

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023
AND INDEPENDENT AUDITOR'S REVIEW REPORT

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2023

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Report on review of the Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industrialization Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2023, the related interim condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No. 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

A blue ink signature, likely of Waleed A. Alhidiri, written in a cursive style.

Waleed A. Alhidiri
License Number 559

29 October 2023

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in SR'000 unless otherwise stated)

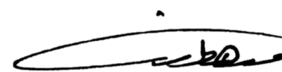
	Note	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	2,514,610	2,638,653
Projects under progress	6	1,586,612	1,602,376
Right-of-use assets		151,425	159,378
Intangible assets		97,077	96,045
Investments in equity accounted associates and joint ventures	7	11,741,501	11,764,509
Investments in financial assets designated as FVOCI	13	977,061	1,095,648
Investments in debt securities		101,406	102,140
Other non-current assets		815,297	890,550
Total non-current assets		17,984,989	18,349,299
Current assets			
Inventories		687,570	759,832
Accounts receivable		1,145,387	1,223,422
Prepayments and other current assets		675,463	554,070
Short term investments		400,000	935,500
Cash and cash equivalents		3,520,197	2,835,779
Total current assets		6,428,617	6,308,603
Total assets		24,413,606	24,657,902
EQUITY AND LIABILITIES			
Equity			
Share capital		6,689,142	6,689,142
Statutory reserve		1,575,956	1,556,786
Other reserves		(538,820)	(383,343)
Retained earnings		1,924,900	1,752,367
Equity attributable to the equity holders of parent		9,651,178	9,614,952
Non-controlling interests		2,743,885	2,780,479
Total equity		12,395,063	12,395,431
Liabilities			
Non-current liabilities			
Long-term borrowings	8	4,051,912	4,514,563
Employee benefits obligations		537,042	506,687
Lease liabilities		152,593	151,752
Provisions and other non-current liabilities		1,298,918	1,641,373
Total non-current liabilities		6,040,465	6,814,375
Current liabilities			
Long-term borrowings – current portion	8	1,667,840	1,327,922
Lease liabilities – current portion		11,818	22,284
Accounts payable		1,360,254	1,414,189
Accruals, provisions and other current liabilities		1,866,926	1,716,954
Zakat and income tax payable	9	1,071,240	966,747
Total current liabilities		5,978,078	5,448,096
Total liabilities		12,018,543	12,262,471
Total equity and liabilities		24,413,606	24,657,902



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

(All amounts in SR'000 unless otherwise stated)


	Note	For the three month period ended 30 September		For the nine month period ended 30 September	
		2023	2022	2023	2022
Revenue	12	831,949	887,105	2,609,874	2,943,411
Cost of revenue		(675,599)	(756,996)	(2,195,014)	(2,266,011)
Gross profit		156,350	130,109	414,860	677,400
Selling and distribution expenses		(47,182)	(47,893)	(134,042)	(141,655)
General and administrative expenses		(134,305)	(64,185)	(331,828)	(248,663)
Impairment of financial assets		(4,590)	(2,650)	(93,435)	(13,628)
Share of net profit from associates and joint ventures, net	7	213,911	163,608	542,494	1,011,856
Operating profit		184,184	178,989	398,049	1,285,310
Other income, net		30,311	16,364	141,170	53,372
Finance costs, net		(8,845)	(49,184)	(46,698)	(136,403)
Profit before zakat and income tax		205,650	146,169	492,521	1,202,279
Zakat and income tax		(80,887)	(59,993)	(184,319)	(202,550)
Profit for the period		124,763	86,176	308,202	999,729
Attributable to:					
Equity holders of Parent		78,207	17,131	191,703	623,208
Non-controlling interests		46,556	69,045	116,499	376,521
		124,763	86,176	308,202	999,729
Basic and diluted earnings per share (SR)	10				
From operating profit		0.28	0.26	0.60	1.92
From profit attributable to equity holders of Parent		0.12	0.03	0.29	0.93



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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

NATIONAL INDUSTRIALIZATION COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(All amounts in SR'000 unless otherwise stated)

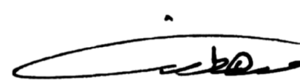
	Note	For the three month period ended 30 September		For the nine month period ended 30 September	
		2023	2022	2023	2022
Profit for the period		124,763	86,176	308,202	999,729
Other comprehensive income / (loss)					
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>					
Cash flow hedge reserve		4,254	38,615	12,551	41,423
Share of other comprehensive income from associates and joint ventures, net		5,558	5,374	25,819	22,305
Total items that may be reclassified to profit or loss in subsequent periods		9,812	43,989	38,370	63,728
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>					
Re-measurement of defined benefit plan		-	86,218	-	86,218
(Loss) / gain from investments in financial assets designated as FVOCI	13.1	(93,885)	(45,509)	(118,587)	200,992
Share of other comprehensive loss from associates and joint ventures, net	7	(20,996)	(134,820)	(87,986)	(185,494)
Total items that will not be reclassified to profit or loss in subsequent periods		(114,881)	(94,111)	(206,573)	101,716
Total other comprehensive (loss) / income for the period		(105,069)	(50,122)	(168,203)	165,444
Total comprehensive income for the period		19,694	36,054	139,999	1,165,173
Attributable to:					
Equity holders of Parent		(23,460)	(7,419)	36,226	821,311
Non-controlling interests		43,154	43,473	103,773	343,862
		19,694	36,054	139,999	1,165,173



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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

NATIONAL INDUSTRIALIZATION COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023**
(All amounts in SR'000 unless otherwise stated)

	Attributable to the equity holders of Parent					Non-controlling interests	Total equity
	Share capital	Statutory reserve	Other reserves	Retained earnings	Total shareholders' equity		
As at 1 January 2022 (Audited)	6,689,142	1,490,151	(586,603)	1,109,374	8,702,064	2,860,844	11,562,908
Profit for the period	-	-	-	623,208	623,208	376,521	999,729
Other comprehensive income / (loss)	-	-	198,103	-	198,103	(32,659)	165,444
Total comprehensive income for the period	-	-	198,103	623,208	821,311	343,862	1,165,173
Transfer on disposal of investment in equity instruments designated as FVOCI (note 13.1)	-	-	(43,282)	43,282	-	-	-
Further acquisition of non-controlling interests	-	-	3,210	-	3,210	(4,210)	(1,000)
Transfer to statutory reserve	-	62,321	-	(62,321)	-	-	-
Dividend paid by subsidiaries to non-controlling interests	-	-	-	-	-	(245,566)	(245,566)
As at 30 September 2022 (Unaudited)	6,689,142	1,552,472	(428,572)	1,713,543	9,526,585	2,954,930	12,481,515
As at 1 January 2023 (Audited)	6,689,142	1,556,786	(383,343)	1,752,367	9,614,952	2,780,479	12,395,431
Profit for the period	-	-	-	191,703	191,703	116,499	308,202
Other comprehensive loss	-	-	(155,477)	-	(155,477)	(12,726)	(168,203)
Total comprehensive (loss) / income for the period	-	-	(155,477)	191,703	36,226	103,773	139,999
Transfer to statutory reserve	-	19,170	-	(19,170)	-	-	-
Dividend paid by subsidiaries to non-controlling interests	-	-	-	-	-	(140,367)	(140,367)
As at 30 September 2023 (Unaudited)	6,689,142	1,575,956	(538,820)	1,924,900	9,651,178	2,743,885	12,395,063

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

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

NATIONAL INDUSTRIALIZATION COMPANY

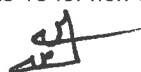
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(All amounts in SR'000 unless otherwise stated)

	For the nine month period ended 30 September	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat and income tax	492,521	1,202,279
Adjustments for:		
Depreciation and amortization	158,125	170,824
Right-of-use assets depreciation	15,467	14,315
Amortization of deferred settlement income	(14,202)	(14,202)
Share of net profit from associates and joint ventures, net	(542,494)	(1,011,856)
Impairment of financial assets	93,435	13,628
Provision for slow moving inventory	13,872	2,159
Employee benefits expenses	55,197	54,950
Interest income on Sukuk	(4,171)	-
Finance costs, net	46,698	136,403
Changes in operating assets and liabilities:		
Other non-current assets	35,099	1,516
Inventories	58,390	(89,813)
Accounts receivable	(30,497)	465,358
Prepayments and other current assets	(51,787)	98,695
Provisions and other non-current liabilities	(11,194)	(37,404)
Accounts payable	67,889	(455,732)
Accruals, provisions and other current liabilities	(121,653)	203,862
Cash generated from operations	260,695	754,982
Employee benefits paid	(24,842)	(21,304)
Zakat and income tax paid	(82,068)	(86,185)
Net cash generated from operating activities	153,785	647,493
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(23,285)	(13,273)
Disposals of property, plant and equipment	-	700
Additions to projects under progress	(40,084)	(65,314)
Additions to intangible assets	(1,923)	(6,098)
Disposal of investment in financial assets designated as FVOCI	-	55,812
Investments in debt securities	-	(50,000)
Interest income received	123,605	25,550
Short term investments	535,500	-
Dividends received from associates and joint ventures	629,407	804,887
Acquisition of non-controlling interests	-	(1,000)
Loan given to joint ventures, net	(163,127)	(192,600)
Net cash generated from investing activities	1,060,093	558,664
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term borrowings	(205,343)	(357,417)
Finance costs paid	(162,115)	(94,004)
Payment of principal portion of lease liabilities	(21,635)	(1,939)
Dividend paid by subsidiaries to non-controlling interests	(140,367)	(245,566)
Net cash used in financing activities	(529,460)	(698,926)
Net change in cash and cash equivalents	684,418	507,231
Cash and cash equivalents at beginning of the period	2,835,779	3,393,975
Cash and cash equivalents at end of the period	3,520,197	3,901,206

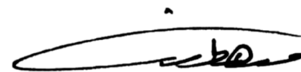
Refer note 15 for non-cash transactions.



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

1. STATUS AND NATURE OF ACTIVITIES

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

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

2. BASIS OF PREPARATION

(i) Statement of Compliance

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

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

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

(ii) Functional and presentation currency

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

3. MATERIAL ACCOUNTING POLICIES

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

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

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

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

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

IFRS 17, 'Insurance contracts'

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

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

4. USE OF CRITICAL ESTIMATES AND JUDGMENTS

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

During the nine month period ended 30 September 2023, the Group added property, plant, and equipment with a cost of SR 23.3 million (nine month period ended 30 September 2022: SR 13.3 million). Property, plant, and equipment with a net book value of SR nil were disposed of by the Group during the nine month period ended 30 September 2023 (nine month period ended 30 September 2022: SR 0.7 million).

6. PROJECTS UNDER PROGRESS

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

In March 2023, a settlement agreement has been signed between AMIC, a subsidiary of the Group and Metso Outotec ("Metso") in respect of the engineering, procurement and construction contract (the "EPC Contract") entered into between the parties in 2012, as subsequently amended and supplemented, in respect of the Slagger project. As part of this settlement, the Group and Metso have also entered into a Collaborative Refurbishment and Optimisation Works Contract (the "CROW Contract"), which governs the works to be carried out in respect of the Slagger as well as the funding arrangements for such works.

The CROW Contract entails value engineering phase for both furnaces prior to the commencement of detailed refurbishment and optimization works to ensure sustainable operating performance at higher operating rates. During the nine month period ended 30 September 2023, the Group has substantially completed the value engineering phase and will now commence the process of implementing design changes and other enhancements required for sustainable higher operating performance of both furnaces determined during this phase.

The Group has revalidated the impairment assessment of Slagger based on updated facts and circumstances by comparing the carrying value with value in use using discounted cash flow model, which resulted in no impairment.

6.1 Option Agreement for slagger asset in AMIC

During 2018, AMIC signed an Option Agreement with Tronox Holdings Plc ("Tronox") with the following key terms:

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

Furthermore, pursuant to the Option Agreement, Tronox has lent AMIC principal amount of \$125 million for capital expenditures intended to facilitate the start-up of the Slagger, which carries a charge at SAIBOR plus agreed margin. Additionally, the Group maintains a Technical Services Agreement (TSA) with Tronox. Under the TSA, Tronox provides technical advice and project management support services. As compensation for these services, Tronox receives a management fee under the TSA.

On 10 May 2023, AMIC and Tronox amended the Option Agreement (the "Amendment"). In the Amendment both parties acknowledged that the Option had expired on 10 May 2023, without being exercised but agreed to continue negotiating until 30 September 2023, as to whether, and under what circumstances, Tronox may acquire the Slagger. The amendment also entails that although both parties' options were extinguished, the 'Option Agreement' did not terminate and instead its period is extended till 30 September 2023. This negotiation period has now been further extended until 1 November 2023. During this period, the parties' rights and obligations under the Option Agreement, other than the ability of either party to exercise their respective options, continue unless mutually agreed to be amended.

In addition, it was mutually agreed by both parties that, the Tronox loan will be settled by chloride slag produced by ASIC and delivered to Tronox as repayment in-kind of the Tronox loan valued at market prices less a nominal discount. Final repayment date of the Tronox loan is 10 January 2025 for settlement either in cash or in kind through chloride slag or combination thereof, as mutually agreed. For the three month period ended 30 September 2023, in-kind repayments of the Tronox loan totaled SR 99.6 million (three month period ended 30 September 2022: SR nil).

For the nine month period ended 30 September 2023, Tronox purchased feedstock material produced by Slagger amounting to SR 385.5 million (nine month period ended 30 September 2022: SR 165.6 million). Such sales and related costs are recorded under "Revenue" and "Cost of revenue" respectively in the interim condensed consolidated statement of profit or loss.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

7. INVESTMENTS IN EQUITY ACCOUNTED ASSOCIATES AND JOINT VENTURES

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Investments in associates	2,845,397	3,143,549
Investments in joint ventures	8,896,104	8,620,960
	11,741,501	11,764,509

The decrease in share of net profit from associates and joint ventures, net during the nine month period ended 30 September 2023, includes share of losses from an associate Tronox Holdings plc., driven by a non-cash tax charge due to change in accounting estimates in respect of the deferred tax assets related to Tronox operations in Australia resulting in a negative impact of SR 147 million in the Group's share of profit.

The Group has revalidated the impairment assessment of its investment in Tronox based on updated facts and circumstances by comparing the carrying value with value in use using discounted cash flow model, which resulted in no impairment.

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

8. LONG-TERM BORROWINGS

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Saudi Industrial Development Fund	905,168	1,015,511
Commercial banks	4,750,508	4,845,508
Total loans	5,655,676	5,861,019
Add: Accrued finance cost	112,164	40,573
Less: Unamortized finance cost	(48,088)	(59,107)
	5,719,752	5,842,485
Less: Long-term borrowings – current portion	(1,667,840)	(1,327,922)
Total non-current loans	4,051,912	4,514,563

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

9. ZAKAT AND INCOME TAX PAYABLE

Status of zakat and income tax returns and assessments

The Company

During 2015, the Company received an approval from ZATCA (Zakat, Tax and Customs Authority) in the Kingdom of Saudi Arabia to file consolidated zakat returns of the Company and its 100% owned Saudi subsidiaries since 2008. The Company has filed consolidated zakat returns while non-wholly owned subsidiaries have filed their zakat and income tax returns with ZATCA up to the years ended 31 December 2022. The Company has finalized its zakat and income tax status with ZATCA up to 2007 and for the year ended 2014 and received initial assessments for the remaining years up to 2018 resulting in additional liability of SR 201 million (31 December 2022: SR 246 million). The Company has submitted appeal against these assessments which are still under review. The management believes that sufficient provisions are recorded, and no additional material liability is likely to arise from open assessments, once finalized.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)**
(All amounts in SR'000 unless otherwise stated)

9. ZAKAT AND INCOME TAX PAYABLE (continued)

Status of zakat and income tax returns and assessments (continued)

Subsidiaries

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

10. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing operating profit and profit attributable to equity holder of Parent by the weighted average number of ordinary shares issued, that is 668,914 thousand shares as at 30 September 2023 (30 September 2022: 668,914 thousand shares).

11. RELATED PARTIES TRANSACTIONS AND BALANCES

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

11.1 Trading transactions

The following are the significant related party transactions:

	Sale of goods and services		Purchase of goods and services	
	For the nine month period ended		For the nine month period ended	
	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Associates	385,462	165,576	33,750	34,562
Joint ventures	489,493	570,832	671,258	841,274

11.2 Amounts due from / to related parties.

The following balances were outstanding as at 30 September 2023:

	Due from related parties			Due to related parties		
	Associates	Joint Ventures	Total	Associates	Joint Ventures	Total
<u>Current</u>						
Trade	3,000	103,344	106,344	3,257	1,002,554	1,005,811
Other non-trade	-	318,232	318,232	-	85,244	85,244
Loans	-	-	-	235,992	22,502	258,494
	3,000	421,576	424,576	239,249	1,110,300	1,349,549
<u>Non-current</u>						
Loans	-	437,732	437,732	196,265	254,284	450,549
	-	437,732	437,732	196,265	254,284	450,549
Total	3,000	859,308	862,308	435,514	1,364,584	1,800,098

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11. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

11.2 Amounts due from / to related parties (continued)

The following balances were outstanding as at 31 December 2022:

	Due from related parties			Due to related parties		
	Associates	Joint Ventures	Total	Associates	Joint Ventures	Total
<u>Current</u>						
Trade	60,468	125,827	186,295	3,697	1,047,278	1,050,975
Other non-trade	-	144,478	144,478	-	-	-
Loans	-	-	-	-	55,010	55,010
	60,468	270,305	330,773	3,697	1,102,288	1,105,985
<u>Non-current</u>						
Long term advance	-	85,468	85,468	-	-	-
Loans	-	406,824	406,824	515,851	259,153	775,004
	-	492,292	492,292	515,851	259,153	775,004
Total	60,468	762,597	823,065	519,548	1,361,441	1,880,989

11.3 Other related party transactions and balances

- Loans from non-controlling interests as at 30 September 2023 amount to SR 340 million (31 December 2022: SR 333 million). Interest expense for the nine month period ended 30 September 2023 amounts to SR 7.4 million (nine month period ended 30 September 2022: SR 4.2 million).
- Liabilities relating to research and development contribution from joint ventures as at 30 September 2023 amounts to SR 559 million (31 December 2022: SR 548 million). Contribution received during the nine month period ended 30 September 2023 amounts to SR 103 million (nine month period ended 30 September 2022: SR 117 million).
- Net deferred obligation pertaining to the sale of MGT as at 30 September 2023 amounts to SR 266 million (31 December 2022: SR 277 million).
- Investment in quoted securities includes investment in a related party as at 30 September 2023 amounting to SR 176 million (31 December 2022: SR 158 million).
- Interest income on loans to related parties for the nine month period ended 30 September 2023 amounts to SR 51.0 million (nine month period ended 30 September 2022: SR 36.1 million).
- Financial support provided to a loss-making joint venture during the nine month period ended 30 September 2023 amounts to SR 70.5 million (nine month period ended 30 September 2022: SR nil), which is fully impaired.
- An amount of SR 122.6 million (nine month period ended 30 September 2022: SR nil) has been funded as a long term interest in a joint venture in respect of construction of a new thermal cracking furnace relating to the additional propane feedstock allocation to one of the Group's subsidiaries by the Saudi Arabian Ministry of Energy.
- Also refer notes 7 & 14 in respect of investments in equity accounted associates and joint ventures and financial guarantees to joint ventures.

11.4 Compensation of key management personnel

The remuneration of key management personnel during the nine month period ended 30 September 2023 amounts to SR 26.8 million (nine month period ended 30 September 2022: SR 30.8 million).

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12. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable segments, Chemicals, Petrochemicals and Downstream & Others. The Group's total revenue, expenses items for the nine month period ended 30 September 2023 and 2022 by operating segments, are as follows:

	Chemicals	Petrochemicals	Downstream & Others	Total
For the nine month period ended 30 September 2023				
Sale of goods	393,576	1,177,720	833,473	2,404,769
Rendering of services	-	-	93,667	93,667
Others	-	110,385	1,053	111,438
Total segment revenue	393,576	1,288,105	928,193	2,609,874
Segment expenses	487,846	1,265,962	1,000,511	2,754,319
Share of profit from associates and joint ventures, net	(179,600)	729,303	(7,209)	542,494
Depreciation and amortization	3,494	68,438	101,660	173,592
Segment EBITDA	(265,518)	665,126	313,203	712,811
For the nine month period ended 30 September 2022				
Sale of goods	165,576	1,577,402	933,024	2,676,002
Rendering of services	-	-	90,086	90,086
Others	-	122,856	54,467	177,323
Total segment revenue	165,576	1,700,258	1,077,577	2,943,411
Segment expenses	196,310	1,392,569	1,081,078	2,669,957
Share of profit / (loss) from associates and joint ventures, net	309,697	705,781	(3,622)	1,011,856
Depreciation and amortization	4,790	78,126	102,223	185,139
Segment EBITDA	236,387	1,176,917	110,517	1,523,821

The Group's total assets and liabilities as at 30 September 2023 and 31 December 2022 by operating segments are as follows:

	Chemicals	Petrochemicals	Downstream & Others	Total
As at 30 September 2023 (Unaudited)				
Segment assets	5,323,067	9,902,184	9,188,355	24,413,606
Segment liabilities	2,191,550	2,792,611	7,034,382	12,018,543
Investments in equity accounted associates and joint ventures	2,683,084	8,896,104	162,313	11,741,501
As at 31 December 2022 - Audited				
Segment assets	5,699,242	9,684,143	9,274,517	24,657,902
Segment liabilities	2,376,068	2,771,742	7,114,661	12,262,471
Investments in equity accounted associates and joint ventures	2,977,698	8,633,641	153,170	11,764,509

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13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

Nature of financial instrument	Carrying value	Level 1	Level 2	Level 3
As at 30 September 2023				
Investments in quoted equity shares	628,292	628,292	-	-
Investments in unquoted equity shares	348,769	-	-	348,769
	977,061	628,292	-	348,769
Interest rate swap	52,347	-	52,347	-
	1,029,408	628,292	52,347	348,769
As at 31 December 2022				
Investments in quoted equity shares	601,845	601,845	-	-
Investments in unquoted equity shares	493,803	-	-	493,803
	1,095,648	601,845	-	493,803
Interest rate swap	39,796	-	39,796	-
	1,135,444	601,845	39,796	493,803

The valuation of each publicly traded investment is based upon the closing market price of that stock as at the valuation date, less a discount if the security is restricted.

Fair values of investments in unquoted equity shares classified in Level 3 are determined based on the EBITDA Multiple and Value in Use model based on the information of the said company.

Interest rate swap are classified as Level 2. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations.

13.1 Transfers between levels

There have been no transfers between the levels during the nine month period ended 30 September 2023. There were also no changes made during the period ended 30 September 2023 to any of the valuation techniques applied as of 31 December 2022.

During the nine month period ended 30 September 2022, an investee company, AMAK, which was previously included as unlisted entity (Level 3) completed process of listing its shares on Saudi stock exchange, and accordingly moved from level 3 to level 1 and the Group has recognized fair valuation gain in OCI amounting to SR 236 million during the nine month period ended 30 September 2022. Further, during the same period the Group has sold part of its investment in AMAK, and the related gain of SR 43 million realized from this disposal has been reclassified from other reserves to retained earnings.

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14. COMMITMENTS AND CONTINGENCIES

14.1 Capital commitments

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Capital commitments	62,517	61,516

14.2 Contingencies

The Group contingencies as of reporting date are as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Letters of guarantee	31,835	294,394
Letters of credit	80,747	104,157
	112,582	398,551

Additionally, the Group has issued corporate guarantees to external lenders against loans obtained by certain joint ventures, in proportion to its shareholding in those joint ventures. As at 30 September 2023 such guarantees amounted to SR 1,320 million (31 December 2022: SR 1,320 million).

15. NON-CASH TRANSACTIONS

Following non-cash transactions were recorded during the nine month period ended 30 September 2023:

- (i) The transfer of SR 9.9 million (nine month period ended 30 September 2022: SR 10.2 million) from projects under progress to property, plant and equipment and intangible assets.
- (ii) Additions to right-of-use assets and lease liabilities of SR 7.5 million (nine month period ended 30 September 2022: SR 60.5 million).
- (iii) Loss of SR 118.6 million (nine month period ended 30 September 2022: gain of SR 200.9 million) was recognized in respect of investments in financial assets designated as FVOCI.
- (iv) Accounts payable in respect of the Slagger project amounting to SR 121.8 million (nine month period ended 30 September 2022: SR nil) were adjusted against projects under progress (refer note 6).
- (v) Finance cost and other directly attributable expenses amounting to SR 75.9 million (nine month period ended 30 September 2022: SR nil) were capitalized as part of projects under progress.
- (vi) Receivable under forward sale agreement amounting to SR 85.5 million (nine month period ended 30 September 2022: SR nil) was transferred from other non-current assets to prepayments and other current assets based on the settlement period.
- (vii) Tronox loan amounting to SR 235.9 million (nine month period ended 30 September 2022: SR nil) was transferred from provisions and other non-current liabilities to accruals, provisions and other current liabilities based on the settlement period. Furthermore, Tronox loan amounting to SR 99.6 million (nine month period ended 30 September 2022: SR nil) was settled against the chloride slag sales to Tronox (refer note 6.1).

16. EVENTS AFTER THE REPORTING DATE

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

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved from the Board of Directors on 29 October 2023 (corresponding to 14 Rabi' al-Thani 1445H).