

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

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

Saudi Chemical Holding Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 September 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 September 2023, and the related interim condensed consolidated statements of comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-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



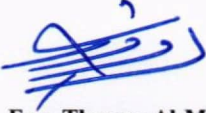
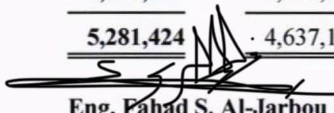
Hesham A. Alatiqi
Certified Public Accountant
License No. 523

Riyadh: 23 Rabi' Al-Thani 1445H
(07 November 2023)



Saudi Chemical Holding Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

		30 September 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
	Notes		
Assets			
Non- current assets			
Property, plant and equipment	3.1	411,596	429,073
Capital work in progress	3.2	725,003	703,866
Intangible assets and goodwill	3.3	611,633	614,218
Right of use assets		16,414	19,337
Derivative financial instruments	4	4,751	4,198
Investment in a joint venture	6	250	250
Total non- current assets		1,769,647	1,770,942
Current assets			
Inventories		1,309,121	1,107,992
Trade receivables	5	1,917,566	1,513,481
Amounts due from a related party	6	3,668	3,668
Prepayments and other current assets		124,654	149,864
Cash and cash equivalents		156,768	91,215
Total current assets		3,511,777	2,866,220
Total assets		5,281,424	4,637,162
Liabilities and equity			
Equity			
Share capital	7	843,200	843,200
Statutory reserve		341,868	341,868
General reserve		340,000	340,000
Retained earnings		228,696	134,815
Equity attributable to equity holders of the parent		1,753,764	1,659,883
Non-controlling interests		8,407	7,976
Total Equity		1,762,171	1,667,859
Liabilities			
Non-current liabilities			
Long term Islamic loans – non-current	8.3	381,373	405,000
Saudi Industrial Development Fund's financing – non-current	8.1	318,582	334,114
Lease liabilities – non-current		11,159	13,754
Employee's defined benefit liabilities		59,352	56,532
Total non-current liabilities		770,466	809,400
Current liabilities			
Saudi industrial Development Fund's financing – current	8.1	30,502	24,751
Lease liabilities – current		4,466	4,459
Long-term loans - current	8.3	58,627	35,000
Short-term Islamic loans	8.2	762,987	689,961
Trade payable		1,650,119	1,148,417
Accrued expenses and other liabilities		178,881	144,652
Zakat and income tax payable	9	49,898	57,197
Dividends payable		13,307	55,466
Total current liabilities		2,748,787	2,159,903
Total liabilities		3,519,253	2,969,303
Total Equity and Liabilities		5,281,424	4,637,162
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 nine-months periods ended 30 September 2023

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2023 SR '000	2022 SR '000	2023 SR '000	2022 SR '000
Revenues		1,200,005	760,512	3,445,987	2,621,179
Cost of revenues		(1,036,789)	(667,023)	(2,985,252)	(2,286,503)
Gross profit		163,216	93,489	460,735	334,676
Selling and distribution expenses		(41,569)	(34,589)	(124,952)	(110,861)
General and administrative expenses		(36,113)	(23,256)	(103,370)	(70,926)
Expected credit loss on trade receivables	5	(13,487)	(12,811)	(33,741)	(32,825)
Operating profit		72,047	22,833	198,672	120,064
Financial cost		(26,606)	(14,817)	(70,892)	(40,168)
Other (expenses) income, net		(672)	2,620	(367)	1,630
Foreign currency exchange losses		(2,568)	(1,104)	(3,147)	(5,397)
Revaluation gain on derivative financial instruments	4	1,066	8,381	553	3,790
Profit before zakat and income tax		43,267	17,913	124,819	79,919
Zakat and income tax expenses	9	(7,905)	(7,529)	(30,081)	(22,479)
Net profit for the period		35,362	10,384	94,738	57,440
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		35,362	10,384	94,738	57,440
Net profit for the period attributable to:					
Equity holders of the parent		35,100	10,324	93,881	56,826
Non-controlling interests		262	60	857	614
		35,362	10,384	94,738	57,440
Basic and diluted earnings per share (SR)	10	0.04	0.01	0.11	0.07



Sameh Hassan
Group CFO



Eng. Thamer Al-Muhaid
Group CEO



Eng. Fahad S. Al-Jarbou
Chairman of BOD

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Saudi Chemical Holding Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-months period ended 30 September 2023

Attributable to the equity holders of the parent

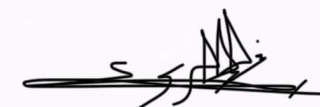
	Share capital SR '000	Statutory reserve SR '000	General reserves SR '000	Retained earnings SR '000	Total SR '000	Non-controlling interests SR '000	Total equity SR '000
At 31 December 2021 (Audited)	843,200	333,846	340,000	100,585	1,617,631	7,617	1,625,248
Net profit for the period	-	-	-	56,826	56,826	614	57,440
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	56,826	56,826	614	57,440
Dividends	-	-	-	-	-	(426)	(426)
At 30 September 2022 (Unaudited)	843,200	333,846	340,000	157,411	1,674,457	7,805	1,682,262
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	-	-	-	93,881	93,881	857	94,738
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	93,881	93,881	857	94,738
Dividends	-	-	-	-	-	(426)	(426)
At 30 September 2023 (Unaudited)	843,200	341,868	340,000	228,696	1,753,764	8,407	1,762,171



Sameh Hassan
Group CFO



Eng. Thamer Al-Muhaid
Group CEO



Eng. Fahad S. Al-Jarbou
Chairman of BOD

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Saudi Chemical Holding Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-months period ended 30 September 2023

		<i>For the nine-month period ended 30 September</i>	
		<i>2023</i>	<i>2022</i>
		<i>SR'000</i>	<i>SR'000</i>
Operating activities			
Profit before zakat and income tax		124,819	79,919
Adjustments for:			
Amortization of intangible assets	3.3	3,619	1,574
Depreciation of property, plant and equipment	3.1	27,225	29,777
Depreciation of right-of-use assets		2,923	2,717
Loss on sale of property, plant and equipment	3.1	-	329
Provision for inventories		17,206	12,157
Expected credit loss on trade receivables	5	33,741	32,826
Provision for employees' defined benefit obligation		7,549	6,497
Revaluation gain on derivative financial instruments	4	(553)	(3,790)
Finance costs		70,892	40,168
		<u>287,421</u>	<u>202,174</u>
Working capital changes:			
Inventories		(218,335)	21,958
Trade receivables	5	(437,826)	(210,045)
Prepayments and other current assets		25,210	(62,028)
Trade payables		501,702	287,611
Accrued expenses and other liabilities		34,229	25,444
		<u>192,401</u>	<u>265,114</u>
Cash generated from operations			
Employees defined benefit obligation paid		(4,728)	(5,094)
Zakat and income tax paid	9	(37,380)	(20,999)
Finance costs paid		(66,601)	(37,368)
		<u>83,692</u>	<u>201,653</u>
Net cash flows generated from operating activities			
Investing activities			
Purchase of property, plant and equipment and capital work in progress	3.1	(41,484)	(101,624)
Proceeds from customs refund		10,599	-
Purchase of intangible assets	3.3	(1,034)	(140,048)
Proceeds from disposal of property, plant and equipment	3.1	-	85
		<u>(31,919)</u>	<u>(241,587)</u>
Net cash flows used in investing activities			
Financing activities			
Payment of principal portion of lease liabilities		(3,660)	(4,035)
Proceeds from long-term Islamic loans	8.3	-	440,000
Short-term Islamic loans-net		73,026	(369,201)
Repayment of financing from SIDF	8.1	(13,000)	-
Dividends paid to equity holders of the parent	14	(42,160)	(42,160)
Dividends paid to non-controlling interests		(426)	(425)
		<u>13,780</u>	<u>24,179</u>
Net cash flows generated from financing activities			
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		91,215	101,194
		<u>156,768</u>	<u>85,439</u>
Cash and cash equivalent at the end of the period			
SIGNIFICANT NON-CASH TRANSACTIONS:			
Transfer from capital work in progress		6,676	1,556
Amortized finance cost		2,735	3,606

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)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 30 September 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 September 2023</i>	<i>31 December 2022</i>
Saudi International Trading Company ("SITCO Pharma")	Kingdom of Saudi Arabia	Distribution of Medicines	99%	99%
Suez International Nitrate Company ("SINCO")	Arab Republic of Egypt	Production of Ammonium Nitrate	100%	100%
Chemical Company for Commercial Investment Limited ("CCCIL")	Kingdom of Saudi Arabia	Wholesale and retail trade in medicines, cosmetics, perfumes, beauty soups, medical tools, and other supplies	100%	100%
AJA Pharmaceuticals Industries Company Limited ("AJA Pharma Company")	Kingdom of Saudi Arabia	Manufacturing pharmaceutical products, packaging and storing of medicines, and other medical products.	100%	100%
Saudi Chemical Company Limited ("SCCL")	Kingdom of Saudi Arabia	Establishment, manufacturing & Ownership of explosive Factories	100%	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)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

As at 30 September 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. SR is also the functional currency of the Group. 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 September 2023

2 BASIS OF PREPARATION (CONTINUED)

2.1 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
 - A simplified approach (the premium allocation approach) mainly for short-duration contracts
- The new standard had no impact on the Group's interim condensed consolidated financial statements.

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 AND GOODWILL

3.1 PROPERTY, PLANT AND EQUIPMENT

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

	30 September 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
Cost		
Balance at the beginning of the period/year	942,510	934,410
Additions	3,072	7,580
Disposals	-	(1,036)
Transfers from capital work in progress	6,676	1,556
Balance at the end of the period/year	<u>952,258</u>	<u>942,510</u>
Accumulated depreciation		
Balance at the beginning of the period/year	513,437	474,915
Charge for the period/year	27,225	39,229
Disposals	-	(707)
Balance at the end of the period/year	<u>540,662</u>	<u>513,437</u>
Net book value	<u>411,596</u>	<u>429,073</u>

Saudi Chemical Holding Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

As at 30 September 2023

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

3.2 CAPITAL WORK IN PROGRESS

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

	30 September 2023	31 December 2022
	SR '000	SR '000
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	703,866	608,293
Additions	38,412	97,129
Transfers to property, plant and equipment	(6,676)	(1,556)
Customs refund	(10,599)	-
Balance at the end of the period/year	725,003	703,866

Finance costs capitalized to qualifying assets during the period ended 30 September 2023 amounted to SR 2.1 million (30 September 2022:SR 8 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.

Refer to Note 12.2 the capital commitments related to these projects. Commercial operation of the two projects is expected to commence during the next 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>
	SR '000	SR '000	SR '000	SR '000	SR '000
<i>Cost</i>					
As at 31 December 2022 (audited)	12,500	22,455	469,807	138,820	643,582
Additions	-	1,034	-	-	1,034
As at 30 September 2023 (unaudited)	12,500	23,489	469,807	138,820	644,616
<i>Amortization and impairment</i>					
As at 31 December 2022 (audited)	9,500	19,864	-	-	29,364
Amortization	1,125	643	-	1,851	3,619
As at 30 September 2023 (unaudited)	10,625	20,507	-	1,851	32,983
Net book value					
As at 30 September 2023 (unaudited)	1,875	2,982	469,807	136,969	611,633

Saudi Chemical Holding Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

As at 30 September 2023

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

3.3 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

	<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 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
<i>Net book value</i>					
As at 31 December 2022 (audited)	3,000	2,591	469,807	138,820	614,218

*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.

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 interest rate swaps. The maturity dates range from 2025 to 2027 with three-month variable interest rate and SIBOR. These derivatives do not meet the criteria for hedge accounting. The nominal value of the contracts as at 30 September 2023 was SR 800 million (31 December 2022: SR 800 million). The change in the fair value of derivatives represents a gain of SR 0.553 million for the nine-month period ended 30 September 2023 (30 September 2022: gain of SR 3.8 million).

5 TRADE RECEIVABLES

	<i>30 September 2023 SR '000 (Unaudited)</i>	<i>31 December 2022 SR '000 (Audited)</i>
Trade receivables	2,159,946	1,722,120
Allowance for expected credit loss	(242,380)	(208,639)
Total	1,917,566	1,513,481

Trade receivables from Saudi government institutions represent 70% of the total trade receivables as of 30 September 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 nine months period ended 30 September 2023 in the amount of SR 33.8 million (30 September 2022: SR 32.8 million).

Saudi Chemical Holding Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

As at 30 September 2023

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.

6.1 COMPENSATION AND BENEFITS OF KEY EXECUTIVES

The following represent the compensation of the executives:

	<i>30 September 2023 SR '000</i>	<i>30 September 2022 SR '000</i>
Expenses and remuneration of the Board of Directors	3,600	3,600
Short-term benefits and remuneration	9,050	7,387
Post-employment benefits	411	285

6.2 BALANCES OF RELATED PARTIES

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

			For the three - month period ended 30 September		For the nine - month period ended 30 September		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 September 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	Services	-	3,289	10,777	9,074	16,293	13,306

* 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.

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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 the period-end.

As at 30 September 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 September 2023 (31 December 2022: SR 157.5 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 September 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).

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 September 2023, the unamortized balance amounted to SR 13.9 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 September 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
Loans from Saudi Industrial Development Fund	365,500	378,500
Less: Unamortized processing fees	(13,884)	(16,619)
Present value adjustment	(2,532)	(3,016)
	<u>349,084</u>	<u>358,865</u>
Current	30,502	24,751
Non-current	318,582	334,114
	<u>349,084</u>	<u>358,865</u>
Movement in unamortized transaction costs are as follows:		
	30 September 2023 SR '000 (Unaudited)	31 December 2022 SR '000 (Audited)
Balance at the beginning of the period/year	16,619	20,409
Amortized during the period/year	(2,735)	(3,790)
Balance at the end of the period/year	<u>13,884</u>	<u>16,619</u>

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8 LOANS AND BORROWINGS (CONTINUED)

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's rights. The loan is subject to the prevailing interest rates between the Saudi banks ("SIBOR") plus a profit margin. The loan is repayable in equal 6 semi-annual installments with the last installment payable in December 2026 after a grace period of two year. The loan agreement includes covenants requiring the maintenance of certain levels of financial ratios.

9 ZAKAT AND INCOME TAX

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

	<i>30 September</i> <i>2023</i> <i>SR '000</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2022</i> <i>SR '000</i> <i>(Audited)</i>
As at the beginning period/year	57,197	46,229
Charged during the period/year	30,081	33,180
Paid during the period/year	(37,380)	(22,212)
As at the end of the period/year	49,898	57,197

Zakat and income tax provisions of SR 30.08 million were recognized by the Group during the nine months period ended 30 September 2023 (30 September 2022: SR 22.5 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. The group has submitted its consolidated zakat returns for the years 2020 to 2022.

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. The Group has not received final zakat assessments for the years 2021 and 2022 yet.

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. SITCO has not received final zakat assessments for the years 2018 to 2022 yet.

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 September 2023 amounted to SR 1.2 million (30 September 2022: nil). The income tax payment for the period has been postponed until submission of the final tax returns.

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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 September 2023 and 2022 by 843,200,000 shares.

The number of shares for the period ended 30 September 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 September 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.

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

		30 September 2023 (Unaudited)		31 December 2022 (Audited)	
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	4,751	4,751	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 September 2023, the Group had outstanding letters of guarantee amounting to SR 345 million (31 December 2022: SR 377.6 million), issued in the normal course of business of the Group. Moreover, as at 30 September 2023, the Group had outstanding letters of credit amounting to SR 259 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.

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12 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS (CONTINUED)

12.2 COMMERCIAL AND CAPITAL COMMITMENTS

Capital commitments outstanding as at 30 September 2023, in respect of capital work in progress projects of SR 55.8 million (31 December 2022: SR 117.8 million).

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 nine-month period ending 30 September 2023 include sales to one government customer, amounting to SR 802 million, or 26% of the total revenues (30 September 2022: SR 588 million, or 25% 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>
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
As at 30 September 2023						
(Unaudited)						
Segment assets	989,718	3,942,090	157,030	1,951,522	(1,758,936)	5,281,424
Segment liabilities	720,115	3,066,507	125,890	176,711	(565,470)	3,523,753
As at 31 December 2022						
(Audited)						
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>Explosives</i>	<i>Medicine and medical supplies</i>	<i>Production of ammonium nitrate</i>	<i>Head office</i>	<i>Eliminations</i>	<i>Total</i>
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
For the three-month period ended 30 September 2023						
(Unaudited)						
Revenues	129,171	1,070,833	-	-	-	1,200,004
Intersegment revenue	-	35,069	19,564	-	(54,633)	-
Net revenues	129,171	1,105,902	19,564	-	(54,633)	1,200,004
Segment comprehensive income (loss)	20,188	14,444	830	38,194	(38,294)	35,362

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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 September 2022 (Unaudited)</i>						
Revenues	59,024	698,818	2,670	-	-	760,512
Intersegment revenue	-	14,241	11,681	-	(25,922)	-
Net revenues	59,024	713,059	14,351	-	(25,922)	760,512
Segment comprehensive (loss) income	11,571	(1,653)	5,847	15,108	(20,489)	10,384

	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 nine-month period ended 30 September 2023 (Unaudited)</i>						
Revenues	349,030	3,096,956	-	-	-	3,445,986
Intersegment revenue	-	83,102	65,550	-	(148,652)	-
Net revenues	349,030	3,180,058	65,550	-	(148,652)	3,445,986
Segment comprehensive income (loss)	60,723	54,477	1,606	115,949	(138,017)	94,738

	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 nine-month period ended 30 September 2022 (Unaudited)</i>						
Revenues	203,610	2,409,706	7,863	-	-	2,621,179
Intersegment revenue	-	59,810	34,743	-	(94,553)	-
Net revenues	203,610	2,469,516	42,606	-	(94,553)	2,621,179
Segment comprehensive income (loss)	24,041	45,446	(1,094)	65,680	(76,633)	57,440

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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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 18 Rabi' Al-Thani 1445H (corresponding to 02 November 2023).