



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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

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



المتقدمة
Advanced

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022**

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



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

C.R. No. 2051058792

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

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

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Advanced Petrochemical Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries (collectively referred to as "the Group") as at 30 June 2022, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and six-month periods ended 30 June 2022 and related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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 that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

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

for Ernst & Young Professional Services

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

Alkhobar: 10 Muharram 1444H
8 August 2022



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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

Note	For the	For the	For the	For the
	three-month period ended 30 June 2022 (Unaudited)	three-month period ended 30 June 2021 (Unaudited)	six-month period ended 30 June 2022 (Unaudited)	six-month period ended 30 June 2021 (Unaudited)
Sales	814,018	768,801	1,680,327	1,400,542
Cost of sales	(645,661)	(442,011)	(1,301,166)	(872,388)
GROSS PROFIT	168,357	326,790	379,161	528,154
Selling and distribution expenses	(8,241)	(6,560)	(17,463)	(13,619)
General and administration expenses	(28,569)	(36,318)	(48,210)	(67,115)
OPERATING PROFIT	131,547	283,912	313,488	447,420
Finance costs	(221)	(3,786)	(396)	(7,714)
Share in results of an associate	7 (18,530)	26,142	(33,133)	41,940
Other income, net	593	815	1,953	2,473
PROFIT BEFORE ZAKAT AND INCOME TAX	113,389	307,083	281,912	484,119
Zakat	(4,128)	(41,354)	(8,732)	(46,794)
Current tax	(118)	(1,112)	(313)	(1,347)
PROFIT FOR THE PERIOD	109,143	264,617	272,867	435,978
Total profit attributable to:				
Equity holders of the Parent Company	109,598	264,617	273,951	435,978
Non-controlling interest	(455)	-	(1,084)	-
Earnings per share				
- Basic and diluted (restated)	14 0.422	1.018	1.054	1.677

KHALIFA A. AL-MULHEM
Chairman of the Board

FAHAD S. AL-MATRAFI
President & CEO

ABDULAZIZ S. AL-ARDHI
Finance & Accounting Manager

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

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 30 June 2022 <i>(Unaudited)</i>	For the three-month period ended 30 June 2021 <i>(Unaudited)</i>	For the six-month period ended 30 June 2022 <i>(Unaudited)</i>	For the six-month period ended 30 June 2021 <i>(Unaudited)</i>
PROFIT FOR THE PERIOD	109,143	264,617	272,867	435,978
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of investment in an associate	7 <u>(36,282)</u>	1,822	<u>(48,905)</u>	<u>(25,067)</u>
<i>Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods</i>	<u>(36,282)</u>	1,822	<u>(48,905)</u>	<u>(25,067)</u>
<i>Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:</i>				
Unrealized fair value (loss) gain on equity investment at fair value through other comprehensive income	<u>(259,844)</u>	166,812	<u>(132,166)</u>	227,329
<i>Net other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods</i>	<u>(259,844)</u>	166,812	<u>(132,166)</u>	227,329
Other comprehensive (loss) income for the period	<u>(296,126)</u>	168,634	<u>(181,071)</u>	202,262
Total comprehensive (loss) income for the period	<u>(186,983)</u>	433,251	<u>91,796</u>	638,240
Total comprehensive (loss) income				
Attributable to:				
Equity holders of the Parent Company	<u>(186,528)</u>	433,251	<u>92,880</u>	638,240
Non-controlling interest	<u>(455)</u>	-	<u>(1,084)</u>	-
	<u>(186,983)</u>	433,251	<u>91,796</u>	638,240

KHALIFA A. AL-MULHEM
Chairman of the Board

FAHAD S. AL-MATRAFI
President & CEO

ABDULAZIZ S. AL-ARDHI
Finance & Accounting Manager

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)



	<i>Note</i>	30 June 2022 <i>(Unaudited)</i>	31 December 2021 <i>(Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		3,482,895	2,984,724
Right-of-use assets		188,422	192,109
Investment in an associate	7	551,738	636,926
Investment in an unconsolidated subsidiary		376	376
Equity investment at fair value through other comprehensive income		600,099	788,504
Other non-current assets	8	222,150	232,332
TOTAL NON-CURRENT ASSETS		5,045,680	4,834,971
CURRENT ASSETS			
Inventories		178,737	201,592
Trade receivables		486,017	434,561
Prepayments and other current assets		111,918	104,325
Investments at fair value through profit or loss		110,891	72,333
Cash and cash equivalents		996,215	242,886
TOTAL CURRENT ASSETS		1,883,778	1,055,697
TOTAL ASSETS		6,929,458	5,890,668
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	2,600,000	2,164,734
Treasury shares	1	(49,926)	-
Statutory reserve		435,342	696,502
General reserve		81,539	81,539
Other components of equity	6	105,689	299,432
Retained earnings		464,958	491,950
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		3,637,602	3,734,157
Non-controlling interest		326,898	221,782
TOTAL EQUITY		3,964,500	3,955,939
NON-CURRENT LIABILITIES			
SIDF loan	9	689,112	-
Non-current portion of lease liability		176,537	173,624
Employees' defined benefit liabilities and other benefits		156,854	145,366
Long term retentions		27,575	11,615
Deferred tax liabilities, net		1,157	1,157
TOTAL NON-CURRENT LIABILITIES		1,051,235	331,762
CURRENT LIABILITIES			
Murabaha loan		1,439,500	877,700
Accruals and other current liabilities		242,144	339,893
Trade payable		194,747	190,344
Zakat and income tax provision		21,012	38,090
Current portion of lease liability		11,450	11,450
Dividend payable		4,870	145,490
TOTAL CURRENT LIABILITIES		1,913,723	1,602,967
TOTAL LIABILITIES		2,964,958	1,934,729
TOTAL EQUITY AND LIABILITIES		6,929,458	5,890,668

KHALIFA A. AL-MULHEM
Chairman of the Board

FAHAD S. AL-MATRAFI
President & CEO

ABDULAZIZ S. AL-ARDHI
Finance & Accounting Manager

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)



	Share capital	Treasury shares	Statutory reserve	General reserve	Other components of equity			Retained earnings	Total controlling interest	Non-controlling interest	Total equity
					Fair value reserve	Foreign currency translation reserve	Share-based payment reserve				
At 1 January 2021	2,164,734	-	696,502	-	82,928	39,491	-	435,451	3,419,106	-	3,419,106
Profit for the period	-	-	-	-	-	-	-	435,978	435,978	-	435,978
Other comprehensive income (loss) for the period	-	-	-	-	227,329	(25,067)	-	-	202,262	-	202,262
Total comprehensive income for the period	-	-	-	-	227,329	(25,067)	-	435,978	638,240	-	638,240
Non-controlling interest (note 1)	-	-	-	-	-	-	-	-	-	66,094	66,094
Dividends (note 11)	-	-	-	-	-	-	-	(422,123)	(422,123)	-	(422,123)
At 30 June 2021	2,164,734	-	696,502	-	310,257	14,424	-	449,306	3,635,223	66,094	3,701,317
At 1 January 2022	2,164,734	-	696,502	81,539	316,458	(17,026)	-	491,950	3,734,157	221,782	3,955,939
Profit for the period	-	-	-	-	-	-	-	273,951	273,951	(1,084)	272,867
Other comprehensive loss for the period	-	-	-	-	(132,166)	(48,905)	-	-	(181,071)	-	(181,071)
Total comprehensive loss for the period	-	-	-	-	(132,166)	(48,905)	-	273,951	92,880	(1,084)	91,796
Transfer of fair value reserve of equity instrument at FVOCI	-	-	-	-	(16,129)	-	-	16,129	-	-	-
Increase in share capital (note 1)	435,266	-	(261,160)	-	-	-	-	(174,106)	-	-	-
Share-based payment reserve (note 6)	-	-	-	-	-	-	3,457	-	3,457	-	3,457
Purchase of treasury shares (note 1)	-	(49,926)	-	-	-	-	-	-	(49,926)	-	(49,926)
Non-controlling interest (note 1)	-	-	-	-	-	-	-	-	-	106,200	106,200
Dividends (note 11)	-	-	-	-	-	-	-	(142,966)	(142,966)	-	(142,966)
At 30 June 2022	2,600,000	(49,926)	435,342	81,539	168,163	(65,931)	3,457	464,958	3,637,602	326,898	3,964,500

KHALIFA A. AL-MULHEM
Chairman of the Board

FAHAD S. AL-MATRAFI
President & CEO

ABDULAZIZ S. AL-ARDHI
Finance & Accounting Manager

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

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	30 June 2022	30 June 2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Profit before zakat and income tax	281,912	484,119
Adjustment to reconcile profit before zakat and income tax to net cash flows:		
Depreciation	113,206	107,255
Depreciation of right-of-use assets	687	601
Finance costs	396	7,714
Share in results of an associate	33,133	(41,940)
Employees' defined benefits liabilities and other benefits	17,565	10,477
	<u>446,899</u>	<u>568,226</u>
Working capital adjustments:		
Trade receivables	(51,456)	(142,481)
Prepayments and other current assets	(4,599)	(25,851)
Inventories	22,855	26,993
Trade payable	4,403	9,138
Accruals and other current liabilities	(104,497)	57,643
Cash from operating activities	<u>313,605</u>	<u>493,668</u>
Employees' defined benefits liabilities and other benefits paid	(2,620)	(10,669)
Finance costs paid	(15,195)	(7,179)
Zakat and income tax paid	(26,123)	(48,344)
Net cash flows from operating activities	<u>269,667</u>	<u>427,476</u>
INVESTING ACTIVITIES		
Net movement in investments at fair value through profit or loss	(38,558)	(11,427)
Movement in equity investment at FVOCI	56,239	-
Additions to property, plant and equipment	(586,006)	(454,961)
Dividend received from an associate	3,150	10,317
Movement in long term retentions payable	15,960	-
Investment in a subsidiary by a non-controlling shareholder	106,200	66,094
Net movement in other non-current assets	10,182	15,548
Net cash flows used in investing activities	<u>(432,833)</u>	<u>(374,429)</u>
FINANCING ACTIVITIES		
Purchase of treasury shares	(49,926)	-
Net movement in Murabaha loan	561,800	455,000
Net movement in SIDF loan	689,112	-
Payment of lease liabilities	(905)	(1,115)
Dividends paid	(283,586)	(281,248)
Net cash flows from financing activities	<u>916,495</u>	<u>172,637</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>753,329</u>	<u>225,684</u>
Cash and cash equivalents at the beginning of the period	<u>242,886</u>	<u>61,921</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>996,215</u>	<u>287,605</u>
SIGNIFICANT NON-CASH TRANSACTIONS:		
Finance cost on Murabaha and SIDF loan charged to capital work in progress	21,804	-
Capital increase by capitalizing retained earnings and statutory reserve	435,266	-

KHALIFA A. AL-MULHEM
Chairman of the Board

FAHAD S. AL-MATRAFI
President & CEO

ABDULAZIZ S. AL-ARDHI
Finance & Accounting Manager

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

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



المقدمة
Advanced

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. CORPORATE INFORMATION

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

During the Company’s extraordinary General Assembly meeting held on 17 Sha’aban 1443H (corresponding to 20 March 2022), an increase in share capital by 20.11% was approved by the shareholders by way of issuance of one bonus share for every 5 shares held by the existing shareholders. The increase in share capital was funded by way of capitalising retained earnings and statutory reserve of the Company. The number of shares increased from Two Hundred Sixteen Million Four Hundred Seventy Three Thousand Four Hundred (216,473,400) shares to Two Hundred Sixty Million (260,000,000) shares. The earning per share (note 14) for the comparative period has been adjusted retrospectively to reflect the treatment of effect of issuance of bonus shares as required by the relevant accounting standard. Certain legal formalities relating to the above capital increase are still in progress as at the reporting date.

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

The interim condensed consolidated financial statements as at 30 June 2022 include the financial statements of the Company and the following subsidiaries (collectively referred to as the “Group”):

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

Notes:

- a- Advanced Global Marketing Company (“AGMC”), (formerly known as Advanced Renewable Energy Company (“AREC”)), is a single shareholder limited liability company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055015327 dated 27 Rabi’I 1433H (corresponding to 19 February 2012) and is 100% owned by the Company.
- b- Advanced Global Investment Company (“AGIC”) is a single shareholder limited liability company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055017024 dated 12 Ramadan 1433H (corresponding to 1 August 2012) and is 100% owned by the Company.
- c- Advanced Polyolefins Industry Company (“APOC”) is a Saudi mixed closed joint stock company incorporated in 2021 and is registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 20550130313 dated 14 Ramadan 1442H (corresponding to 26 April 2021) and is 85% owned by AGIC (remaining 15% is owned by SK Gas Petrochemical Pte. Ltd., a company organized and existing under the laws of Republic of Singapore). The Company has not commenced its commercial operations as its plants are under construction phase, which are expected to be completed by the end of second quarter of 2024.

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

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

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



2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

These interim condensed consolidated financial statements include all the disclosures required for interim condensed consolidated financial statements but do not include all of the disclosures required for the consolidated annual financial statements and should therefore be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

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

These interim condensed consolidated financial statements of the Group were approved on 6 Muharram 1444H (corresponding to 4 August 2022).

Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2021.

Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. Grant date is the date at which the Group and an employee agree to a share-based payment arrangement, being when the Group and the counterparty have a shared understanding of the terms and conditions of the arrangement. The cost of equity-settled transactions is recognized in employee benefits expenses together with a corresponding increase in equity as a share-based payment reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the interim condensed consolidated statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

In cases where an award is forfeited (i.e. when the vesting conditions relating to an award are not satisfied), the Group reverses the expense relating to such awards previously recognised in the interim condensed consolidated statement of profit or loss. Where an equity-settled award is cancelled (other than forfeiture), it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the interim condensed consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2021.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.



6. OTHER COMPONENTS OF EQUITY

	30 June 2022	31 December 2021
	<i>(Unaudited)</i>	<i>(Audited)</i>
Fair value reserve	168,163	316,458
Foreign currency translation reserve	(65,931)	(17,026)
Share-based payment reserve (note 6.a)	3,457	-
	105,689	299,432

6.a) Share-based payment reserve

On 20 March 2022, the shareholders in Extra Ordinary General Assembly meeting approved and authorized the Board of Directors to finalize the Employee Share Incentive Program (ESIP) for eligible employees; payable after completion of four-year service subject to other performance conditions. On 28 March 2022, The Board authorized the Nomination & Remuneration (N&RC) Committee to finalize and approve the ESIP, following which the N&RC approved the same via circulation on 12 April 2022. The plan was granted to eligible employees retroactive from 1 January 2022.

The Group offers Employee Share Incentive Program (ESIP), to certain eligible employees and the purpose of the scheme is to incentivize the employees to achieve the Group's long term goals and to attract and retain top performers. The plan vests over a period of a four years performance cycle.

Under Employee Share Incentive Program, shares of the Group are granted to employees with more than 12 months' service which will be equals to the monetary amount of the reward or bonus that has vested over the four years. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The share options vest if and when the employees remain employed with the Group for next four years and achieve satisfactory performance in their provision of employment services. The share options granted will not vest if the service and performance conditions are not met. The ESIP scheme is supervised by (N&RC) after the ESIP scheme has been approved by the Board of Directors.

The total ESIP expense recognised for employees' services received is included in the 'salaries and employee related expenses' with a corresponding increase in the statement of changes in equity, as per the requirements of International Financial Reporting Standard (IFRS) 2 'Share Based Payments'. Accordingly, the Group recognised a share-based payment expense amounting to SR 3.46 million in the interim condensed consolidated statement of profit or loss with corresponding increase in the interim condensed consolidated statement of changes in equity.

7. INVESTMENT IN AN ASSOCIATE

	30 June 2022	31 December 2021
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period	636,926	692,935
Share in results of an associate	(33,133)	10,825
Dividend received from an associate	(3,150)	(10,317)
Exchange differences loss on translation of investment in an associate	(48,905)	(56,517)
At the end of the period	551,738	636,926

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



8. OTHER NON-CURRENT ASSETS

	30 June 2022	31 December 2021
	<i>(Unaudited)</i>	<i>(Audited)</i>
Employees' home ownership program (note a)	222,150	232,332

- a) It represents balances related to employees' Home Ownership Program (HOP). The Group started building residential houses for its employees in 2013. In May 2016, completed housing units were distributed to direct hire Saudi employees under a long term repayment agreement in Phase-I. Further, in July 2019, additional completed housing units were distributed in Phase-II. During 2020, remaining completed housing units were also distributed to employees related to Phase-II. The employees pay 17% of their monthly basic salary in addition to their housing allowance which is being applied as loan repayment/installment until the total HOP loan is fully repaid. As at reporting date, SR 222.15 million represents non-current portion and SR 17 million represents current portion presented under prepayments and other current assets.

9. SIDF LOAN

During the period, the Group obtained a term loan facility from Saudi Industrial Development Fund ("SIDF") with total amount of SR 3 billion to finance the construction of new PDH and PP Project. Up-front and annual administrative fees are charged by SIDF under the loan agreement. As at 30 June 2022, an amount of SR 749 million is utilized by the subsidiary from the above loan facility. The loan is commission free but carries fees which will be amortized as finance cost using the effective interest rate after the commencement of commercial operations. The loan is secured by a mortgage over subsidiary's (APOC) property, plant and equipment and by promissory notes. The loan is payable in 16 un-equal semi-annual instalments, with first instalment payable on 15 Safar 1448H corresponding to 29 July 2026. The facility agreement with SIDF contains certain covenants, which requires among other things, certain financial ratios to be maintained.

10. RELATED PARTY TRANSACTION AND BALANCES

Related parties represent major shareholders, associated company, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

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

Key management personnel compensation

	For the six-month period ended 30 June 2022	For the six-month period ended 30 June 2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Short-term employee benefits	18,676	15,209
Long-term employee benefits	1,626	1,130
	20,302	16,339

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.



11. DIVIDENDS

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

On 21 December 2021, the Board of Directors resolved to distribute interim cash dividend for the fourth quarter of 2021 of SR 0.65 per share (totaling SR 140.7 million). The distribution date was 20 February 2022.

On 30 March 2021, the Board of Directors resolved to distribute interim cash dividend for the first quarter of 2021 of SR 0.65 per share (totaling SR 140.7 million).

On 21 December 2020, the Board of Directors proposed to distribute final cash dividend of SR 0.65 per share (totaling SR 140.7 million) for the fourth quarter of 2020. This has been approved by the General Assembly in their meeting held on 30 March 2021.

12. COMMITMENTS AND CONTINGENCIES

At 30 June 2022, Capital commitments contracted but not yet incurred amounted to SR 6.02 billion in respect of the new PDH and PP project (At 31 December 2021: SR 6.11 billion).

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

Contingencies

The Group's banker has given payment guarantees on behalf of the Group in favor of Jubail Commercial Port for land lease amounting to SR 1.95 million (At 31 December 2021: same).

13. SEGMENT INFORMATION

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

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

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

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



14. EARNINGS PER SHARE

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

The earnings per share for the comparative period has been adjusted retrospectively as explained in note 1.

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

	For the three-month period ended 30 June 2022	For the three-month period ended 30 June 2021	For the six-month period ended 30 June 2022	For the six-month period ended 30 June 2021
Net profit attributable to equity holders of the Group	<u>109,598</u>	264,617	<u>273,951</u>	435,978
*Weighted average number of ordinary shares (‘000) <i>(restated)</i>	<u>259,712</u>	260,000	<u>259,856</u>	260,000
Earnings Per Share (SR) <i>(restated)</i>	<u>0.422</u>	1.018	<u>1.054</u>	1.677

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

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

15. SUBSEQUENT EVENT

In the opinion of management, there have been no significant subsequent events since the period ended 30 June 2022 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.

16. COMPARATIVE AMOUNTS

Certain of the prior period figures have been reclassified to conform to the presentation in the current period.