



SABIC AGRI-NUTRIENTS COMPANY AND ITS SUBSIDIARIES

(A SAUDI JOINT STOCK COMPANY)

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



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Report on review of interim condensed consolidated financial statements

To the shareholders of SABIC Agri-Nutrients Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of SABIC Agri-Nutrients Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 31 March 2023 and the related condensed consolidated statements of income and other comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

A blue ink signature, appearing to be "Bader I. Benmohareb", written over the PricewaterhouseCoopers text.

Bader I. Benmohareb
License Number 471

3 May 2023

Interim condensed consolidated statement of financial position

(All amounts in Saudi Riyals '000 unless otherwise stated)

		As at 31 March 2023 (Unaudited)	As at 31 December 2022 (Audited)
	Notes		
ASSETS			
Non-current assets:			
Property, plant and equipment		8,534,696	8,378,415
Right-of-use assets		227,843	241,570
Intangible assets		71,091	80,490
Investment in an associate	5	901,294	869,901
Investment in equity instruments	6	400,025	394,805
Other assets and receivables		346,904	343,822
Total non-current assets		10,481,853	10,309,003
Current assets:			
Inventories		732,121	733,993
Trade receivables	7	1,896,247	2,560,964
Other assets and receivables		448,569	471,598
Short-term investments		785,000	4,363,000
Cash and cash equivalents		13,731,812	8,618,127
Total current assets		17,593,749	16,747,682
TOTAL ASSETS		28,075,602	27,056,685
EQUITY AND LIABILITIES			
Share capital		4,760,354	4,760,354
Share premium		3,998,485	3,998,485
Statutory reserve		1,428,106	1,428,106
Other reserves		490,270	505,073
Retained earnings		6,329,286	9,201,968
Equity attributable to the equity holders of the parent		17,006,501	19,893,986
Non-controlling interest		1,095,501	1,075,991
Total equity		18,102,002	20,969,977
Non-current liabilities:			
Lease liabilities		224,209	222,521
Employee benefits	8	1,023,761	986,134
Derivative financial instruments	9	2,418,750	2,373,750
Deferred tax liabilities		56,569	55,395
Total non-current liabilities		3,723,289	3,637,800

The accompanying notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

		As at 31 March 2023 (Unaudited)	As at 31 December 2022 (Audited)
	Notes		
Current liabilities:			
Current portion of employee benefits		155,339	151,815
Current portion of lease liabilities		23,444	23,239
Trade payables		721,760	744,897
Other liabilities		769,082	776,877
Dividends payable	16	4,107,053	323,349
Income tax payable	10	12,657	25,956
Zakat payable	10	460,976	402,775
Total current liabilities		6,250,311	2,448,908
Total liabilities		9,973,600	6,086,708
TOTAL EQUITY AND LIABILITIES		28,075,602	27,056,685



Designated Member
Abdulaziz H. Al- Habdan



Chief Executive Officer
Abdulrahman Ahmed Shamsaddin



General Manager Finance
Ayed Habib Al-Haider

The accompanying notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of income and other comprehensive income

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the three-month period ended 31 March (Unaudited)	
		2023	2022*
Revenue	11,13,14	2,759,673	4,657,117
Cost of revenue		(1,622,480)	(1,784,085)
Gross profit		1,137,193	2,873,032
Selling and distribution expenses		(40,318)	(75,811)
General and administration expenses		(128,781)	(118,938)
Research and development expenses		(15,436)	(62,869)
Expected credit loss allowance (ECL)		(653)	(1,216)
Other operating income (expense), net		5,160	(6,582)
Operating profit		957,165	2,607,616
Share of results from a non-integral associate	5	31,393	112,148
Finance income		165,424	25,172
Finance costs		(28,293)	(11,592)
Income before zakat and income tax		1,125,689	2,733,344
Zakat expense	10 (a)	(58,201)	(46,701)
Income tax expense	10 (b)	(16,204)	(36,370)
Deferred tax (expense) income	10 (b)	(1,173)	766
Net income for the period		1,050,111	2,651,039
NET INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the Parent		980,601	2,512,838
Non-controlling interests		69,510	138,201
		1,050,111	2,651,039

* In respect of 2022 comparative period, refer to Note 18 for certain reclassifications made.

The accompanying notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of income and other comprehensive income (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Notes	For the three-month period ended 31 March (Unaudited)	
		2023	2022*
Other comprehensive income			
<i>Items that will not be reclassified to interim condensed consolidated statement of income:</i>			
Net gain (loss) on fair value of equity investments	6	5,220	(17,083)
Re-measurement (loss) gain on defined benefit plans	8	(20,023)	83,228
Deferred tax impact on OCI	10 (b)	-	(11)
Other comprehensive (loss) income for the period		(14,803)	66,134
Total comprehensive income for the period		1,035,308	2,717,173
Total comprehensive income for the period attributable to:			
Equity holders of the Parent		965,798	2,578,928
Non-controlling interests		69,510	138,245
		1,035,308	2,717,173
Earnings per share (Saudi Riyals)			
Basic and diluted earnings per share from net income attributable to the equity holders of the Parent	12	2.06	5.28

* In respect of 2022 comparative period, refer to Note 18 for certain reclassifications made.



Designated Member
Abdulaziz H. Al- Habdan



Chief Executive Officer
Abdulrahman Ahmed Shamsaddin



General Manager Finance
Ayed Habib Al-Haider

The accompanying notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Attributable to equity holders of the Parent						Non-controlling interest	Grand total
	Share Capital	Share premium	Statutory reserve	Other reserves	Retained earnings	Total		
As at 31 December 2021 (audited)	4,760,354	3,998,485	1,428,106	492,641	4,871,202	15,550,788	1,476,472	17,027,260
Net income for the period	-	-	-	-	2,512,838	2,512,838	138,201	2,651,039
Other comprehensive income for the period	-	-	-	66,090	-	66,090	44	66,134
Total comprehensive income for the period	-	-	-	66,090	2,512,838	2,578,928	138,245	2,717,173
Dividends (note 16)	-	-	-	-	-	-	(375,000)	(375,000)
As at 31 March 2022 (unaudited)	4,760,354	3,998,485	1,428,106	558,731	7,384,040	18,129,716	1,239,717	19,369,433
As at 31 December 2022 (audited)	4,760,354	3,998,485	1,428,106	505,073	9,201,968	19,893,986	1,075,991	20,969,977
Net income for the period	-	-	-	-	980,601	980,601	69,510	1,050,111
Other comprehensive loss for the period	-	-	-	(14,803)	-	(14,803)	-	(14,803)
Total comprehensive income for the period	-	-	-	(14,803)	980,601	965,798	69,510	1,035,308
Change in fair value of derivative financial instrument	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Dividends (note 16)	-	-	-	-	(3,808,283)	(3,808,283)	(50,000)	(3,858,283)
As at 31 March 2023 (unaudited)	4,760,354	3,998,485	1,428,106	490,270	6,329,286	17,006,501	1,095,501	18,102,002



Designated Member
Abdulaziz H. Al-Habdan



Chief Executive Officer
Abdulrahman Ahmed Shamsaddin



General Manager Finance
Ayed Habib Al-Haider

The accompanying notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows

(All amounts in Saudi Riyals '000 unless otherwise stated)

		For the three-month period ended 31 March	
	Note	(Unaudited)	
		2023	2022*
Operating activities:			
Income before zakat and income tax		1,125,689	2,733,344
<i>Adjustments to reconcile income before zakat and income tax to net cash from operating activities:</i>			
- Depreciation of property, plant and equipment		198,763	194,687
- Depreciation of right-of-use assets		6,548	7,853
- Amortization of intangible assets		2,058	353
- Employees' benefits charge		13,499	19,803
- Share of results of a non-integral associate	5	(31,393)	(112,148)
- Loss on disposal of property, plant and equipment		5,901	3,594
- Expected credit loss allowance (ECL)		653	1,216
- Finance income		(165,424)	(25,172)
- Finance costs		28,293	11,592
		1,184,587	2,835,122
<i>Change in operating assets and liabilities:</i>			
Inventories		1,872	10,642
Trade receivables		664,064	(627,993)
Other assets and receivables		84,478	(67,923)
Current portion of employee benefits		3,524	11,598
Trade payables		(23,137)	821,067
Other current liabilities		7,055	(77,209)
Cash from operations		1,922,443	2,905,304
Employees' benefits paid		(9,557)	(2,370)
Finance income received		144,511	25,172
Finance costs paid		(5,559)	(989)
Zakat and income tax paid		(29,502)	-
Net cash from operating activities		2,022,336	2,927,117
Investing activities:			
Purchase of property, plant and equipment		(390,917)	(158,477)
Purchase of intangible assets		(6,305)	-
Dividends received from an associate		-	152,193
Short term investments- placements		(785,000)	(2,390,000)
Short term investments- proceeds		4,363,000	565,000
Net cash from (used in) investing activities		3,180,778	(1,831,284)
Financing activities:			
Payment of lease liabilities principal portion		-	(3,147)
Dividends paid to the Company's shareholders		(1,146)	(1,175)
Dividends paid to the non-controlling interest in a subsidiary.		(88,283)	(297,640)
Net cash used in financing activities		(89,429)	(301,962)
Increase in cash and cash equivalents		5,113,685	793,871
Cash and cash equivalents at the beginning of the period		8,618,127	5,294,786
Cash and cash equivalents at the end of the period		13,731,812	6,088,657

* In respect of 2022 comparative period, refer to Note 18 for certain reclassifications made.

The accompanying notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements

(All amounts in Saudi Riyals '000 unless otherwise stated)

1. Corporate information

SABIC Agri-Nutrients Company ("the Company"), is a Saudi Joint Stock Company incorporated under Royal Decree Number M/13 dated 11 Jumada' I 1385H (corresponding to 7 September 1965). The Company was initially registered in the city of Dammam with commercial registration number 2050001841 dated 1 Dhul al-Hijjah 1385H (corresponding to 24 March 1966), and later on the Company's head office was shifted to Jubail Industrial City with commercial registration number 2055002359 dated 29 Shawwal 1411H (corresponding to 14 May 1991). The previous commercial registration was converted to a branch and then cancelled in 2013.

The shareholders of the Company in their Annual General Meeting on 12 Ramadan 1443 (corresponding to 13 April 2022) decided to change the registered office of the Company from Jubail to Riyadh. Effective 20 Dhul Hijjah 1443H (corresponding to 19 July 2022), the registered office of the Company was changed to P.O Box 13244, Airport branch road, Qurtubah District, Riyadh.

The Company and its subsidiaries (collectively the "Group") are mainly engaged in the production, conversion, manufacturing of agri-nutrients and chemical products of all types for marketing and trade inside and outside the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements of the Group for three-month period ended 31 March 2023 were authorised for issue by the Board of Directors on 10 Shawwal 1444H (corresponding to 30 April 2023).

The Company has the following subsidiaries and an associate as at 31 March 2023 and as at 31 December 2022:

Name	Relationship	Country of incorporation	Principal activities	% Shareholding (direct and indirect)
National Chemical Fertiliser Company ("Ibn Al-Baytar")	Subsidiary	KSA	Agri-nutrients	100
SABIC Agri-Nutrients Investments Company ("SANIC")	Subsidiary	KSA	Agri-nutrients	100
Al-Jubail Fertiliser Company ("Al-Bayroni")	Subsidiary	KSA	Agri-nutrients and petrochemicals	50
Gulf Petrochemical Industries ("GPIC")	Associate	Bahrain	Agri-nutrients	33.33

The Company also holds 3.87% equity interest in Arabian Industrial Fibers Company (Ibn Rushd) and 1.69% equity interest in Yanbu National Petrochemicals Company (Yansab).

2. Basis of preparation

These interim condensed consolidated financial statements for the three-month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the 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 ("Last Annual Financial Statements"). However, changes in accounting policies, if any and selected explanatory notes are included to explain events and transactions that are significant for understanding the changes in the Group's consolidated financial position and performance since the Last Annual Financial Statements.

An interim period is considered as 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.

2.1 Basis of preparation

The interim condensed consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting, except for the measurement at fair value of certain financial assets through the interim condensed consolidated statement of income and other comprehensive income and derivative financial instruments through retained earnings. Further, post-employment benefits are measured at the present value of the defined benefit obligation using the projected unit credit method using actuarial present value calculations.

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

2. Basis of preparation (continued)

2.2 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 2022.

2.3 New standards, interpretations and amendments to existing standards

New and amended standards adopted by the Group during the period

Several new amendments and interpretations apply for the first time for the annual reporting period commencing 1 January 2023, but do not have material impact on the interim condensed consolidated financial statements of the Group. The Group has adopted the following standards and amendments:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment to IAS 1 'Financial Statements' elaborates the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- what classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- what only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendment does not affect the Group's classification of current and non-current liabilities.

Amendments to IAS 8- Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments do not have a material impact on the Group.

3. 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 2022.

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

4. Fair value measurement

	As at 31 March 2023				As at 31 December 2022			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Financial assets								
Investment in quoted equity instruments	400,025	-	-	400,025	394,805	-	-	394,805
Trade receivables	-	-	649,611	649,611	-	-	425,625	425,625
Total	400,025	-	649,611	1,049,636	394,805	-	425,625	820,430
Financial liabilities								
Derivatives financial instruments	-	-	2,418,750	2,418,750	-	-	2,373,750	2,373,750
Total	-	-	2,418,750	2,418,750	-	-	2,373,750	2,373,750

The classification methodology used in this disclosure is in line with the annual consolidated financial statements. There were no transfers between Level I, Level II or Level III for the three months period ended 31 March 2023.

Description	Valuation technique	Significant non-observable input	Range
Derivative financial instruments	Market approach	Put options and forward contracts: - Equity value to EBITDA multiple	4.87%

The Group has financial instruments which are measured at fair value.

The Group assessed that the fair value of trade receivables (carried at amortized cost), short-term investments, cash and cash equivalents, trade payables and other financial assets and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Movement during the three months period ended 31 March 2023 in Level III fair values of financial assets represents the movement between provisional and final price related to provisional sales of SR 25 million (31 March 2022: SR 93 million). Also, movement in financial liabilities of SR 45 million (31 March 2022: Nil) is related to fair value loss of derivative financial instruments.

A change in the significant non-observable inputs would result in a change in the value of the derivative financial instrument as follow:

	Change in the significant non-observable inputs		Derivative financial instruments value "000"			
			As at 31 March 2023		As at 31 December 2022	
	From	To	From	To	From	To
Increase equity value to EBITDA multiple by 10%	4.87	5.35	2,418,750	2,660,625	2,373,750	2,648,433
Decrease equity value to EBITDA multiple by 10%	4.87	4.38	2,418,750	2,176,875	2,373,750	2,058,219

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

5. Investment in an associate

Investment in associate comprises of investment in Gulf Petrochemical Industries (GPIC), which is incorporated in the Kingdom of Bahrain and is engaged in manufacturing and exporting of ammonia, urea and methanol products.

Investment in an associate is accounted for using the equity method.

The table below provides movement in investment in GPIC during the period / year-end.

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Opening balance	869,901	769,088
Share of profit for the period / year	31,393	408,315
Dividends received	-	(307,502)
Carrying amount of the Company's interest in GPIC	901,294	869,901

6. Investment in equity instruments

	Three-month period ended 31 March 2023 (Unaudited)		Year ended 31 December 2022 (Audited)	
	Local-quoted	Local-unquoted	Local-quoted	Local-unquoted
Cost:				
At the beginning and end of the period/year	94,905	77,363	94,905	77,363
Fair value reserve of financial assets at FVOCI:				
At the beginning of the period/year	299,900	(77,363)	557,092	(77,363)
Change in the fair value reserve during the period/year	5,220	-	(257,192)	-
At the end of the period/year	305,120	(77,363)	299,900	(77,363)
Carrying amounts	400,025	-	394,805	-

Quoted investments represent 1.69% (31 December 2022: 1.69%) shares held in Yanbu National Petrochemical Company (Yansab), a listed entity in Tadawul.

Unquoted investments represent 3.87% (31 December 2022: 3.87%) shares held in Arabian Industrial Fibers Company (Ibn Rushd), a subsidiary of SABIC. Both the investments are carried at fair value. Refer note 4.

7. Trade receivables

	As at 31 March 2023 (Unaudited)	As at 31 December 2022 (Audited)
Trade receivables	447,257	1,514,000
Due from Taiwan Fertilizer Company Limited ("TFC")	74,889	41,263
Trade receivables due from related parties (Note 13)	1,375,176	1,006,123
	1,897,322	2,561,386
Less: allowance for expected credit losses	(1,075)	(422)
	1,896,247	2,560,964

Trade receivables due from related parties include SR 650 million (31 December 2022: SR 426 million) carried at fair value. Refer note 4.

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

8. Employees' benefits

	As at 31 March 2023 (Unaudited)	As at 31 December 2022 (Audited)
Defined benefit obligations (DBO)	1,023,761	986,134
Total defined benefit obligation presented under non-current liabilities	1,023,761	986,134
Employee savings plan	155,339	151,815
Total defined contribution plan presented under current liabilities	155,339	151,815

The following table represents charge in the interim condensed consolidated statement of income and other comprehensive income

	Three-month period ended 31 March (Unaudited)	
	2023	2022
Current service cost	13,499	19,803
Interest cost	13,662	6,924
Re-measurement losses (gains) on defined benefit plans	20,023	(83,228)
	47,184	(56,501)

9. Derivative financial instruments

	Three-month period ended 31 March (Unaudited)	
	2023	2022
Opening balance	2,373,750	-
Transfer of obligations to acquire the remaining shares of Al-Bayroni	-	2,373,750
Change in fair value of derivative	45,000	-
Closing balance	2,418,750	2,373,750

A Joint Venture (JV) Agreement dated 04 December 1979 was signed between SABIC and TFC for the joint ownership of Al-Bayroni. Upon acquisition of SANIC in 2021, the JV agreement was novated from SABIC to SANIC with effect from 29 December 2022. Hence, the rights and obligations in the JV agreement were transferred to SANIC during 2022 including the liability to acquire the remaining shares of Al-Bayroni upon termination of the JV agreement. The amount of the liability in the form of a forward contract transferred by SABIC amounting to Saudi Riyals 2.37 billion was recorded in the previous year as a non-current liability with adjustment in retained earnings. Subsequent changes in the fair value of the liability shall be recorded against the retained earnings.

10. Zakat and income tax payable

a) Zakat charge

	Three-month period ended 31 March (Unaudited)	
	2023	2022
Provision for the period	59,748	50,149
Adjustment related to prior years	(1,547)	(3,448)
	58,201	46,701

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

10. Zakat and income tax payable (continued)

b) Income tax charge

	Three-month period ended 31 March (Unaudited)	
	2023	2022
Current tax		
Provision for the period	16,204	36,370
	16,204	36,370
Deferred income tax		
Increase (decrease) in deferred tax liabilities	1,173	(766)
Effect of deferred tax on OCI	-	11
Total income tax expense reported in the interim condensed consolidated statement of income and other comprehensive income	17,377	35,615

Management determines the estimated tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

c) Status of assessments

The Zakat and income tax assessment status of the Group is the same as from what was disclosed in the consolidated financial statements for the year ended 31 December 2022.

11. Revenue

	Three-month period ended 31 March (Unaudited)	
	2023	2022
Sales of goods revenue	2,623,384	4,504,727
Transportation services	136,289	152,390
	2,759,673	4,657,117

There is no revenue that has been recognised in 2023 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 March 2023 are expected to be satisfied in the following period.

12. Earnings per share

Basic earnings per share is calculated by dividing the net income for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

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

	Three-month period ended 31 March (Unaudited)	
	2023	2022
Net income attributable to equity holders of the Parent (SR '000)	980,601	2,512,838
Weighted average number of ordinary shares ('000)	476,035	476,035
Basic and diluted earnings per share from net income attributable to equity holders of the Parent (SR)	2.06	5.28

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

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

13. Related party transactions and balances

Related parties represent the ultimate parent company, parent company, shareholders, associated companies, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The following is the list of the major related parties of the Group:

Details	Nature of relationship
Saudi Arabian Oil Company ("Saudi Aramco")	Ultimate parent
Saudi Basic Industries Corporation("SABIC")	Controlling shareholder and Parent Company
SABIC associates	Entities where SABIC has significant influence
SABIC affiliates	Entities where SABIC has control
TFC	Non-controlling interest in Al-Bayroni

The following table provides the total amount of significant transactions that have been entered into with related parties during the three-month period ended 31 March 2023 and 2022, as well as balances with related parties as at 31 March 2023 and December 31, 2022:

	For the three-month period ended 31 March 2023		As at 31 March 2023	
	Sales to related parties	Purchases, shared services charges, T&I and other charges	Amounts owed by related parties	Amounts owed to related parties
SABIC	178,588	(108,368)	135,075	(197,829)
Saudi Aramco	90	(161,250)	103	(46,618)
SABIC associates	-	(799,143)	-	(402,909)
SABIC affiliates	1,421,772	(124,649)	1,239,852	(53,657)
TFC	-	-	74,889	-
	For the three-month period ended 31 March 2022		As at 31 December 2022	
SABIC	283,374	(102,110)	123,184	(207,403)
Saudi Aramco	-	(198,066)	-	(67,193)
SABIC associates	-	(854,514)	-	(395,144)
SABIC affiliates	3,067,680	(137,652)	882,939	(9,127)
TFC	-	-	41,263	-

Also see Note 16 for dividends distributions.

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

14. Segment information

For management purposes, the Group is organized into two Strategic Business Units ("SBUs"), a wholly owned manufacturing business, which based on its products is grouped into two reporting segments (Agri-nutrients and Petrochemicals). Products in the agri-nutrients segment comprise of Ammonia, Urea and Phosphate (DAP/ MAP) while products in the Petrochemicals segment comprise of 2-Ethyl Hexanol and Diethyl Phthalate.

Based on a management decision and in line with management reporting, the income and expenses relating to the corporate segment, have been allocated over the Petrochemicals and Agri-nutrients SBUs according to an internally agreed consistent basis. The performance of the SBUs is reviewed internally by the Chief Operating Decision Maker ("CODM") (i.e. the Board of Directors) based on the statement of income only. Assets and liabilities are not included in the measures used by the CODM, hence segment assets and liabilities are not reported in the below segment disclosure. All operating assets of the Group are located in the Kingdom of Saudi Arabia.

Revenues of approximately SR 1.4billion for the period ended 31 March 2023 were derived from two related party customers (31 March 2022: SR 3 billion). See note 13.

All intercompany transactions within the reporting segments have been appropriately eliminated. The segments' financial details (unaudited) are shown below:

	For the three-month period ended 31 March 2023		
	Petrochemicals	Agri-nutrients	Consolidated
Revenue	175,908	2,583,765	2,759,673
Depreciation and amortization	(16,022)	(191,347)	(207,369)
Income from operations	36,731	920,434	957,165
Share of results of an associate	-	31,393	31,393
Finance income	856	164,568	165,424
Finance cost	(2,587)	(25,706)	(28,293)
Income before zakat and income tax	35,000	1,090,689	1,125,689

	For the three-month period ended 31 March 2022		
	Petrochemicals	Agri-nutrients	Consolidated
Revenue	187,145	4,469,972	4,657,117
Depreciation and amortization	(14,805)	(219,643)	(234,448)
Income from operations	38,407	2,569,209	2,607,616
Share of results of an associate	-	112,148	112,148
Finance income	257	24,915	25,172
Finance cost	(537)	(11,055)	(11,592)
Income before zakat and income tax	38,127	2,695,217	2,733,344

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

14. Segment information (Continued)

The Group sells products to the Controlling Shareholder SABIC as well as directly to the customers located inside and outside of the Kingdom of Saudi Arabia.

Geographical distribution of revenue based on the location of the customer

	For the three-month period ended 31 March 2023 (Unaudited)		For the three-month period ended 31 March 2022 (Unaudited)	
Americas	456,489	17%	1,165,277	25%
India	541,788	20%	787,135	17%
Singapore	955,989	35%	1,980,801	43%
U.A.E	51,702	2%	154,654	3%
Saudi Arabia	473,194	17%	373,054	8%
Others	280,511	9%	196,196	4%
	2,759,673	100%	4,657,117	100%

15. Commitment and contingencies

Capital commitments

The Board of Directors approved future capital expenditure amounting to SR 934 million (31 December 2022: SR 778 million).

The Group also has lease arrangements with Royal Commission for Jubail and Yanbu where the Group is obliged to restore the land to its original condition by the end of the lease term as per the terms of the agreement.

Letter of guarantee

The Group issued bank guarantees of amounting to SR 210 million (31 December 2022: SR 208 million) in favour of customs, port authorities and suppliers.

16. Appropriation of net income and dividends distributions

Dividends attributable to the shareholders of the Company

On 25 Jamada 1 1444H (corresponding to 19 December 2022), the Board of Directors approved to distribute an interim cash dividend amounting to Saudi Riyals 8 per share (Saudi Riyals 3,808 million in total) for the second half of 2022. These proposed dividends were approved by the General Assembly in their meeting held on 4 Ramadan 1444H (corresponding to 26 March 2023).

Dividends attributable to the non-controlling interest

On 6 Ramadan 1444H (corresponding to 28 March 2023), the Board of Directors of Al-Bayroni approved to distribute final interim dividends for the period ended 31 March 2023 amounting to Saudi Riyals 100 million (Saudi Riyals 50 million to each Partner). Dividends were available for distribution to the Partners on 8 Ramadan 1444H (corresponding to 30 March 2023).

Bank balances include cash held in separate bank accounts amounting to SR 209 million (31 December 2022: SR 208 million) for dividend payable. Also, bank balances include cash of SR 45 million (31 December 2022: SR 45 million) kept in a separate bank account for donations. The cash held in these bank accounts is available for access by the Group at any point in time.

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

17. Conflict in Ukraine

The Russian-Ukrainian conflict started in February 2022 resulting in a steep increase of crude oil and natural gas prices and at the same time affecting share prices at stock exchanges. The course of events required a reassessment of certain accounting estimates, assumptions and judgements of the Group's exposure on impairment risks and expected credit losses. No significant operational costs were recognised in these interim condensed consolidated financial statements, directly associated with the Russian-Ukrainian conflict. Management will keep monitoring the situation and further developments. Based on the current assessment, no significant adjustments were required in the interim condensed consolidated financial statements for the three-month ended 31 March 2023.

18. Reclassification in comparative numbers

Certain prior period's figures have been reclassified to confirm with the current period's presentation. As such, the prior period comparative figures have been reclassified. These reclassifications are consistent with the accounting presentation adopted in the consolidated financial statements for the year ended 31 December 2022 and have no impact on previously reported net income, retained earnings or cash positions:

	As previously reported	Amount of reclassification	Reclassified amounts
Interim condensed consolidated statement of income and other comprehensive income			
For the period ended 31 March 2022			
Cost of sales (i)	1,631,695	152,390	1,784,085
Gross profit	3,025,422	(152,390)	2,873,032
Selling and distribution expenses (i)	(229,417)	153,606	(75,811)
Expected credit loss allowance (ECL) (i)	-	(1,216)	(1,216)
General and administrative expense (ii)	(181,807)	62,869	(118,938)
Research and development expense (ii)	-	(62,869)	(62,869)
Other operating income (expense), net (iii)	-	(6,582)	(6,582)
Income from operations	2,614,198	(6,582)	2,607,616
Other operating income (expense), net (iii)	(6,582)	6,582	-
Interim condensed consolidated statement of cash flows			
For the period ended 31 March 2022			
Increase in current portion of employee benefits (iv)	-	11,598	11,598
Decrease in other liabilities (iv)	(78,580)	1,371	(77,209)
(Increase) in other assets and receivables (v)	(101,899)	33,976	(67,923)
Finance income received (v)	-	25,172	25,172
Net cash from operating activities	2,855,000	72,117	2,927,117
Finance income received (v)	25,172	(25,172)	-
Decrease in other assets and receivables (v)	33,976	(33,976)	-
Net cash used in investing activities	(1,772,136)	(59,148)	(1,831,284)
Increase in cash and cash equivalents	780,902	12,969	793,871
Cash and cash equivalents at the beginning of the year (iv)	5,230,912	63,874	5,294,786
Cash and cash equivalents at the end of the period (iv)	6,011,814	76,843	6,088,657

- (i) The Group has reclassified the costs associated with the performance obligation related to transportation revenue from 'Selling and distribution expenses' to 'Cost of sales' resulting in a reclassification of Saudi Riyals 152.4 million in the comparative interim condensed consolidated statement of income and other comprehensive income. Further, the expense related to ECL amounting to Saudi Riyals 1.2 million has also been shown under separate line 'Expected credit loss allowance (ECL)' in the comparative interim condensed consolidated statement of income and other comprehensive income which was previously clubbed under 'selling and distribution expense'.
- (ii) The Group reclassified the research and development expenses amounting to Saudi Riyals 62.9 million from 'General and administrative expense' into a separate line 'Research and development expense' on the face of the comparative interim condensed consolidated statement of income and other comprehensive income in order to provide more transparent presentation and to align with industry best practices in terms of visibility of the Group's effort on research, development and sustainability respective expenses.
- (iii) As part of the IASB Primary Financial Statements project, 'other operating income and expense' was identified as subject to different interpretations. In accordance with international practice and based on the Group's reassessment, 'other operating income and expense', have been categorized as operating activities and presented within 'income from operations' in the comparative interim condensed consolidated statement of income and other comprehensive income.

Notes to the interim condensed consolidated financial statements (continued)

(All amounts in Saudi Riyals '000 unless otherwise stated)

18. Reclassification in comparative numbers (continued)

- (iv) The Group offers savings plans to its employees based in KSA. Employee contributions to the plan are made to dedicated bank accounts managed by the Group. As these cash balances do not meet the definition of plan assets under IAS 19 'Employee Benefits', the Group had reclassified the cash balances and related employee saving obligations and presented them on a gross basis as current asset and current liability in the balances as of 31 March 2022 and 01 January 2022 which are not presented as comparative figures in these interim condensed consolidated financial statements but have an impact on the comparative interim condensed statement of cash flow for three month period ended 31 March 2022. The cash balance which required reclassification amounts to Saudi Riyals 76.8 million and the liability which requires reclassification to current liabilities amounts to Saudi Riyals 122.3 million as at 31 March 2022. The movement of these balances from 01 January 2022 to 31 March 2022 which is impacting the interim condensed consolidated statement of cash flow is disclosed in the note above.
- (v) The Group reclassified the change in other assets and receivables (non-current portion) and finance income received amounting to Saudi Riyals 34 million and 25.1 million, respectively, from investing to operating activities in the comparative interim condensed consolidated statement of cash flows. The reclassification has a total net increase of Saudi Riyals 59.1 million in the net cash from operating activities.

19. Subsequent events

The Company had previously signed a binding agreement to acquire 49% of the share capital of ETG Inputs Holdco Limited for an enterprise value of Saudi Riyals 1.2 billion and the Company was trying to obtain the required regulatory approvals to complete the transaction in accordance with the terms and conditions of the share purchase agreement.

On 19 Ramadan 1444H (corresponding to 10 April 2023), the Company has successfully completed the procedures as per SPA dated 21 Jama'ad II 1443H (corresponding to 21 January 2022) to acquire the 49% shareholding in ETG. Management expect that the financial impact of the transaction will be reflected during the second quarter of 2023.

20. Other information

On 28 Dhul Hijah 1443H (corresponding to 27 July 2022), the Company and Saudi Agricultural and Livestock Investment Company (SALIC) have signed a Memorandum of Understanding to jointly explore global commercial and innovation opportunities to help ensure food security and address growing environmental challenges. There is no impact on the interim condensed consolidated financial statements of the Group as of 31 March 2023.