

**Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE THREE AND SIX-MONTHS PERIODS  
ENDED 30 JUNE 2023**

Saudi Chemical Holding Company  
(A Saudi Joint Stock Company)

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
30 June 2023

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

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Chemical Holding Company – a Saudi Joint Stock Company (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2023, and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Board of Directors 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”) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim 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 statement 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 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services



Hesham A. Alatiqi  
Certified Public Accountant  
License No. 523

Riyadh: 23 Muharram 1445H  
(10 August 2023)



**Saudi Chemical Holding Company**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2023

	Notes	30 June 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
<b>Assets</b>			
<b>Non- current assets</b>			
Property, plant and equipment	3.1	413,550	429,073
Capital work in progress	3.2	711,267	703,866
Intangible assets and goodwill	3.3	613,451	614,218
Right of use assets		17,398	19,337
Derivative financial instruments	4	3,685	4,198
Investment in a joint venture	6	250	250
<b>Total non- current assets</b>		<b>1,759,601</b>	<b>1,770,942</b>
<b>Current assets</b>			
Inventories		1,172,346	1,107,992
Trade receivables	5	1,931,440	1,513,481
Amounts due from a related party	6	3,668	3,668
Prepayments and other current assets		138,478	149,864
Cash and cash equivalents		88,820	91,215
<b>Total current assets</b>		<b>3,334,752</b>	<b>2,866,220</b>
<b>Total assets</b>		<b>5,094,353</b>	<b>4,637,162</b>
<b>Liabilities and equity</b>			
<b>Equity</b>			
Share capital	7	843,200	843,200
Statuary reserve		341,868	341,868
General reserve		340,000	340,000
Retained earnings		193,596	134,815
<b>Equity attributable to equity holders of the parent</b>		<b>1,718,664</b>	<b>1,659,883</b>
Non-controlling interests		8,145	7,976
<b>Total Equity</b>		<b>1,726,809</b>	<b>1,667,859</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term Islamic loans	8.3	387,500	405,000
Saudi Industrial Development Fund's financing – non-current	8.1	317,610	334,114
Lease liabilities – non-current		11,535	13,754
Employee's defined benefit liabilities		57,087	56,532
<b>Total non-current liabilities</b>		<b>773,732</b>	<b>809,400</b>
<b>Current liabilities</b>			
Saudi industrial Development Fund's financing – current	8.1	30,413	24,751
Lease liabilities – current		4,284	4,459
Long-term loans - current	8.3	52,500	35,000
Short-term Islamic loans	8.2	854,558	689,961
Trade payable		1,430,273	1,148,417
Accrued expenses and other liabilities		153,344	144,652
Zakat and income tax payable	9	55,132	57,197
Dividends payable		13,308	55,466
<b>Total current liabilities</b>		<b>2,593,812</b>	<b>2,159,903</b>
<b>Total liabilities</b>		<b>3,367,544</b>	<b>2,969,303</b>
<b>Total Equity and Liabilities</b>		<b>5,094,353</b>	<b>4,637,162</b>

Sameh Hassan  
Group CFO

Eng. Thamer Al-Muhaid  
Group CEO

Eng. Fahad S. Al-Jarbou  
Chairman of BOD

The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

**Saudi Chemical Holding Company**  
**(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**

For the three and six-months periods ended 30 June 2023

		<i>For the three-month period ended 30 June</i>		<i>For the six-month period ended 30 June</i>	
	Notes	2023 SR '000	2022 SR '000	2023 SR '000	2022 SR '000
Revenues		1,206,667	956,676	2,245,982	1,860,667
Cost of revenues		(1,061,372)	(842,983)	(1,948,463)	(1,619,480)
<b>Gross profit</b>		<b>145,295</b>	<b>113,693</b>	<b>297,519</b>	<b>241,187</b>
Selling and distribution expenses		(42,399)	(39,499)	(83,383)	(76,272)
General and administrative expenses		(36,175)	(22,509)	(67,257)	(47,670)
Expected credit loss on trade receivables	5	(10,002)	(11,765)	(20,254)	(20,015)
<b>Operating profit</b>		<b>56,719</b>	<b>39,920</b>	<b>126,625</b>	<b>97,230</b>
Financial cost		(22,934)	(14,573)	(44,286)	(25,351)
(Expenses) other income, net		(152)	(911)	305	(990)
Foreign currency exchange (losses) gain		(125)	82	(579)	(4,293)
Revaluation gain / (loss) on derivative financial instruments	4	4,116	(4,591)	(513)	(4,591)
<b>Profit before zakat and income tax</b>		<b>37,624</b>	<b>19,927</b>	<b>81,552</b>	<b>62,005</b>
Zakat and income tax expenses	9	(10,700)	(5,875)	(22,176)	(14,950)
<b>Net profit for the period</b>		<b>26,924</b>	<b>14,052</b>	<b>59,376</b>	<b>47,055</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>26,924</b>	<b>14,052</b>	<b>59,376</b>	<b>47,055</b>
<b>Net profit for the period attributable to:</b>					
Equity holders of the parent		26,512	13,795	58,781	46,501
Non-controlling interests		412	257	595	554
		<b>26,924</b>	<b>14,052</b>	<b>59,376</b>	<b>47,055</b>
<b>Basic and diluted earnings per share (SR)</b>	10	<b>0.03</b>	<b>0.02</b>	<b>0.07</b>	<b>0.06</b>



Sameh Hassan  
Group CFO



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Group CEO



Eng. Fahad S. Al-Jarbou  
Chairman of BOD



Saudi Chemical Holding Company  
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


For the six-months period ended 30 June 2023

*Attributable to the equity holders of the parent*

	Share capital SR '000	Statutory reserve SR '000	General reserves SR '000	Retained earnings SR '000	Total SR '000	Non-controlling interests SR '000	Total equity SR '000
At 31 December 2021 (Audited)	843,200	333,846	340,000	100,585	1,617,631	7,617	1,625,248
Net profit for the period	-	-	-	46,501	46,501	554	47,055
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	46,501	46,501	554	47,055
Dividends	-	-	-	-	-	(426)	(426)
At 30 June 2022 (Unaudited)	843,200	333,846	340,000	147,086	1,664,132	7,745	1,671,877
At 31 December 2022 (Audited)	843,200	341,868	340,000	134,815	1,659,883	7,976	1,667,859
Net profit for the period	-	-	-	58,781	58,781	595	59,376
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	58,781	58,781	595	59,376
Dividends	-	-	-	-	-	(426)	(426)
At 30 June 2023 (Unaudited)	843,200	341,868	340,000	193,596	1,718,664	8,145	1,726,809

  
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The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

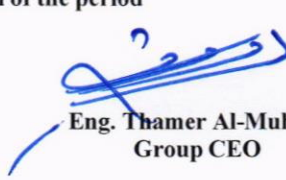
**Saudi Chemical Holding Company**  
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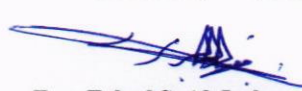
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

For the six-months period ended 30 June 2023

		<i>For the six-month period ended 30 June</i>	
		<i>2023</i>	<i>2022</i>
		<i>SR'000</i>	<i>SR'000</i>
<b>Operating activities</b>			
Profit before zakat and income tax		81,552	62,005
<b>Adjustments for:</b>			
Amortization of intangible assets	3.3	1,238	1,029
Depreciation of property, plant and equipment	3.1	18,269	20,162
Depreciation of right-of-use assets		1,938	1,783
Gain / (loss) on sale of property, plant and equipment	3.1	-	284
Provision for inventories		10,702	11,061
Expected credit loss on trade receivables	5	20,253	20,015
Provision for employees' defined benefit obligation		3,119	4,366
Revaluation loss on derivative financial instruments	4	513	4,591
Finance costs		44,286	25,351
Working capital changes:			
Inventories		(75,056)	198,496
Trade receivables	5	(438,212)	(309,968)
Prepayments and other current assets		11,386	(70,815)
Trade payables		281,856	109,993
Accrued expenses and other liabilities		8,553	9,659
<b>Cash (used in) / from operations</b>		(29,603)	88,012
Employees defined benefit obligation paid		(2,563)	(2,917)
Zakat and income tax paid	9	(24,241)	(21,060)
Finance costs paid		(41,954)	(25,262)
<b>Net cash flows (used in) / from operating activities</b>		(98,361)	38,773
<b>Investing activities</b>			
Purchase of property, plant and equipment and capital work in progress	3.1	(20,746)	(63,175)
Proceeds from customs refund		10,599	-
Purchase of intangible assets	3.3	(471)	(139,960)
Proceeds from disposal of property, plant and equipment	3.1	-	85
<b>Net cash flows (used in) / from investing activities</b>		(10,618)	(203,050)
<b>Financing activities</b>			
Payment of principal portion of lease liabilities		(2,427)	(3,074)
Proceeds from long-term Islamic loans	8.3	-	440,000
Short-term Islamic loans-net		164,597	(180,968)
Repayment of financing from SIFD	8.1	(13,000)	-
Dividends paid to equity holders of the parent	14	(42,160)	(42,160)
Dividends paid to non-controlling interests		(426)	(426)
<b>Net cash flows generated from financing activities</b>		106,584	213,372
<b>Net (decrease) / increase in cash and cash equivalents</b>		(2,395)	49,095
Cash and cash equivalents at the beginning of the period		91,215	101,194
<b>Cash and cash equivalent at the end of the period</b>		88,820	150,289

  
**Sameh Hassan**  
**Group CFO**

  
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**Eng. Fahad S. Al-Jarbou**  
**Chairman of BOD**

The attached notes 1 to 17 form an integral part of these interim condensed consolidated financial statements.

# Saudi Chemical Holding Company

## (A Saudi Joint Stock Company)

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2023

#### 1 CORPORATE INFORMATION AND ACTIVITIES

Saudi Chemical Holding Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration number 1010006161 dated 12 Safar 1392H (corresponding to 28 March 1972). The registered office of the Company is: P.O. Box 2665 Riyadh 11461, Kingdom of Saudi Arabia. The company is listed in Tadawul stock exchange.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in:

- Managing the subsidiaries or participating in the management of other investees and providing the required support for these entities and real estate ownership.
- Manufacturing and selling of explosives and their derivatives for civil or military uses and providing technical support services in explosions.
- Manufacturing, wholesale and retail trading in medicines, medical materials and syrups, pharmaceutical preparations, medical and surgical tools and equipment, supplies of hospitals and medical centers and its related spare parts and food items; and
- Manufacture of ammonium nitrate.

These interim condensed consolidated financial statements include the financial statements of the Company and its following subsidiaries:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Main Activity</i>	<i>Ownership %</i>	
			<i>30 June 2023</i>	<i>31 December 2022</i>
Saudi International Trading Company ("SITCO Pharma")	Kingdom of Saudi Arabia	Distribution of Medicines	<b>99%</b>	99%
Suez International Nitrate Company ("SINCO")	Arab Republic of Egypt	Production of Ammonium Nitrate	<b>100%</b>	100%
Chemical Company for Commercial Investment Limited ("CCCIL")	Kingdom of Saudi Arabia	Wholesale and retail trade in medicines and medical equipment	<b>100%</b>	100%
AJA Pharmaceuticals Industries Company Limited ("AJA Pharma Company")	Kingdom of Saudi Arabia	Establishment & Ownership of medical Factories	<b>100%</b>	100%
Saudi Chemical Company Limited ("SCCL")	Kingdom of Saudi Arabia	Establishment & Ownership of explosive Factories	<b>100%</b>	100%

During 2022, the subsidiary ("Chemical Company for Commercial Investment Limited") invested in Supply Chain for Logistic Services Company (Note 6).



# Saudi Chemical Holding Company (A Saudi Joint Stock Company)

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

### 2 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard, Interim Financial Reporting” (“IAS 34”) as endorsed in 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 for a complete set of annual consolidated financial statements and therefore, 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 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.

#### Basis of measurement and functional currency

These interim condensed consolidated financial statements have been prepared under the historical cost convention, unless stated otherwise in the below accounting policies. Employee defined benefit obligations are recognized at the present value of the future obligations using the projected unit credit method. Also, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting and will continue to operate on the going concern basis.

These interim condensed consolidated financial statements are presented in thousands of Saudi Riyals (SR) unless stated otherwise. Saudi Riyal (SR) is also the functional currency of the Group. Saudi Riyal (SR) is the presentation currency of the Company and all its subsidiaries except for SINCO which uses United States Dollar (USD) as its presentation currency.

### 2.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of these 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.

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective.

Many of the amendments and interpretations are effective for the first time in 2023, but do not have any material impact on the Group’s interim condensed consolidated financial statements. The nature and impact of these changes are disclosed below.

#### **Definition of Accounting Estimates - Amendments to IAS 8**

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. It also clarifies how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group’s interim condensed consolidated financial statements.

#### **Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments had no impact on the Group’s interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

#### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group’s interim condensed consolidated financial statements.

**Saudi Chemical Holding Company**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

As at 30 June 2023

**2 BASIS OF PREPARATION (CONTINUED)**

**2.2 ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS**

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 the accompanying disclosures. Actual results may differ from these estimates. The significant judgments reached by the management when preparing these condensed consolidated interim financial statements in applying the company's accounting policies and the main sources of estimation uncertainty, including risk management policies are the same applied in the annual financial statements for the year ended on 31 December 2022.

**3 PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK IN PROGRESS AND INTANGIBLE ASSETS**

**3.1 PROPERTY, PLANT AND EQUIPMENT**

The following is a summary of the movement in property, plant and equipment:

	30 June 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
<b>Cost</b>		
Balance at the beginning of the period/year	<b>942,510</b>	934,410
Additions	<b>2,746</b>	7,580
Disposals	<b>(192)</b>	(1,036)
Transfers from capital work in progress	<b>-</b>	1,556
Balance at the end of the period/year	<b>945,064</b>	942,510
<b>Accumulated depreciation</b>		
Balance at the beginning of the period/year	<b>513,437</b>	474,915
Charge for the period/year	<b>18,269</b>	39,229
Disposals	<b>(192)</b>	(707)
Balance at the end of the period/year	<b>531,514</b>	513,437
<b>Net book value</b>	<b>413,550</b>	429,073

**3.2 CAPITAL WORK IN PROGRESS**

The following is a summary of the movement in Capital work in progress:

	30 June 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
Balance at the beginning of the period/year	<b>703,866</b>	608,293
Additions	<b>18,000</b>	97,129
Transfers to property, plant and equipment	<b>-</b>	(1,556)
Customs refund	<b>(10,599)</b>	-
Balance at the end of the period/year	<b>711,267</b>	703,866

Finance costs capitalized to qualifying assets during the period ended 30 June 2023 amounted to SR 1.4 million (30 June 2022:SR 2.9 million).

Capital work-in-progress mainly represents costs incurred in establishing the Group's pharmaceutical factory in Hail Industrial City, a new explosives factory in Riyadh, in addition to other projects carried out to comply with security regulations.

**Saudi Chemical Holding Company**  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

**3 PROPERTY, PLANT AND EQUIPMENT, CAPITAL WORK IN PROGRESS AND INTANGIBLE ASSETS (CONTINUED)**

Refer to Note 12.2 the capital commitments related to these projects. Commercial operation of the two projects is expected to commence during the current year.

The Group's pharmaceutical factory in Ha'il and the new explosives plant in Riyadh including the buildings, machineries, vehicles and all related assets have been pledged to the benefit of SIDF to secure the related loans.

**3.3 INTANGIBLE ASSETS AND GOODWILL**

The following is a summary of the movement in Intangible assets:

	<i>New brand key money</i>	<i>Computer software</i>	<i>Goodwill</i>	<i>Other intangible assets*</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>Cost</i>					
As at 31 December 2022 (audited)	<b>12,500</b>	<b>22,455</b>	<b>469,807</b>	<b>138,820</b>	<b>643,582</b>
Additions	-	<b>471</b>	-	-	<b>471</b>
As at 30 June 2023 (unaudited)	<b>12,500</b>	<b>22,926</b>	<b>469,807</b>	<b>138,820</b>	<b>644,053</b>
<i>Amortization and impairment</i>					
As at 31 December 2022 (audited)	<b>9,500</b>	<b>19,864</b>	-	-	<b>29,364</b>
Amortization	<b>387</b>	<b>388</b>	-	<b>463</b>	<b>1,238</b>
As at 30 June 2023 (unaudited)	<b>9,887</b>	<b>20,252</b>	-	<b>463</b>	<b>30,602</b>
<b>Net book value</b>					
<b>As at 30 June 2023 (unaudited)</b>	<b>2,613</b>	<b>2,674</b>	<b>469,807</b>	<b>138,357</b>	<b>613,451</b>
	<i>New brand key money</i>	<i>Computer software</i>	<i>Goodwill</i>	<i>Other intangible assets*</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>Cost</i>					
As a31 December 2021 (audited)	12,500	21,026	469,807	-	503,333
Additions	-	1,429	-	138,820	140,249
As at 31 December 2022 (audited)	12,500	22,455	469,807	138,820	643,582
<i>Amortization and impairment</i>					
As at 31 December 2021 (audited)	8,000	19,260	-	-	27,260
Amortization	1,500	604	-	-	2,104
As at 31 December 2022 (audited)	9,500	19,864	-	-	29,364
<b>Net book value</b>					
<b>As at 31 December 2022 (audited)</b>	<b>3,000</b>	<b>2,591</b>	<b>469,807</b>	<b>138,820</b>	<b>614,218</b>

\*Additions to other intangible assets in the year ended 31 December 2022 represent the acquisition of rights of manufacturing, marketing, and distribution of one medicine products in Saudi Arabia. The subsidiary - AJA Pharmaceutical Industries Company (AJA Pharma) will be the manufacturer and supplier in KSA market. In June 2023, AJA Pharma obtained necessary approvals from competent authorities and commenced manufacturing and supplying the product.

**Saudi Chemical Holding Company**  
**(A Saudi Joint Stock Company)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

As at 30 June 2023

**4 DERIVATIVE FINANCIAL INSTRUMENTS**

During May 2022 and January 2023, the Group acquired derivative financial instruments classified at fair value through profit or loss which represent a portfolio of floating rate loans. The maturity dates range from 2025 to 2027 with three-month variable interest rate and SIBOR. Derivatives do not meet the criteria for hedge accounting. The nominal value of the contracts as at 30 June 2023 was SR 700 million (31 December 2022: SR 800 million). The change in the fair value of derivatives represents a loss of SR 0.513 million for the six-month period ended 30 June 2023 (30 June 2022: loss of SR 4,3 million).

**5 TRADE RECEIVABLES**

	30 June 2023 <b>SR '000</b> (Unaudited)	31 December 2022 <b>SR '000</b> (Audited)
Trade receivables	<b>2,160,218</b>	1,722,120
Allowance for expected credit loss	<b>(228,778)</b>	(208,639)
<b>Total</b>	<b>1,931,440</b>	1,513,481

Trade receivables from Saudi government institutions represent 70% of the total trade receivables as of 30 June 2023 (31 December 2022: 62% of the total trade receivable). These institutions have a strong credit rating in the Saudi market.

The Group recognized an allowance for expected credit losses for trade receivables for the six months period ended 30 June 2023 in the amount of SR 20.2 million (30 June 2022: SR 20 million).

**6 TRANSACTIONS WITH RELATED PARTIES**

Related parties represent shareholders, Directors, key management personnel of the Group, and entities controlled, jointly controlled, or significantly influenced by such parties. As at period and year end, all transactions between subsidiaries were eliminated.

# Saudi Chemical Holding Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

### 6 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The following table shows the total amount of transactions made with related parties during the three and six-month periods ended on 30 June 2023 and 30 June 2022, in addition to the balances with related parties as at 30 June 2023 and 31 December 2022:

			For the three-month period ended 30 June		For the six-month period ended 30 June		Balance as at	
Name of related party	Relationship	The nature of the transaction	2023 SR '000 (unaudited)	2022 SR '000 (unaudited)	2023 SR '000 (unaudited)	2022 SR '000 (unaudited)	30 June 2023 SR '000 (unaudited)	31 December 2022 SR '000 (audited)
Amounts due from a related party								
Supply Chain for Logistics Services *	Joint venture	-	-	-	-	-	3,668	3,668
Amounts due to a related party								
Hillman Worldwide logistics**	Partner in a joint venture	Affiliate services	6,427	5,785	10,777	5,785	16,293	13,313

\* Supply Chain for Logistics Services Company (the "Joint Venture") is a joint venture in which the Group owns a common control and partners' resolutions are adopted unanimously as per the Company's Articles of Association, with an ownership interest of 50%. The Joint Venture has been incorporated as per Saudi Regulations and registered in Riyadh under commercial registration number 1010846387 on 17 Jumada Al-Ula 1444H (11 December 2022) with a share capital at an amount of SR 500 thousand divided into 500 shares with SR 1000 each. The objective of the Company is to provide transportation services, loading, unloading, warehousing and distribution. The Group's share in the joint venture is accounted for in accordance to the equity method, and the joint venture has not started its activity yet.

\*\* The balances of amounts due to a related party are classified under accrued expenses and other liabilities in the interim condensed consolidated statement of financial position.

### 7 SHARE CAPITAL

On 3 Thul-Hijjah 1444 (Corresponding to 21 June 2023), the Extraordinary General Assembly approved the recommendation of the Board of Directors to split the nominal value of the share from SR 10 per share to SR 1 per share. As a result, the number of shares increased from 84,320,000 shares to 843,200,000 shares. The legal formalities to reflect the aforementioned were completed during to the period-end.

As at 30 June 2023, the share capital of the Company consists of 843,200,000 shares with nominal value of SR 1 per share aggregating to SR 843,200,000 (31 December 2022: 84,320,000 shares with nominal value of SR 10 per share aggregating to SR 843,200,000).

### 8 LOANS AND BORROWINGS

#### 8.1 SAUDI INDUSTRIAL DEVELOPMENT FUND'S FINANCING

The long-term loans were obtained by two subsidiaries of the Group from Saudi Industrial Development Fund ("SIDF") to meet the Group's capital expenditure. The first loan was obtained by AJA Pharmaceuticals Industries Limited ("AJA Pharma") during 2016 and amounted to SR 157.5 million, of which the full amount of the facility has been utilized as at 30 June 2023 (31 December 2022: SR157.5 million). The second loan was obtained by Saudi Chemical Company Limited ("SCCL") during 2020 and amounted to SR 229 million, of which the full amount of the facility has been utilized as at 30 June 2023 (31 December 2022: SR 229 million).

The loan to AJA Pharma is repayable in sixteen semi-annual instalments starting from 15 Shawwal 1444 H (corresponding to 5 May 2023), while the loan to SCCL is repayable in fourteen semi-annual instalments starting from 15 Rabi Al-Thani 1444 H (corresponding to 9 November 2022).



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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

## 8 LOANS AND BORROWINGS (CONTINUED)

### 8.1 SAUDI INDUSTRIAL DEVELOPMENT FUND'S FINANCING (CONTINUED)

The loans from SIDF carried fixed commission charges of SR 26.4 million, which have been paid upfront by the Group at the beginning of the loan term. The commission charges are being amortized over the terms of the loans. As at 30 June 2023, the unamortized balance amounted to SR 14.8 million (31 December 2022: SR 16.6 million).

The amortization of such qualified charges along with other finance costs of the loan are capitalized as part of the carrying value of the property, plant and equipment (during the construction period).

The agreements are secured promissory notes, and pledge of the subsidiaries' property, plant and equipment. The subsidiaries are required to comply with certain covenants under the loan facilities obtained.

The following represents a summary of information about the Saudi Industrial Development Fund's:

	30 June 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
Loans from Saudi Industrial Development Fund	<b>365,500</b>	378,500
Less: Unamortized processing fees	<b>(14,786)</b>	(16,619)
Present value adjustment	<b>(2,691)</b>	(3,016)
	<b>348,023</b>	358,865
Current	<b>30,413</b>	24,751
Non-current	<b>317,610</b>	334,114
	<b>348,023</b>	358,865

Movement in unamortized transaction costs are as follows:

	30 June 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
Balance at the beginning of the period/year	<b>16,619</b>	20,409
Amortized during the period/year	<b>(1,833)</b>	(3,790)
Balance at the end of the period/year	<b>14,786</b>	16,619

### 8.2 SHORT-TERM ISLAMIC LOANS

The Group is using Islamic financing to finance its business operations. These facilities bear finance cost at SIBOR plus prevailing market rates. The facilities are secured by promissory notes. The facilities agreement includes covenants requiring the maintenance of certain levels of financial ratios.

### 8.3 LONG TERM ISLAMIC LOANS

In June 2022, the Group acquired a long-term Islamic loan from a local bank in the amount of SR 300 million to finance the construction of the subsidiary's factory. The loan is subject to the prevailing interest rates between the Saudi banks (SIBOR) plus a profit margin. The loan is repayable in 6 years in quarterly installments after a grace period two years.

Also, during June 2022, the Group acquired a long-term Islamic loan from a local bank in the amount of SR 140 million to finance its acquisition of a pharmaceutical product. The loan is subject to the prevailing interest rates between the Saudi banks (SIBOR) plus a profit margin. The loan is repayable in equal 8 semi-annual installments with the last installment payable in September 2027 after a grace period of one year.

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

#### 9 ZAKAT AND INCOME TAX

##### Movement in Zakat and income Tax provision during the period/year

	30 June 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
As at the beginning period/year	57,197	46,229
Charged during the period/year	22,176	33,180
Paid during the period/year	(24,241)	(22,212)
<b>As at the end of the period/year</b>	<b>55,132</b>	<b>57,197</b>

Zakat and income tax provisions of SR 22.2 million were recognized by the Group during the six months period ended 30 June 2023 (30 June 2022: SR 14.9 million). The Company, SITCO Pharma, CCCIL, AJA Pharma and SCCL have filed their zakat declarations and obtained zakat certificates for the years up to 2019.

The Group obtained the approval from Zakat, Tax and Customs Authority ("ZATCA") to submit consolidated zakat returns for the holding company and the following subsidiaries: SCCL, AJA Pharma, and CCCIL starting from the year 2020. In addition, SITCO Pharma submits a separate zakat return.

As at 31 December 2021, the Group obtained the final zakat assessments from the ZATCA up to the year 2020, which resulted in an additional amount of SR 25 million included in the provision. The assessment is being contested by the Group in accordance with the relevant procedures, and does not expect any additional negative effects to result from the final assessment.

SITCO Pharma have filed their zakat declarations for the years up to 2022. During the year ended 31 December 2019, SITCO obtained the final zakat assessments for years up to 2017 from ZATCA, and did not result in any differences from the final assessment.

#### INCOME TAX

The income tax expense payable by a foreign subsidiary, in accordance with the prevailing tax regulations in its country, for the period ended 30 June 2023 amounted to SR 607 thousand (30 June 2022: nil). The income tax payment for the period has been postponed until submission of the final tax returns.

#### 10 BASIC AND DILUTED EARNING PER SHARE

Earnings per share is computed using net profit for the period attributable to Shareholders of the Company based on the weighted average number of shares outstanding for the periods ending on 30 June 2023 and 2022 by 843,200,000 shares.

The number of shares for the period ended 30 June 2022 has been adjusted retrospectively to reflect the shares split (Note 7). Since the change in the number of shares outstanding during the period ended 30 June 2023 was due to shares split without a corresponding change in resources, the number of shares outstanding for all periods presented was adjusted retrospectively.

The diluted earnings per share are the same as the basic earnings per share as the Group does not have any dilutive instruments in issue.

# Saudi Chemical Holding Company (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

### 11 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

#### 11.1 Fair value Hierarchy

Assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the financial assets and liabilities of the Company are carried at amortized cost except for derivative financial instruments which are classified as fair value through profit or loss.

#### 11.2 Carrying amount vs Fair value

	Fair value measurement hierarchy	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	3,685	3,685	4,198	4,198

The derivative financial instrument is carried at fair value using valuation techniques, which employ the use of market observable inputs.

The Group considers that the carrying amount of trade receivables, amount due from a related party, other assets, cash and cash equivalents, Saudi Industrial Development Fund's financing, long-term Islamic loans, lease liabilities, short-term Islamic loans, trade payables, dividends payable, accrued expenses and other liabilities are a reasonable approximation of their fair value.

### 12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

#### 12.1 CONTINGENT LIABILITIES

- A) As at 30 June 2023, the Group had outstanding letters of guarantee amounting to SR 337.8 million (31 December 2022: SR 377.6 million), issued in the normal course of business of the Group. Moreover, as at 30 June 2023, the Group had outstanding letters of credit amounting to SR 249.9 million (31 December 2022: SR 37.7 million).
- B) The Group has contingent liabilities from time to time relating to certain disputed matters, including claims from and against contractors, litigation and arbitration proceedings involving a variety of cases. These contingent liabilities arose in the normal course of business. The management believes and with the consulting of its legal consultant that no additional significant obligations are expected to be incurred from these potential claims.

#### 12.2 COMMERCIAL AND CAPITAL COMMITMENTS

Capital commitments outstanding as at 30 June 2023, in respect of capital work in progress projects of SR 101.6 million (31 December 2022: SR 117.8 million).

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

As at 30 June 2023

**13 SEGMENTAL INFORMATION**

For management purposes, the Group consists of business units according to the products and services it provides. The Group's operations are principally in the explosives, medicines and medical supplies and production of ammonium nitrate. Except for the information related to the production of ammonium nitrate segment that is located in the Arab Republic of Egypt, all other information is related to the business segments in the Kingdom of Saudi Arabia. All inter-company transactions within the appropriately reported segments have been eliminated.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated on the basis of the statement of comprehensive income and is measured on a consistent basis based on profit or loss in the consolidated financial statements.

Revenues for the six-month period ending 30 June 2023 include sales to one government customer, amounting to SR 899 million, or 45% of the total revenues (30 June 2022: SR 766 million, or 45% of the total revenues).

	<i>Explosives</i>	<i>Medicine and medical supplies</i>	<i>Production of ammonium nitrate</i>	<i>Head office</i>	<i>Eliminations</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
<i>As at 30 June 2023 (Unaudited)</i>						
Segment assets	<b>969,506</b>	<b>3,749,894</b>	<b>153,948</b>	<b>1,785,646</b>	<b>(1,564,641)</b>	<b>5,094,353</b>
Segment liabilities	<b>720,086</b>	<b>2,887,365</b>	<b>123,547</b>	<b>127,122</b>	<b>(490,576)</b>	<b>3,367,544</b>
<i>As at 31 December 2022 (Audited)</i>						
Segment assets	903,821	3,334,552	144,128	1,780,765	(1,526,104)	4,637,162
Segment liabilities	694,919	2,470,567	126,496	118,883	(441,562)	2,969,303
<i>For the three-month period ended 30 June 2023 (Unaudited)</i>						
Revenues	<b>89,565</b>	<b>1,117,102</b>	-	-	-	<b>1,206,667</b>
Intersegment revenue	-	<b>37,171</b>	<b>19,830</b>	-	<b>(57,001)</b>	-
Net revenues	<b>89,565</b>	<b>1,154,273</b>	<b>19,830</b>	-	<b>(57,001)</b>	<b>1,206,667</b>
Segment comprehensive income (loss)	<b>7,479</b>	<b>33,358</b>	<b>(761)</b>	<b>38,163</b>	<b>(51,308)</b>	<b>26,931</b>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

As at 30 June 2023

**13 SEGMENTAL INFORMATION (CONTINUED)**

	Explosives	Medicine and medical supplies	Production of ammonium nitrate	Head office	Eliminations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<i>For the three-month period ended 30 June 2022 (Unaudited)</i>						
Revenues	63,433	892,964	279	-	-	956,676
Intersegment revenue	-	11,959	11,531	-	(23,490)	-
Net revenues	63,433	904,923	11,810	-	(23,490)	956,676
Segment comprehensive (loss) income	(413)	16,540	(5,780)	13,689	(9,984)	14,052

	Explosives	Medicine and medical supplies	Production of ammonium nitrate	Head office	Eliminations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<i>For the six-month period ended 30 June 2023 (Unaudited)</i>						
Revenues	219,859	2,026,123	-	-	-	2,245,982
Intersegment revenue	-	48,033	45,986	-	(94,019)	-
Net revenues	219,859	2,074,156	45,986	-	(94,019)	2,245,982
Segment comprehensive income (loss)	40,535	40,033	776	77,755	(99,723)	59,376

	Explosives	Medicine and medical supplies	Production of ammonium nitrate	Head office	Eliminations	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
<i>For the six-month period ended 30 June 2022 (Unaudited)</i>						
Revenues	144,586	1,710,888	5,193	-	-	1,860,667
Intersegment revenue	-	45,569	23,062	-	(68,631)	-
Net revenues	144,586	1,756,457	28,255	-	(68,631)	1,860,667
Segment comprehensive income (loss)	12,469	47,099	(6,941)	50,572	(56,144)	47,055

**14 DIVIDENDS**

In its meeting held on 10 Shawwal 1443H (corresponding to 11 May 2022), the Ordinary General Assembly of the Company has authorized the Board of Directors to distribute interim dividends on a quarterly or semi-annual basis for the fiscal year 2022.

The Board of Directors, in its meeting held on 24 Jumada Al Awal 1444H (corresponding to 18 December 2022), approved the distribution of interim cash dividends amounting to SR 42,160,000 for the period ended 30 September.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

**15 COMPARATIVE FIGURES**

Certain comparative figures for the previous period have been reclassified to conform to the current period's presentation.

**16 SUBSEQUENT EVENTS**

The management of the Group believes that no significant events have occurred subsequent to the period end that may 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 have been approved by the Board of Directors of the Company on 19 Muharram 1445H (corresponding to 06 August 2023).