilities</u></b>			
Long term bank loans and borrowings	9	5,630,188	5,339,916
Long term advances from non-controlling shareholders	9	54,519	53,326
Contractual liabilities		171,771	149,500
Lease liabilities		62,058	63,275
Employees' benefits		598,689	661,191
Deferred tax liabilities		49,400	49,400
Decommissioning liability		144,565	138,945
Other non-current liabilities		8,556	8,556
<b>Total non-current liabilities</b>		<b>6,719,746</b>	<b>6,464,109</b>

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 30 SEPTEMBER 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	30 September 2021 (Unaudited)	31 December 2020 (Audited)
<b><u>Current liabilities</u></b>			
Sukuk	9	-	987,773
Current portion of long term bank loans and borrowings	9	603,948	1,078,011
Short term loan	9	130,000	-
Current portion of contractual liabilities		12,216	14,746
Current portion of lease liabilities		3,390	3,898
Trade and other payables		241,577	226,848
Accrued expenses and other current liabilities		1,257,899	927,095
Zakat and income tax payable	5	361,730	219,845
Derivative financial instruments		560	6,880
<b>Total current liabilities</b>		<b>2,611,320</b>	<b>3,465,096</b>
<b>Total liabilities</b>		<b>9,331,066</b>	<b>9,929,205</b>
<b>Total equity and liabilities</b>		<b>24,796,195</b>	<b>23,765,081</b>

The condensed consolidated interim financial statements appearing on pages 1 to 23 were approved by the Board of Directors of the Company on 13 Rabi ul Awal 1443H (corresponding to 19 October 2021G) and have been signed on their behalf by:



Khalid Abdullah Al- Zamil  
Chairman of the Board



Abdullah Saif Al-Saadoon  
Chief Executive Officer



Rushdi Khalid Al-Dulaijan  
Vice President, Finance

The accompanying notes 1 through 18 appearing on pages 8 to 23 form an integral part of these condensed consolidated interim financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Notes	Three months from July to September		Nine months from January to September	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue	3	2,505,596	1,361,943	6,899,222	3,716,273
Cost of sales		(1,136,296)	(1,141,661)	(3,096,293)	(3,061,954)
<b>Gross profit</b>		<b>1,369,300</b>	<b>220,282</b>	<b>3,802,929</b>	<b>654,319</b>
Selling and distribution expenses		(98,152)	(103,182)	(320,232)	(294,632)
General and administrative expenses		(131,652)	(99,404)	(469,979)	(299,062)
<b>Operating profit</b>		<b>1,139,496</b>	<b>17,696</b>	<b>3,012,718</b>	<b>60,625</b>
Share of profit / (loss) from a joint venture and associates		97,322	(23,341)	265,219	(84,997)
Finance income		5,818	4,029	14,726	19,316
Finance cost		(67,151)	(80,880)	(246,736)	(250,864)
Other (expenses) and income, net	13	(3,175)	80,274	(293,453)	44,636
<b>Profit / (loss) before Zakat and income tax</b>		<b>1,172,310</b>	<b>(2,222)</b>	<b>2,752,474</b>	<b>(211,284)</b>
Zakat and income tax expense		(53,045)	(704)	(235,027)	(57,522)
<b>Profit / (loss) for the period</b>		<b>1,119,265</b>	<b>(2,926)</b>	<b>2,517,447</b>	<b>(268,806)</b>
<b>Profit / (loss) attributable to:</b>					
Equity holders of the Company		1,029,506	10,014	2,270,849	(141,773)
Non-controlling interests		89,759	(12,940)	246,598	(127,033)
<b>Profit / (loss) for the period</b>		<b>1,119,265</b>	<b>(2,926)</b>	<b>2,517,447</b>	<b>(268,806)</b>
<b>Earnings / (loss) per share:</b>					
Basic and diluted earnings / (loss) per share attributable to the equity holders of the Company presented in Saudi Riyals	15	1.42	0.01	3.12	(0.19)



Khalid Abdullah Al- Zamil  
Chairman of the Board



Abdullah Saif Al-Saadoon  
Chief Executive Officer



Rushdi Khalid Al-Dulaijan  
Vice President, Finance

The accompanying notes 1 through 18 appearing on pages 8 to 23 form an integral part of these condensed consolidated interim financial statements.

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	Three months from July to September		Nine months from January to September	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
<b>Profit / (loss) for the period</b>	<b>1,119,265</b>	<b>(2,926)</b>	<b>2,517,447</b>	<b>(268,806)</b>
<b>Other comprehensive income / (loss)</b>				
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>				
Exchange difference on translation of foreign operations	(135)	53	(215)	50
Changes in fair value of derivative financial instruments designated as hedge	-	1,735	6,321	(2,341)
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Changes in fair value of financial assets at fair value through other comprehensive income	10,741	9,409	33,442	6,897
<b>Total other comprehensive income / (loss) for the period</b>	<b>10,606</b>	<b>11,197</b>	<b>39,548</b>	<b>4,606</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>1,129,871</b>	<b>8,271</b>	<b>2,556,995</b>	<b>(264,200)</b>
<b>Total comprehensive income / (loss) attributable to:</b>				
Equity holders of the Company	1,040,112	21,211	2,310,397	(137,167)
Non-controlling interests	89,759	(12,940)	246,598	(127,033)
<b>Total comprehensive income / (loss) for the period</b>	<b>1,129,871</b>	<b>8,271</b>	<b>2,556,995</b>	<b>(264,200)</b>



Khalid Abdullah Al- Zamil  
Chairman of the Board



Abdullah Saif Al-Saadoon  
Chief Executive Officer



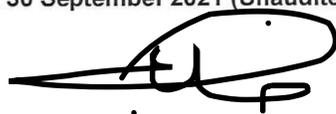
Rushdi Khalid Al-Dulaijan  
Vice President, Finance

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**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021**  
**EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

	Attributable to the owners of the Company						Non-controlling interest	Total	
	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves	Retained earnings			Total
As at 1 January 2020 (Audited)	7,333,333	4,172,667	(2,062)	1,235,350	(433)	603,326	13,342,181	995,819	14,338,000
Loss for the period (Unaudited)	-	-	-	-	-	(141,773)	(141,773)	(127,033)	(268,806)
Other comprehensive loss (Unaudited)	-	-	-	-	4,606	-	4,606	-	4,606
Total comprehensive income / (loss) (Unaudited)	-	-	-	-	4,606	(141,773)	(137,167)	(127,033)	(264,200)
Additional share capital, net (Unaudited)	-	-	-	-	-	-	-	4,600	4,600
Repurchase of treasury shares (Unaudited)	-	(14,007)	(33,489)	-	-	-	(47,496)	-	(47,496)
Net change in other reserves (Unaudited)	-	-	-	-	(2,420)	-	(2,420)	-	(2,420)
Dividends (Unaudited)	-	-	-	-	-	-	-	(49,203)	(49,203)
As at 30 September 2020 (Unaudited)	7,333,333	4,158,660	(35,551)	1,235,350	1,753	461,553	13,155,098	824,183	13,979,281

	Attributable to the owners of the Company						Non-controlling interest	Total	
	Share Capital	Share premium	Treasury shares	Statutory reserve	Other reserves	Retained earnings			Total
As at 1 January 2021 (Audited)	7,333,333	4,145,053	(59,990)	1,252,936	(82,178)	397,522	12,986,676	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
Additional share capital, net (Unaudited)	-	-	-	-	-	-	-	30,930	30,930
Repurchase of treasury shares (Unaudited)	-	(10,524)	(9,589)	-	-	-	(20,113)	-	(20,113)
Net change in other reserves (Unaudited)	-	-	-	-	(390,090)	-	(390,090)	165,976	(224,114)
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-Saadoon  
Chief Executive Officer



Rusydi Khalid Al-Dulaijan  
Vice President, Finance

The accompanying notes 1 through 18 appearing on pages 8 to 23 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 CASH FLOWS  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
<b>Cash flow from operating activities</b>		
Profit / (loss) before Zakat and income tax for the period	2,752,474	(211,284)
<i>Non-cash adjustments to reconcile profit / (loss) before Zakat and income tax to net cash flow generated from operating activities:</i>		
Depreciation of property, plant and equipment	559,990	668,268
Depreciation of right-of-use assets	3,664	3,166
Impairment loss	260,000	280,000
Amortization of intangible assets and deferred costs	124,045	51,542
Amortization of contractual liabilities	(11,059)	(11,059)
Gain on precious metal	(14,247)	(311,840)
Share of (profit) / loss from a joint venture and associates	(265,219)	84,997
Provision for employees' benefits	57,365	63,728
Inventories - written off	-	17,697
Property, plant and equipment - written off	5,745	-
Net foreign exchange difference	(122)	(637)
Finance income	(14,726)	(19,316)
Finance cost	246,736	250,864
	<b>3,704,646</b>	<b>866,126</b>
<b>Changes in:</b>		
Trade receivables	(430,522)	(14,835)
Inventories	(198,083)	28,922
Prepayments and other current assets	(124,188)	(79,579)
Accrued expenses, trade and other payables	324,116	329,249
Proceeds under home ownership program	150,642	48,666
<b>Cash flows from operations</b>	<b>3,426,611</b>	<b>1,178,549</b>
Employee benefits paid	(131,718)	(4,048)
Zakat and income tax paid	(93,142)	(71,219)
<b>Net cash generated from operating activities</b>	<b>3,201,751</b>	<b>1,103,282</b>
<b>Cash flow from investing activities</b>		
Additions to property, plant and equipment	(288,010)	(405,232)
Additions to long term prepaid employees' benefits, net	-	1,285
Additions to Intangibles	(94,535)	(308)
Movement in long- and short-term investments, net	39,267	42,949
Finance income received	14,903	24,558
Sale proceed from disposal of precious metals	14,712	467,541
Dividend received from an associate	63,410	32,550
Purchase of shares in subsidiaries	(226,412)	-
Additions to contractual liabilities	30,800	-
<b>Net cash (used in) / generated from investing activities</b>	<b>(445,865)</b>	<b>163,343</b>

SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED

	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
<b>Cash flow from financing activities</b>		
Proceeds from long term loans and borrowings	1,700,000	1,325,000
Repayment of long-term loans and borrowings	(2,888,855)	(1,123,456)
Net change in advances from non-controlling shareholders	1,193	(15,177)
Proceeds from short term loans	130,000	-
Movement in treasury shares, net	(9,589)	(33,489)
Movement in share premium	(10,524)	(14,007)
Movement in non-controlling interests	(138,143)	(44,603)
Dividend paid	(545,372)	-
Interest paid	(178,107)	(158,099)
Payment of lease liabilities	(4,745)	(4,241)
<b>Net cash used in financing activities</b>	<b>(1,944,142)</b>	<b>(68,072)</b>
<b>Net change in cash and cash equivalents</b>	<b>811,744</b>	<b>1,198,553</b>
Cash and cash equivalents at 1 January	2,496,871	1,791,277
Effect of exchange rate fluctuations	(93)	687
<b>Cash and cash equivalents at 30 September</b>	<b>3,308,522</b>	<b>2,990,517</b>



Khalid Abdullah Al-Zamil  
Chairman of the Board



Abdullah Saif Al-Saadoon  
Chief Executive Officer



Rushdi Khalid Al-Dulaijan  
Vice President, Finance

The accompanying notes 1 through 18 appearing on pages 8 to 23 form an integral part of these condensed consolidated interim financial statements.

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

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**1. CORPORATE INFORMATION**

Sahara International Petrochemical Company "Sipchem" or "the Company", (formerly Saudi International Petrochemical Company), is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial registration number 1010156910 dated 14 Ramadan 1420H, corresponding to 22 December 1999.

The Company's head office is in the city of Riyadh with a branch in Al-Khobar, where the headquarters for the executive management is located, which is registered under commercial registration number 2051023922 dated 30 Shawwal 1420H, corresponding to 6 February 2000, 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 incurs costs on projects under development and subsequently establishes a separate Company for each project that has its own commercial registration. Costs incurred by the Company are transferred to the separate companies when they are established.

**Economic environment and its effects on business:**

On 11 March 2020, the World Health Organization declared COVID-19 coronavirus outbreak to be a pandemic. Consequently, asset prices became more volatile and a marked decline was seen in long-term interest rates in developed economies. These circumstances impacted FY2020 and resulted in a decrease in sales, net income, EBIT, free cash flow and other financial metrics.

Sipchem, in response to these developments, implemented active prevention programs at its sites and devised contingency plans in order to minimize the risks related to COVID-19 and to continue business operations, ensuring the health and safety of its employees, customers, contractors and wider community. During the current period, Sipchem is recovering well from these impacts and the future outlook looks promising in relation to sales, net income, EBIT, free cash flow and other financial metrics.

Sipchem has also taken measures to optimize spending, which have resulted in reducing operational and capital expenditures during the period. Additionally, the Group has secured additional credit facilities to ensure sufficient funds remain available to meet forecasted cash flow requirements and limit any potential financial exposure. Moreover, the management has considered potential impacts of the current economic uncertainties and volatility in determining the carrying amounts of the Group's financial and non-financial assets. These are based on management's best estimates based on observable information at the year end. Also, the changes in geographical distribution of the Sipchem's customer base, compared to previous period have assisted the management to minimize challenges from COVID-19, impacting the demand and recoverability. Sipchem also continues to monitor long term supplier contracts in order to ensure minimal disruption in operations and timely delivery of its products.

**SAHARA INTERNATIONAL PETROCHEMICAL COMPANY  
A SAUDI JOINT STOCK COMPANY  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021  
EXPRESSED IN SAUDI RIYALS IN THOUSANDS UNLESS OTHERWISE STATED**

**1. CORPORATE INFORMATION (continued)**

As of 30 September, the Company had the following subsidiaries (the Company and its subsidiaries hereinafter referred to as "the Group"):

<b>Subsidiaries</b>	<b>Effective ownership percentage at 30 September</b>	
	<b>2021</b>	<b>2020</b>
Sahara Petrochemicals Company ("Sahara")	<b>100%</b>	100%
International Methanol Company ("IMC")	<b>65%</b>	65%
International Diol Company ("IDC")	<b>100%</b>	53.91%
International Acetyl Company ("IAC")	<b>97%</b>	89.52%
International Vinyl Acetate Company ("IVC")	<b>97%</b>	89.52%
International Gases Company ("IGC")	<b>97%</b>	97%
Sipchem Marketing Company ("SMC")	<b>100%</b>	100%
Sahara Marketing Company ("SaMC")	<b>100%</b>	100%
International Utility Company ("IUC")	<b>91.20%</b>	78.19%
International Polymers Company ("IPC")	<b>75%</b>	75%
Sipchem Chemical Company ("SCC")	<b>100%</b>	100%
Sipchem Europe Cooperative U.A	<b>100%</b>	100%
Sipchem Europe B.V.	<b>100%</b>	100%
Sipchem Europe SA (Formerly Aectra SA)	<b>100%</b>	100%
Gulf Advance Cable Insulation Company ("GACI") (1.1)	<b>50%</b>	50%
Saudi Specialized Products Company ("SSPC")	<b>100%</b>	75%
Sipchem Asia PTE Ltd. (1.2)	<b>100%</b>	100%
Saudi Advanced Technologies Company ("SAT") (1.3)	<b>100%</b>	100%

The principal activity of Sahara is investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities.

The principal activity of IMC is the manufacturing and sale of methanol. IMC commenced its commercial operations in 2004.

The principal activity of IDC is the manufacturing and sale of maleic anhydride, butanediol and tetra hydro furan. IDC commenced its commercial operations in 2006. During 2021, Sipchem ownership in IDC has been increased from 53.91% to 100%, by purchasing the interest from non-controlling shareholders.

The principal activities of IAC and IVC are the manufacturing and sale of acetic acid and vinyl acetate monomer respectively. IAC and IVC commenced their commercial operations in 2010. In 2009, one of the shareholders of IAC and IVC contributed less than required contribution towards shareholders' advances, as a result, the Group's effective percentage of interest in both the companies increased by 2.52%. In 2016, the Group acquired an additional 11% shares from a minority shareholder in each of IAC and IVC, increasing its effective ownership from 78.52% to 89.52%. During 2021, Sipchem acquired additional shares from a minority shareholder in each of IAC and IVC which increased Sipchem's ownership to 97%.

The principal activity of IGC is the manufacturing and sale of carbon monoxide. IGC commenced its commercial operations in June 2010.

The principal activities of SMC and SaMC are to provide marketing services for the products manufactured by the Group Companies and other petrochemical products.

The principal activity of IUC is to provide industrial utilities to the Group companies.

The principal activity of IPC is to manufacture and sell low-density polyethylene (LDPE), polyvinyl acetate (PVAC) and polyvinyl alcohol (PVA). IPC commenced its commercial operations in 2015.

The principal activity of SCC is the manufacture and sale of ethyl acetate, butyl acetate and polybutylene terephthalate. The ethyl acetate plant commenced its commercial operations in 2013 while Polybutylene Terephthalate Plant (PBT) commenced its commercial operations in 2018.

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**1. CORPORATE INFORMATION (continued)**

The principal activities of Sipchem Europe Cooperative U.A and its 100% owned subsidiaries including Sipchem Europe B.V. and Sipchem Europe SA are to provide marketing and distribution services of petrochemical products of the Company.

The principal activity of Sipchem Asia pte Ltd is to act as a marketing agent and coordinator for sales of the Company's products.

The principal activity of GACI is the manufacture and sale of cross-linked polyethylene and electrical connecting wire products. GACI commenced its commercial operations in 2015.

The principal activity of SSPC is the manufacture and sale of metal moulds and related services as well as production of Ethylene-Vinyl Acetate "EVA" films. Tool Manufacturing facility commenced commercial operations in 2016. The EVA film plant has commenced commercial operations in 2019.

- 1.1.** The Group has only a 50% share in GACI. However, pursuant to the shareholders agreement, the control over the relevant activities and the operations of Gulf Advanced Cable Insulation Company are with the Group. Accordingly, the investee company is treated as a subsidiary of the Group.
- 1.2.** The investee company was incorporated in 2013 in Singapore. Its Article of Association is dated 13 Jumada Al-Awal, 1434H, corresponding to 25 March 2013. The principal activity of the Company is to provide marketing services for the products manufactured by the Group.
- 1.3.** The principal activity of SAT is the manufacturing of metal equipment and spare parts. The Tool Manufacturing Factory ("TMF") plant has started commercial operations in 2016 and was transferred from SSPC to SAT in 2020. During 2021, the share capital of SAT has been increased to SR 105.95 million by converting additional contribution to share capital.
- 1.4. 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.
- 1.5. 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:

	<b>Effective ownership percentage at 30 September</b>	
	<b>2021</b>	<b>2020</b>
Tasnee and Sahara Olefins Company ("TSOC")	<b>32.55%</b>	32.55%
Saudi Acrylic Acid Company ("SAAC")	<b>43.16%</b>	43.16%
Khair Inorganic Chemicals Industries Company ("Inochem")	<b>30.00%</b>	30.00%

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**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 2020 ("Last Annual Financial Statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, changes in accounting policies and selected explanatory notes (if any) 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 certain equity securities and certain financial assets measured at fair value;
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method; and
- Derivative financial instruments that are measured at fair value.

**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.

Except for the change in estimate for value in use of certain CGUs as discussed in Note-6, 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 described in the last annual financial statements. Further, the management continues to closely monitor any material developments across the markets in which it operates and sells its products and taking adequate measures to ensure estimates and judgements remain reasonable. Material changes (if any) will be reflected as a part of the operating results and cash flows of the future reporting periods.

**2.4. Basis of consolidation**

The interim financial statements comprise the consolidated interim financial statements of the Company and its subsidiaries (Note 1) for the period ended 30 September 2021. 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 result 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(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4. 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 period are included in the condensed consolidated interim financial statements 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 equity holders of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions among 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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed off the related assets or liabilities.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as an equity transactions.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

**2.5. 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 2020.

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

**A. New and revised standards with no material effect on the financial statements**

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.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16), effective for annual periods beginning on or after 1 January 2021.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2021.

**B. New and revised standards issued but not yet effective**

- 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.
- IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023.
- Classification of liabilities as current or non-current (Amendments to IAS 1), effective for annual periods beginning on or after 1 January 2023.
- Amendments to IFRS 17, effective for annual periods beginning on or after 1 January 2023.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective for annual periods beginning on or after 1 January 2023.
- Definition of Accounting Estimate (Amendments to IAS 8), effective for annual periods beginning on or after 1 January 2023.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12 Income Taxes), effective for annual periods beginning on or after 1 January 2023.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) with effective annual period yet to be determined.

The above-mentioned IFRSs are not expected to have a significant impact on the financial statements of the Group.

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**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.

	<b>30 September 2021</b> <b>(Unaudited)</b>	30 September 2020 <b>(Unaudited)</b>
<b>Primary geographic markets</b>		
Foreign countries	<b>6,312,785</b>	2,983,447
Saudi Arabia	<b>586,437</b>	732,826
	<b>6,899,222</b>	<b>3,716,273</b>
<b>Major products/service lines</b>		
Petrochemical products	<b>6,887,943</b>	3,702,797
Product on contract basis - specialized products, tools etc	<b>11,279</b>	13,476
	<b>6,899,222</b>	<b>3,716,273</b>
<b>Timing of revenue recognition</b>		
Product transferred at a point in time	<b>6,887,943</b>	3,702,797
Product transferred over time	<b>11,279</b>	13,476
	<b>6,899,222</b>	<b>3,716,273</b>

*ii) Contract balances*

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

	<b>30 September 2021</b> <b>(Unaudited)</b>	31 December 2020 <b>(Audited)</b>
Receivables included in trade receivables	<b>1,485,397</b>	1,053,388
Contract assets included in trade receivables	<b>6,043</b>	7,530
Contract liabilities	<b>(183,987)</b>	(164,246)

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 12. The contractual liabilities primarily relate to the advance consideration received from customers for which revenue is recognised on satisfaction of performance obligation.

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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 and is measured consistently with profit or loss in these consolidated financial statements.

Period ended 30 September 2021 (Unaudited)	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Consolidation elimination	Total
<b>Revenue</b>							
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)	-
<b>Total revenue</b>	<b>2,242,302</b>	<b>2,992,468</b>	<b>2,597,785</b>	<b>5,151,450</b>	<b>11,279</b>	<b>(6,096,062)</b>	<b>6,899,222</b>
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	894,560	191,579	(144,210)	(77,716)	3,012,718
Share of profit from associates and joint venture	-	-	-	-	265,219	-	265,219
<b>Profit / (loss) before Zakat and tax</b>	<b>1,133,046</b>	<b>818,489</b>	<b>532,319</b>	<b>191,684</b>	<b>403,848</b>	<b>(326,912)</b>	<b>2,752,474</b>
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

Period ended 30 September 2020 (Unaudited)	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Consolidation elimination	Total
<b>Revenue</b>							
External customers	835,932	948,109	1,531,858	361,055	39,319	-	3,716,273
Inter-segment	351,892	677,224	47,256	2,180,422	-	(3,256,794)	-
<b>Total revenue</b>	<b>1,187,824</b>	<b>1,625,333</b>	<b>1,579,114</b>	<b>2,541,477</b>	<b>39,319</b>	<b>(3,256,794)</b>	<b>3,716,273</b>
Gross profit / (loss)	380,319	(56,477)	231,912	86,184	(6,280)	18,661	654,319
Operating profit / (loss)	180,232	(229,561)	75,204	45,549	(49,716)	38,917	60,625
Share of loss from associates and joint venture	-	-	-	-	(84,997)	-	(84,997)
<b>Profit / (loss) before Zakat and tax</b>	<b>31,026</b>	<b>(160,822)</b>	<b>1,495</b>	<b>44,932</b>	<b>(526,811)</b>	<b>398,896</b>	<b>(211,284)</b>
Total assets	3,617,103	5,456,456	7,279,146	1,137,762	25,371,107	(18,594,962)	24,266,612
Total liabilities	2,244,297	2,366,949	3,403,293	739,056	5,375,272	(3,841,536)	10,287,331
Capital expenditure	76,200	125,749	106,864	336	96,083	-	405,232

**Revenue based on geographical information**

	Saudi Arabia	Foreign countries	Total
<b>Revenue from external customers</b>			
<b>30 September 2021</b>	<b>586,437</b>	<b>6,312,785</b>	<b>6,899,222</b>
30 September 2020	732,826	2,983,447	3,716,273

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**4. SEGMENT INFORMATION (continued)**

**Revenue by geography and segment**

	For the period ended 30 September 2021 (Unaudited)					
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Total
<b>Revenue:</b>						
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
<b>Total revenue</b>	<b>1,940,457</b>	<b>1,909,228</b>	<b>2,570,589</b>	<b>467,669</b>	<b>11,279</b>	<b>6,899,222</b>
	For the period ended 30 September 2020 (Unaudited)					
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Total
<b>Revenue:</b>						
Foreign countries	585,760	948,109	1,390,203	21,384	37,991	2,983,447
Saudi Arabia	250,172	-	141,655	339,671	1,328	732,826
<b>Total revenue</b>	<b>835,932</b>	<b>948,109</b>	<b>1,531,858</b>	<b>361,055</b>	<b>39,319</b>	<b>3,716,273</b>

**5. ZAKAT AND INCOME TAX**

**Outstanding assessments:**

Details of outstanding assessments of the Group are the same as disclosed in Group's last annual financial statements for the year ended 31 December 2020 except for the following:

**Sahara International Petrochemical Company**

During Q2 2021, following the appeal hearings, the General Secretariat of Tax Committees ("GSTC") issued decision for the years 2011 to 2013 in favor of Sipchem and 2014 in favor of Zakat, Tax and Customs Authority ("ZATCA"). During Q3 2021, ZATCA escalated appeal against Sipchem to second level of GSTC for the years 2011-2013. Sipchem has submitted its response to GSTC and awaits review.

Sipchem has escalated appeal against the 2014 decision decided in ZATCA's favor to the second level of GSTC.

During Q2 2021, Sipchem has submitted additional appeal memo against ZATCA viewpoints upon GSTC request. GSTC appeal hearing is awaited.

**International Methanol Company (IMC)**

During Q2 2021, IMC has submitted additional appeal memo against ZATCA viewpoints upon GSTC request. During Q3 2021, IMC received notification from GSTC for the appeal hearing for years 2003-2010, which will be conducted in October 2021.

**International Vinyl Acetate Company (IVC)**

During Q2 2021, IVC has submitted additional appeal memo for 2013 & 2014 against ZATCA viewpoints upon GSTC request. GSTC appeal hearing is awaited.

During Q2 2021, IVC has received request from GSTC for submission of an additional appeal memo for 2015 against ZATCA viewpoints. During Q3 2021, IVC has submitted additional appeal memo to GSTC against ZATCA's CGT and Tax viewpoints and awaits review.

During Q2 2021, IVC has received final assessments for the years 2016 to 2018 with total additional Zakat, tax and delay fine of SR 4,667,413 and SR 424,556 respectively. The Company has settled an amount of SR 539,299 and SR 169,835 under protest in settlement of additional tax/delay fine and Zakat liability. IVC filed an appeal with ZATCA against the final assessment. However, ZATCA rejected the appeal. During Q3 2021, IVC successfully escalated appeal to GSTC against ZATCA assessment. Following the submission of appeal, GSTC requested submission of certain additional documents which were duly submitted following their request. IVC awaits review of GSTC.

**International Gases Company (IGC)**

During Q2 2021, IGC has received final assessment for the year 2015 with total additional Zakat liability of SR 644,342. The Company has accepted the assessment under protest and settled the amount in full. Accordingly, the year is considered finalized and closed.

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**5. ZAKAT AND INCOME TAX (CONTINUED)**

**International Utility Company (IUC)**

During Q3 2021, IUC received final assessment from ZATCA for the year 2017 with an additional Zakat liability amounting to SR 89,446. IUC is currently reviewing the assessment and will decide its course of action.

**Gulf Advanced Cable Insulation Company (GACI)**

During Q3 2021, GACI received final assessment from ZATCA for the year 2017 with an additional Zakat liability amounting to SR 15,994. GACI is currently reviewing the assessment and will decide its course of action.

**Saudi Specialized Products Company (SSPC)**

During Q3 2021, SSPC received notification from GSTC for the appeal hearing for years 2014-2015, which will be conducted in October 2021.

During Q3 2021, SSPC received final assessment from ZATCA for the year 2016 with Tax overpayment of SR 9,019 and a Zakat liability of SR 117,767. SSPC decided to accept the assessment under protest and has settled the net Zakat liability of SR 108,749. Accordingly, the assessment is considered finalized and closed.

During Q2 2021, SSPC has submitted additional appeal memo for 2017 & 2018 against ZATCA viewpoints upon GSTC request. GSTC appeal hearing is awaited.

SSPC has also received final assessment for the year 2019 with total additional Zakat liability of SR 2,015,500. The Company settled an amount of SR 503,878 as guarantee payment i.e. 25% of Zakat liability per new Zakat regulations. SSPC has filed appeal with ZATCA. During Q3 2021, SSPC received notification from ZATCA rejection SSPC's appeal against the assessment. SSPC is currently reviewing the ZATCA's rejection of appeal and intends to escalate the matter to GSTC.

**Sahara Petrochemical Company**

During Q2 2021, Sahara has submitted additional appeal memo against ZATCA viewpoints upon GSTC request. GSTC appeal hearing is awaited.

The Group has recorded the estimated amount of Zakat and income tax liability in respect of all above open assessments.

**6. PROPERTY, PLANT AND EQUIPMENT**

**a. Acquisitions and disposals**

- During the nine month period ended 30 September 2021, the Group acquired assets with a cost of SR 288 million (nine month period ended 30 September 2020: SR 405.2 million).
- During the nine month period ended 30 September 2021, gain of SR 14.2 million has been recognized from sale of certain precious metals (nine month period ended 30 September 2020: SR 311.8 million).
- During the nine month period ended 30 September 2021, assets with a carrying amount of SR 5.7 million (nine month period ended 30 September 2020: SR Nil) were written off.

**b. Capital work in progress**

The Group's capital work-in-progress as at 30 September 2021 is SR 618.8 million (as at 31 December 2020: SR 577.3 million) comprises mainly of costs related to turnaround costs and other costs related to several projects for improvements and enhancements of operating plants.

**c. Impairment**

**PBT and GACI**

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 do mothball operations of PBT and GACI CGUs. Consequently, recoverable amount of these CGUs were estimated based on value-in-use calculations which used cash flow projections from revised financial budgets and five-year forecasts. As a result of the exercise, the Group determined that the recoverable amount of PBT and GACI CGUs was less than its carrying amount. Therefore, an additional impairment loss of SR 160 million and SR 100 million was recognized in 2021 financial results in PBT and GACI respectively. This is in addition to impairment loss of SR 150 million in PBT previously recognized in the 2019 annual financial results and SR 300 million in PBT recognised in 2016 financial results. No impairment has been recorded previously with respect to GACI plant.

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**6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

**c. Impairment (continued)**

**IDC**

During FY 2020, following Covid-19 and economic outlook for the near term, management re-assessed the recoverable amount of IDC CGU during the period ended 30 June 2020, and an additional impairment loss was recognized amounting to SR 100 million in Q2 2020 results. For the current period ended, 30 September 2021, management has reassessed IDC performance and as of the period end date, management believes no additional impairment is required in IDC CGU. Historically with respect to IDC, an impairment loss of SR 256 million is recognized in the 2019 annual financial results and SR 400 million is recognised in 2016 financial results.

The key assumptions used in the estimation of value in use for PBT, GACI and IDC CGUs were as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	<b>10%</b>	10%
Terminal Value growth rate	<b>2%</b>	2%

The discount rate was a pre-tax measure calculated based on weighted average cost of capital, using capital asset pricing model ("CAPM") model to calculate the cost of equity. CAPM model used was adjusted for a risk premium to reflect both the increased risk of investing in equities generally and systematic risk of the specific CGU. Five years of cash flows were included in the discounted cash flow model, and a terminal value growth rate of 2% from 2026 has been determined by reference to nominal Gross Domestic Product (GDP) of Saudi Arabia, i.e. the country where the CGUs operate. Following the impairment loss recognized in Group's CGUs as identified above, the recoverable amount was equal to the carrying amount. Therefore, any movement in the key assumptions would cause a change in impairment loss. Furthermore, other CGUs were analyzed by the management considering current situation and possible recessionary outlook and there is no impairment on other CGUs.

**7. INVESTMENTS IN A JOINT VENTURE AND ASSOCIATES**

	<u>Note</u>	<u>30 September 2021</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2020 (Audited)</u>
Investment in a joint venture		<b>185,556</b>	120,628
Investment in associates	7.1	<b>3,509,568</b>	3,372,686
		<b>3,695,124</b>	3,493,314

**7.1. Investment in Associates**

	<u>30 September 2021</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2020 (Audited)</u>
<b>Investment in Associates:</b>		
Tasnee and Sahara Olefins Company ("TSOC")	<b>3,318,600</b>	3,178,072
Khair Inorganic Chemical Industries Company ("Inochem")	<b>190,968</b>	194,614
	<b>3,509,568</b>	3,372,686

**8. INVENTORIES**

As at 30 September 2021, the Group wrote down its finished goods inventory by SR Nil (As at 30 September 2020: SR 17.7 million) on account of an increase in the cost of production of certain finished goods exceeding the selling prices. The write-down is included in 'cost of sales' in the condensed consolidated income statement.

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**9. LOANS AND BORROWINGS**

	<b>30 September 2021 (Unaudited)</b>	31 December 2020 (Audited)
<b>Current loans and borrowings</b>		
Shari'a compliant loans	<b>519,948</b>	692,303
Saudi Industrial Development Fund ("SIDF")	<b>84,000</b>	331,500
Public Investment Fund loans ("PIF")	-	54,208
	<b>603,948</b>	1,078,011
Short term loan	<b>130,000</b>	-
Islamic Murabaha bonds ("SUKUK")	-	987,773
<b>Total current loans and borrowings</b>	<b>733,948</b>	2,065,784
<b>Non-current loans and borrowings</b>		
Shari'a compliant loans	<b>5,630,188</b>	4,909,272
Saudi Industrial Development Fund ("SIDF")	-	132,523
Public Investment Fund loans ("PIF")	-	298,121
	<b>5,630,188</b>	5,339,916
<b>Other non-current loans</b>		
Advances from non-controlling shareholders	<b>54,519</b>	53,326
<b>Total non-current loans and borrowings</b>	<b>5,684,707</b>	5,393,242
<b>Total loans and borrowings</b>	<b>6,418,655</b>	7,459,026

The loan bears financial charges at Saudi Arabian Inter Bank Offered Rate ("SAIBOR") plus a specified fixed margin. During the nine month period ended 30 September 2021, the Group obtained Sharia' compliant loans amounting to SR 1,700 million (30 September 2020 : SR 1,325 million) and short term loan amounting to SR 130 million (30 September 2020 : SR Nil) which carries interest at market rates, and repaid an amount of SR 1,888.9 million (30 September 2020 : SR 1,123.5 million) related to Sharia' compliant, SIDF and PIF loans. Further, the Group repaid an amount of SR 1,000 million (30 September 2020: SR Nil) related to SUKUK.

**10. 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.

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**10. FINANCIAL INSTRUMENTS (CONTINUED)**

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 2021 (Unaudited)					
<b><u>Short term investments</u></b>					
Equity securities	20,170	20,170	20,170	-	-
<b><u>Long term investments</u></b>					
Listed mutual fund	79,200	79,200	79,200	-	-
Unlisted mutual fund	131,499	131,499	-	131,499	-
Equity shares	15,967	15,967	15,967	-	-
<b>Total</b>	<b>246,836</b>	<b>246,836</b>	<b>115,337</b>	<b>131,499</b>	<b>-</b>

	Carrying amount	Fair value	Level 1	Level 2	Level 3
As at 31 December 2020 (Audited)					
<b><u>Short term investments</u></b>					
Equity securities	20,036	20,036	20,036	-	-
<b><u>Long term investments</u></b>					
Listed mutual fund	63,750	63,750	63,750	-	-
Unlisted mutual fund	121,095	121,095	-	121,095	-
Equity shares	15,522	15,522	15,522	-	-
<b>Total</b>	<b>220,403</b>	<b>220,403</b>	<b>99,308</b>	<b>121,095</b>	<b>-</b>

**11. COMMITMENTS AND CONTINGENCIES**

**Commitments**

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Capital commitments	236,884	250,522

**Contingencies**

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Letters of guarantee and credit	515,710	640,260

**Contingent liabilities**

In addition, the Group has no material contingent liabilities as at period ended 30 September 2021 except for those as disclosed in Note 5 to the condensed consolidated interim financial statements.

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**12. 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:

<b>Name</b>	<b>Relationship</b>
Japan Arabia Methanol Company Limited ("JAMC")	Shareholder of a subsidiary
Hanwha Chemical Malaysia Sdn Bhd ("Hanwha")	Shareholder of a subsidiary
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	Joint venture of a subsidiary
Basell Arabia Investments Limited "Lyondell Basell"	Shareholder of joint operations of a subsidiary
Saudi Acrylic Acid Company ("SAAC")	Associated Company
Saudi Ethylene and Polyethylene Company ("SEPC")	Associated Company

**a) Significant transaction with related parties other than key management personnel**

Significant transactions with related parties have been disclosed below:

<b>Related party</b>	<b>Nature of transaction</b>	<b>For the nine month period ended 30 September 2021 (Unaudited)</b>	<b>For the nine month period ended 30 September 2020 (Unaudited)</b>
Hanwha	Sales made to Hanwha	<b>495,861</b>	300,094
JAMC	Sales made to JAMC	<b>275,589</b>	139,379
SAMAPCO	Shared service cost charged to SAMAPCO	<b>85,519</b>	75,161
Lyondell Basell	Sales made to Lyondell Basell Shared services cost charged to Lyondell Basell	<b>323,580</b> <b>28,807</b>	515,921 25,270
SEPC	Purchase of ethylene by Al-Waha Purchase of ethylene by IVC	<b>48,965</b> <b>303,661</b>	3,666 241,329

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

**i) Trade receivables**

	<b>30 September 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Lyondell Basell	<b>186,307</b>	194,815
Hanwha	<b>101,864</b>	100,037
JAMC	<b>57,152</b>	44,446
	<b>345,323</b>	339,298

**ii) Prepayment and other current assets**

	<b>30 September 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
SAMAPCO	<b>45,205</b>	34,465
Lyondell Basell	<b>5,173</b>	4,429
	<b>50,378</b>	38,894

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**12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**a) Significant transaction with related parties other than key management personnel**  
**iii) Accrued expenses and other current liabilities**

	<b>30 September 2021</b> <b>(Unaudited)</b>	31 December 2020 <b>(Audited)</b>
Lyondell Basell	59,507	40,866
SAMAPCO	25,397	35,611
Hanwha	5,826	5,619
HELM - Arabia GmbH & Co. KG	-	5,523
	<b>90,730</b>	<b>87,619</b>

**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:

	<b>30 September 2021</b> <b>(Unaudited)</b>	30 September 2020 <b>(Unaudited)</b>
Short-term employee benefits	7,703	9,373
End of service benefits	3,103	1,797
Thrift plan	875	469
Share based payment transactions	104	60
Total compensation related to key management personnel	<b>11,785</b>	<b>11,699</b>

**13. OTHER (EXPENSES) AND INCOME, NET**

	<b>Notes</b>	<b>30 September 2021</b> <b>(Unaudited)</b>	30 September 2020 <b>(Unaudited)</b>
Other income	13.1	42,282	344,842
Other expenses	13.2	<b>(335,735)</b>	<b>(300,206)</b>
		<b>(293,453)</b>	<b>44,636</b>

**13.1. Other income**

	<b>Notes</b>	<b>30 September 2021</b> <b>(Unaudited)</b>	30 September 2020 <b>(Unaudited)</b>
Gain on precious metal	13.1.1	14,247	311,840
Others		<b>28,035</b>	33,002
		<b>42,282</b>	<b>344,842</b>

**13.1.1.** Income of SR 14.2 million (nine month period ended 30 September 2020: SR 311.8 million) represents gain of sale of certain precious metals used as catalysts in certain plants. The Group has opted to lease such precious metals instead of outright ownership.

**13.2. Other expenses**

	<b>Notes</b>	<b>30 September 2021</b> <b>(Unaudited)</b>	30 September 2020 <b>(Unaudited)</b>
Impairment loss	13.2.1	<b>(260,000)</b>	<b>(280,000)</b>
Others	13.2.2	<b>(75,735)</b>	<b>(20,206)</b>
		<b>(335,735)</b>	<b>(300,206)</b>

**13.2.1.** Loss from impairment of certain CGUs amounting to SR 260 million (nine month period ended 30 September 2020: SR 280 million) - for detail refer to note 6.

**13.2.2.** Others mainly include an expected credit loss provision against a financial guarantee contract amounting to SR 30.8 million (nine month period ended 30 September 2020: SR Nil) and mothballing related expenses SR 41.3 million (nine month period ended 30 September 2020: SR Nil).

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**14. PREPAYMENTS AND OTHER CURRENT ASSETS**

As at 30 September 2021, the Group paid an amount of SR 142.5 million (30 September 2020: SR Nil), being 50% of the total amount to be paid under feedstock supply and marketing arrangements agreement. Currently, this amount is classified under deposits and later will be reclassified under intangible assets subject to completion of contractual formalities, payment of remaining 50% amount and rights becoming available for use by the Group.

**15. 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:

	<b>Three month from July to September</b>		<b>Nine month from January to September</b>	
	<b>2021 (Unaudited)</b>	<b>2020 (Unaudited)</b>	<b>2021 (Unaudited)</b>	<b>2020 (Unaudited)</b>
Profit / (loss) attributable to the equity holders of the Company	<b>1,029,506</b>	10,014	<b>2,270,849</b>	(141,773)
Weighted average number of ordinary shares outstanding during the period	<b>727,162</b>	730,832	<b>727,162</b>	730,832
Basic and diluted earnings / (loss) per share attributable to the equity holders of the Company	<b>1.42</b>	0.01	<b>3.12</b>	(0.19)

**16. DIVIDENDS**

On 23 June 2021, the Group announced to distribute cash dividends for the first half period of 2021 amounting to SR 549.99 million (i.e. SR 0.75 per share). On 14 July 2021, Sipchem distributed the dividend to shareholders.

**17. OTHER RESERVES**

Other reserves primarily includes reserve for results of sale/purchase of shares in subsidiaries. The change in other reserves mainly relates to transfer of net assets from NCI amounting to SR 385.7 million on account of purchase of additional shares in IDC. Further SR 2.3 million and SR 4.3 million is recognized in other reserves on account of purchase of additional shares in IAC and IVC respectively.

The gains or losses resulting from sale/purchase of shares in subsidiaries arises when the Group continues to exercise control over the respective subsidiary, and are booked in the reserve for the results of sale/purchases of shares in subsidiaries.

**18. SUBSEQUENT EVENTS**

No adjusting event occurred between 30 September 2021 and the date of authorization of these condensed consolidated interim financial statements by the Board of Directors, which may have an impact on these condensed consolidated interim financial statements.