



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

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

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

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



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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Advanced Petrochemical Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statements of profit or loss and 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. 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 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 information 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



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



Al Khobar: 9 Rabi Al-Thani 1445H
24 October 2023

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



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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 30 September 2023 <i>(Unaudited)</i>	For the three-month period ended 30 September 2022 <i>(Unaudited)</i>	For the nine-month period ended 30 September 2023 <i>(Unaudited)</i>	For the nine-month period ended 30 September 2022 <i>(Unaudited)</i>
Sales	594,251	656,518	1,802,661	2,336,845
Cost of sales	<u>(472,205)</u>	<u>(567,050)</u>	<u>(1,453,836)</u>	<u>(1,868,216)</u>
GROSS PROFIT	122,046	89,468	348,825	468,629
Selling and distribution expenses	(8,782)	(7,339)	(22,260)	(24,802)
General and administration expenses	<u>(33,655)</u>	<u>(27,042)</u>	<u>(100,288)</u>	<u>(75,252)</u>
OPERATING PROFIT	79,609	55,087	226,277	368,575
Finance costs	(1,292)	(992)	(2,283)	(1,388)
Share in results of an associate	7 (32,101)	(30,068)	(75,290)	(63,201)
Other income, net	<u>467</u>	<u>2,631</u>	<u>2,018</u>	<u>4,584</u>
PROFIT BEFORE ZAKAT AND INCOME TAX	46,683	26,658	150,722	308,570
Zakat and income tax expense				
<i>Zakat</i>	(2,536)	(984)	(5,538)	(9,716)
<i>Current tax</i>	<u>(45)</u>	<u>(27)</u>	<u>(128)</u>	<u>(340)</u>
PROFIT FOR THE PERIOD	44,102	25,647	145,056	298,514
Attributable to:				
Equity holders of the Parent Company	45,146	26,959	148,133	300,910
Non-controlling interest	<u>(1,044)</u>	<u>(1,312)</u>	<u>(3,077)</u>	<u>(2,396)</u>
	44,102	25,647	145,056	298,514
Basic and diluted earnings per share				
- Earnings per share from profit for the period attributable to equity holders of the Parent Company	13 0.175	0.104	0.572	1.159

KHALIFA A. AL-MULHEM
Chairman of the Board

FAHAD S. AL-MATRAFI
President & CEO

ABDULAZIZ S. AL-ARDHI
Chief Financial Officer

The attached notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

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



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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 30 September 2023	For the three-month period ended 30 September 2022	For the nine-month period ended 30 September 2023	For the nine-month period ended 30 September 2022
Note	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT FOR THE PERIOD	44,102	25,647	145,056	298,514
OTHER COMPREHENSIVE (LOSS) INCOME				
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of investment in an associate	7 <u>(8,491)</u>	<u>(49,247)</u>	<u>(23,610)</u>	<u>(98,152)</u>
<i>Net other comprehensive loss to be reclassified to profit or loss in subsequent periods</i>	<u>(8,491)</u>	<u>(49,247)</u>	<u>(23,610)</u>	<u>(98,152)</u>
<i>Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods:</i>				
Unrealized fair value (loss) gain on equity investment at fair value through other comprehensive income	<u>(82,644)</u>	<u>(92,323)</u>	<u>12,657</u>	<u>(224,489)</u>
<i>Net other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods</i>	<u>(82,644)</u>	<u>(92,323)</u>	<u>12,657</u>	<u>(224,489)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<u>(91,135)</u>	<u>(141,570)</u>	<u>(10,953)</u>	<u>(322,641)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	<u>(47,033)</u>	<u>(115,923)</u>	<u>134,103</u>	<u>(24,127)</u>
Attributable to:				
Equity holders of the Parent Company	<u>(45,989)</u>	<u>(114,611)</u>	<u>137,180</u>	<u>(21,731)</u>
Non-controlling interest	<u>(1,044)</u>	<u>(1,312)</u>	<u>(3,077)</u>	<u>(2,396)</u>
	<u>(47,033)</u>	<u>(115,923)</u>	<u>134,103</u>	<u>(24,127)</u>

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President & CEO

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Chief Financial Officer

The attached notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

Handwritten note in Arabic: *الموافق*


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



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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		7,664,756	5,184,951
Right-of-use assets		179,206	184,736
Investment in an associate	7	385,141	484,041
Investment in an unconsolidated subsidiary		376	376
Equity investment at fair value through other comprehensive income		472,783	460,126
Other non-current assets		204,786	217,611
TOTAL NON-CURRENT ASSETS		8,907,048	6,531,841
CURRENT ASSETS			
Inventories		179,949	180,678
Trade receivables		352,897	354,293
Prepayments and other current assets		132,731	165,009
Cash and cash equivalents		1,917,875	1,006,535
TOTAL CURRENT ASSETS		2,583,452	1,706,515
TOTAL ASSETS		11,490,500	8,238,356
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	2,600,000	2,600,000
Treasury shares	1	(79,301)	(49,926)
Statutory reserve		464,792	464,792
Other components of equity	6	(35,967)	(27,208)
Retained earnings		257,466	251,866
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		3,206,990	3,239,524
Non-controlling interest		375,887	378,964
TOTAL EQUITY		3,582,877	3,618,488
LIABILITIES			
NON-CURRENT LIABILITIES			
SIDF loan	8	2,760,000	2,042,424
Long term Murabaha loans	8	2,800,000	-
Islamic loan facilities	8	1,421,933	-
Non-current portion of lease liabilities		173,954	169,821
Long term retentions		161,104	81,605
Employees' defined benefit liabilities and other benefits		185,759	167,221
Deferred tax liabilities, net		1,157	1,157
TOTAL NON-CURRENT LIABILITIES		7,503,907	2,462,228
CURRENT LIABILITIES			
Short term Murabaha loans	8	-	1,740,400
Current portion of lease liabilities		11,450	11,450
Trade payable		132,742	144,400
Accruals and other current liabilities		245,668	242,009
Zakat and income tax provision		9,697	15,324
Dividends payable		4,159	4,057
TOTAL CURRENT LIABILITIES		403,716	2,157,640
TOTAL LIABILITIES		7,907,623	4,619,868
TOTAL EQUITY AND LIABILITIES		11,490,500	8,238,356


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Other components of equity							Total controlling interest	Non- controlling interest	Total equity
	Share capital	Treasury shares	Statutory reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Share- based payment reserve			
At 1 January 2022 (audited)	2,164,734	-	696,502	81,539	316,458	(17,026)	-	491,950	221,782	3,955,939
Profit for the period	-	-	-	-	-	-	-	300,910	(2,396)	298,514
Other comprehensive loss for the period	-	-	-	-	(224,489)	(98,152)	-	(322,641)	-	(322,641)
Total comprehensive loss for the period	-	-	-	-	(224,489)	(98,152)	-	(21,731)	(2,396)	(24,127)
Transfer of fair value reserve of equity instrument at FVOCI	-	-	-	-	(16,129)	-	-	16,129	-	-
Increase in share capital (note 1)	435,266	-	(261,160)	-	-	-	-	(174,106)	-	-
Share-based payment reserve	-	-	-	-	-	-	5,257	-	-	5,257
Purchase of treasury shares (note 1)	-	(49,926)	-	-	-	-	-	-	(49,926)	(49,926)
Non-controlling interest (note 1)	-	-	-	-	-	-	-	-	106,200	106,200
Transfer of General Reserve (note 1)	-	-	-	(81,539)	-	-	-	81,539	-	-
Dividends (note 10)	-	-	-	-	-	-	-	(428,032)	-	(428,032)
At 30 September 2022 (unaudited)	2,600,000	(49,926)	435,342	-	75,840	(115,178)	5,257	288,390	325,586	3,565,311
At 1 January 2023 (audited)	2,600,000	(49,926)	464,792	-	28,189	(58,603)	3,206	251,866	378,964	3,618,488
Profit for the period	-	-	-	-	-	-	-	148,133	(3,077)	145,056
Other comprehensive income (loss) for the period	-	-	-	-	12,657	(23,610)	-	-	(10,953)	(10,953)
Total comprehensive income for the period	-	-	-	-	12,657	(23,610)	-	148,133	(3,077)	134,103
Purchase of treasury shares (note 1)	-	(29,375)	-	-	-	-	-	-	(29,375)	(29,375)
Share-based payment reserve	-	-	-	-	-	-	2,194	-	-	2,194
Dividends (note 10)	-	-	-	-	-	-	-	(142,533)	-	(142,533)
At 30 September 2023 (unaudited)	2,600,000	(79,301)	464,792	-	40,846	(82,213)	5,400	257,466	375,887	3,582,877


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



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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	30 September 2023 <i>(Unaudited)</i>	30 September 2022 <i>(Unaudited)</i>
OPERATING ACTIVITIES		
Profit before zakat and income tax	150,722	308,570
Adjustment to reconcile profit before zakat and income tax to net cash flows from operations:		
Depreciation of property, plant and equipment	133,819	169,852
Depreciation of right-of-use assets	1,031	1,031
Finance costs	2,283	1,388
Share in results of an associate	75,290	63,201
Share-based payment expense	2,194	5,257
Employees' defined benefits liabilities and other benefits	21,372	21,503
	<u>386,711</u>	<u>570,802</u>
Working capital adjustments:		
Inventories	729	35,984
Trade receivables	1,396	103,204
Prepayments and other current assets	29,542	(24,593)
Trade payable	(11,658)	(39,105)
Accruals and other current liabilities	3,281	(135,749)
Cash generated from operations	<u>410,001</u>	<u>510,543</u>
Employees' defined benefits liabilities and other benefits paid	(2,834)	(3,479)
Finance costs paid	(87,115)	(30,085)
Finance income received on Murabaha deposits	12,211	-
Zakat and income tax paid	(11,293)	(26,122)
Net cash generated from operating activities	<u>320,970</u>	<u>450,857</u>
INVESTING ACTIVITIES		
Net movement in investments at fair value through profit or loss	-	72,333
Movement in equity investment at FVOCI	-	56,239
Additions to property, plant and equipment	(2,528,142)	(1,381,309)
Investment in a subsidiary by a non-controlling shareholder	-	106,200
Dividend received from an associate	-	3,151
Movement in long term retentions payable	79,499	40,418
Net movement in other non-current assets	12,825	11,073
Net cash used in investing activities	<u>(2,435,818)</u>	<u>(1,091,895)</u>
FINANCING ACTIVITIES		
Purchase of treasury shares	(29,375)	(49,926)
Net movement in SIDF loan	717,576	689,112
Proceeds from long term Murabaha loans	2,800,000	-
Proceeds from Islamic loan facilities	1,421,933	-
Net movement in short term Murabaha loans	(1,740,400)	561,800
Payment of lease liabilities	(1,115)	(1,382)
Dividends paid	(142,431)	(426,767)
Net cash generated from financing activities	<u>3,026,188</u>	<u>772,837</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>911,340</u>	<u>131,799</u>
Cash and cash equivalents at the beginning of the period	<u>1,006,535</u>	<u>242,886</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>1,917,875</u>	<u>374,685</u>

The attached notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

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



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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	30 September 2023	30 September 2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>SIGNIFICANT NON-CASH TRANSACTIONS:</u>		
Finance costs on long term Murabaha loans charged to capital work in progress	85,549	45,863
Depreciation of right-of-use assets charged to capital work in progress	4,499	4,499
Financial charges on lease liabilities against right-of-use assets charged to capital work in progress	5,248	4,340
Finance income on Murabaha deposits credited to capital work in progress	9,475	-
Disposal of Property, plant and equipment against asset disposal provision	339	-
Capital increase by capitalizing retained earnings and statutory reserve	-	435,266
Transfer of general reserve to retained earnings	-	81,539

KHALIFA A. AL-MULHEM
Chairman of the Board

FAHAD S. AL-MATRAFI
President & CEO

ABDULAZIZ S. AL-ARDHI
Chief Financial Officer

The attached notes 1 to 15 form an integral part of these interim condensed consolidated financial statements.

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



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023**
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. CORPORATE INFORMATION

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

During the Company's extraordinary General Assembly meeting held on 17 Sha'aban 1443H (corresponding to 20 March 2022), an increase in share capital by 20.11% was approved by the shareholders by way of issuance of one bonus share for every 5 shares held by the existing shareholders. The increase in share capital was funded by way of capitalising retained earnings and statutory reserve amounting to SR 174.1 million and SR 261.2 million, respectively, of the Company. The number of shares increased from Two Hundred Sixteen Million Four Hundred Seventy Three Thousand Four Hundred (216,473,400) shares to Two Hundred Sixty Million (260,000,000) shares. The legal formalities relating to the above capital increase have been completed.

Further, the shareholders have also approved the purchase of Company's own shares, with a maximum of (1,500,000) shares, for the purpose of allocating them to the Company's employees within the Employees Share Incentive Program, provided that the purchase of these shares to be financed through the Company's own resources. Further, to authorize the Board of Directors (or whomever it delegates) to complete the purchase within (12 months) from the date of the extraordinary general assembly's approval, and to determine the terms of the program and its implementation, including determination of the allocation for consideration or not, and to be kept no longer than (10) years from the date of approval as a maximum until the shares are allocated to eligible employees. Upon the end of mentioned period, the Company will follow the rules and procedures stipulated in the relevant laws and regulations. At 30 September 2023, the Company purchased total of 1,500,000 shares (31 December 2022: 849,345 shares) of its own shares amounting to SR 79.3 million (31 December 2022: SR 49.9 million).

In accordance with the Company's By-Laws, the General Assembly can establish a general reserve as an appropriation of retained earnings. This general reserve can be increased or decreased by a resolution of the shareholders. During the Company's extraordinary General Assembly meeting held on 1 Rabi Al-Awwal 1444H (corresponding to 27 September 2022), a transfer of general reserve balance amounting to SR 81.54 million to retained earnings was approved by the shareholders (During year ended 31 December 2021, a transfer of retained earnings balance amounting to SR 81.54 million to general reserve was approved by the shareholders).

The interim condensed consolidated financial statements for 30 September 2023 and 2022 include the financial statements of the Company and the following subsidiaries (collectively referred to as the "Group"):

	<u>Effective ownership directly and indirectly</u>
Advanced Global Marketing Company ("AGMC") - note (a)	100%
Advanced Global Investment Company ("AGIC") - note (b) and its following subsidiary	100%
Advanced Polyolefins Industry Company ("APOC") - note (c)	85%

Notes:

- a- Advanced Global Marketing Company ("AGMC"), is a single shareholder Limited Liability Company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055015327 dated 27 Rabi'1 1433H (corresponding to 19 February 2012) and is 100% owned by the Company.
- b- Advanced Global Investment Company ("AGIC") is a single shareholder Limited Liability Company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055017024 dated 12 Ramadan 1433H (corresponding to 1 August 2012) and is 100% owned by the Company.



1. CORPORATE INFORMATION (continued)

- c- Advanced Polyolefins Industry Company ("APOC") is a Saudi mixed closed joint stock company incorporated in 2021 and is registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 20550130313 dated 14 Ramadan 1442H (corresponding to 26 April 2021) and is 85% owned by AGIC (remaining 15% is owned by SK Gas Petrochemical Pte. Ltd., a company organized and existing under the laws of Republic of Singapore). The Subsidiary has not commenced its commercial operations as its plants are under construction phase, which are expected to be completed by the end of second quarter of 2024.

During the year ended 31 December 2022, the Board of Directors of APOC have proposed to increase the share capital of APOC from SR 1,502,625,000 to SR 2,210,625,000 which is contributed by AGIC and SK Gas Petrochemical Pte. Ltd. amounting to SR 601.8 million and SR 106.2 million respectively, as per their proportionated shareholding.

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

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

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

These interim condensed consolidated financial statements of the Group were approved on 8 Rabi Al-Thani 1445H (corresponding to 23 October 2023).

Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 September 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (continued) **المقدمة Advanced**
(All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

Basis of consolidation (continued)

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2022.

5. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

6. OTHER COMPONENTS OF EQUITY

	30 September 2023	31 December 2022
	<i>(Unaudited)</i>	<i>(Audited)</i>
Fair value reserve	40,846	28,189
Foreign currency translation reserve	(82,213)	(58,603)
Share-based payment reserve	5,400	3,206
	(35,967)	(27,208)

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7. INVESTMENT IN AN ASSOCIATE

	For the nine-month period ended 30 September 2023 (Unaudited)	For the nine-month period ended 30 September 2022 (Unaudited)
At the beginning of the period	484,041	636,926
Share in results of an associate	(75,290)	(63,201)
Exchange differences on translation of investment in an associate	(23,610)	(98,152)
Dividend received from an associate	-	(3,151)
At the end of the period	385,141	472,422

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

8. BORROWINGS

a) SIDF LOAN

During the year ended 31 December 2022, the Group obtained a term loan facility from Saudi Industrial Development Fund ("SIDF") with total amount of SR 3 billion to finance the construction of new Propane Dehydrogenation (PDH) and Polypropylene Plant (PP) Project. Up-front and administrative fees are charged by SIDF under the loan agreement, amortized as finance cost using the effective interest rate and presented as unamortized transaction costs deducted from the loan. At 30 September 2023, complete facility was withdrawn by the Group. The loan is secured by a mortgage over the property, plant and equipment of APOC ("a subsidiary") and by promissory notes. The loan is payable in 16 un-equal semi-annual instalments, with first instalment payable on 15 Safar 1448H (corresponding to 29 July 2026). The facility agreement with SIDF contains certain covenants, which requires among other things, certain financial ratios to be maintained.

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Saudi Industrial Development Fund ("SIDF")	3,000,000	2,220,026
Less: unamortised transaction costs	(240,000)	(177,602)
	2,760,000	2,042,424

b) ISLAMIC LOAN FACILITIES

During the year ended 31 December 2022, APOC ("a subsidiary") signed multiple Islamic loan facilities with a consortium of financial institutions with total amount of SR 6.1 billion to finance the construction of new PDH, PP and IPA plants. These loans are secured by promissory notes and Debt Service Undertaking of USD 250 million from the Parent Company and carry a commission which commensurate with prevailing commercial rates which are mainly SIBOR based plus agreed margins. These loans are repayable in unequal semi-annual installments and maturities of these facilities are based on their respective repayment schedules spread up to 2035, with first instalment payment starting from 2025. These loan agreements include covenants to maintain certain financial ratios during the loans period. As at 30 September 2023, an amount of SR 1.42 billion was withdrawn by the Group.



8. BORROWINGS (continued)

c) LONG TERM MURABAHA LOANS

During 2023, the Group signed a Murabaha Facility Agreement on 28 May 2023 for a period of 5 years, with a local commercial bank amounting to SR 1.5 billion, bearing a commission rate of SIBOR plus specified margin. This facility is intended to settle outstanding short-term loans and is secured by promissory note. Each Murabaha period for a transaction shall be the same term as the initial Murabaha transaction, up to a maximum of 5 years tenure. As at 30 September 2023, an amount of SR 1.5 billion was withdrawn by the Group. The loan to be paid in full by 28 May 2028.

During 2023, the Group signed a Murabaha Facility Agreement on 28 May 2023 for a period of 5 years, with a local commercial bank amounting to SR 500 million, bearing a commission rate of SIBOR plus specified margin. This facility is intended to finance equity requirements and capital expenditures for APOC ("a subsidiary") and is secured by promissory note. Each Murabaha period for a transaction shall be the same term as the initial Murabaha transaction, up to a maximum of 5 years tenure. As at 30 September 2023, an amount of SR 300 million was withdrawn by the Group. The loan to be paid in full by 28 May 2028.

During 2023, the Group signed a sharia-compliant Islamic credit facility on 27 September 2023 for an amount of SR 1.6 billion from the Saudi National Bank to finance its general corporate purposes and is secured by promissory note. The tenure of the facility is for a period of 5 years with a commission rate of SIBOR plus specified margin rate. As at 30 September 2023, an amount of SR 1 billion was withdrawn by the Group.

d) SHORT TERM MURABAHA LOANS

During 2023, the Group signed a Murabaha Facility Agreement on 28 May 2023, with a local commercial bank amounting to SR 200 million, bearing a commission rate of SIBOR plus specified margin. This facility is intended to finance the working capital requirements of the Company and is secured by promissory note. Each Murabaha period for a transaction shall be the same term as the initial Murabaha transaction, up to a maximum of 12 months tenure. As at 30 September 2023, no amount is withdrawn by the Group.

During 2020, the Group entered into a Murabaha Facility Agreement on 9 July 2020 for a period of 5.5 years, with a consortium of local commercial banks amounting to SR 1.5 billion, bearing a commission rate of SIBOR plus 0.95%. This facility was intended to finance the development for new PDH & PP Project. During the period ended 30 September 2023, an amount of SR 1.5 billion was settled in full by the Group.

During 2019, the Group entered into a Murabaha Facility Agreement on 20 October 2019 for a period of 5 years, with a local commercial bank amounting to SR 250 million, bearing a commission rate of SIBOR plus 0.75%. This facility was intended to finance the working capital requirements of the Group. During the period ended 30 September 2023, an amount of SR 240.4 million was settled in full by the Group.

Murabaha facilities were classified as current based on current maturity ranging from 1 to 3 months with rollover option.

9. RELATED PARTY TRANSACTION AND BALANCES

Related parties include the Company's major shareholders, associated companies and their shareholders, key management personnel, Directors, and entities controlled, jointly controlled or significantly influenced by such parties.

During the three-month and nine-month periods ended 30 September 2023, there were no significant transactions entered by the Group with related parties (three-month and nine-months periods ended 30 September 2022: same).

Key management personnel compensation

Below are the details of key management personnel compensation recorded during the period;

	For the nine-month period ended 30 September 2023 (Unaudited)	For the nine-month period ended 30 September 2022 (Unaudited)
Short-term employee benefits	15,992	22,434
Long-term employee benefits	3,957	2,299
	19,949	24,733



10. DIVIDENDS

On 20 February 2023, the Board of Directors resolved to distribute cash dividend for the fourth quarter of 2022 of SR 0.55 per share (totaling SR 142.5 million). The distribution date was 28 May 2023.

On 27 September 2022, the Board of Directors resolved to distribute interim cash dividend for the third quarter of 2022 of SR 0.55 per share (totaling SR 142.5 million). The distribution date was 18 December 2022.

On 5 July 2022, the Board of Directors resolved to distribute interim cash dividend for the second quarter of 2022 of SR 0.55 per share (totaling SR 142.5 million). The distribution date was 18 September 2022.

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

On 21 December 2021, the Board of Directors resolved to distribute interim cash dividend for the fourth quarter of 2021 of SR 0.65 per share (totaling SR 141 million). The distribution date was 20 February 2022.

11. COMMITMENTS AND CONTINGENCIES

Commitments

At 30 September 2023, Capital commitments contracted but not yet incurred amounted to SR 3.08 billion in respect of the new PDH and PP project (31 December 2022: SR 4.9 billion).

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

Contingencies

The Group's banker has given payment guarantees on behalf of the Group in favor of Jubail Commercial Port for land lease amounting to SR 1.95 million (31 December 2022: SR 1.95 million).

The Group's banker has given a Payment guarantees on behalf of the Group in favor of Royal Commission for beach camp amounting to SR 0.05 million (31 December 2022: SR Nil).

The Group's banker has given payment guarantees on behalf of the Group in favor of Saudi Aramco, for securing propane supply amounting to USD 0.270 million (31 December 2022: USD Nil).

12. SEGMENT INFORMATION

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

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

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

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

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13. EARNINGS PER SHARE

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

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

	For the three-month period ended 30 September 2023	For the three-month period ended 30 September 2022	For the nine-month period ended 30 September 2023	For the nine-month period ended 30 September 2022
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period attributable to equity holders of the Parent Company	45,146	26,959	148,133	300,910
*Weighted average number of ordinary shares ('000')	258,500	259,151	258,854	259,619
Earnings Per Share (SR)	0.175	0.104	0.572	1.159

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

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

14. FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in transaction. As the interim condensed consolidated financial statements are prepared under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the financial assets and liabilities are not materially different from their carrying values.

The Group has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the nature of the inputs used in determining fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

Following is a description of each category in the fair value hierarchy and the financial assets and liabilities of the Group that are included in each category at 30 September 2023.

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.
- Level 2: Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Period ended 30 September 2023 (unaudited)				
<i>Assets measured at fair value</i>				
Equity investment at fair value through other comprehensive income	472,783	472,783	-	-
Year ended 31 December 2022 (audited)				
<i>Assets measured at fair value</i>				
Equity investment at fair value through other comprehensive income	460,126	460,126	-	-



14. FAIR VALUE (continued)

The Group has not disclosed the fair value of financial instruments such as cash and cash equivalent, trade receivables, trade payable, other current liabilities, retention payable, SIDF loan, long term Murabaha loans, Islamic loan facilities, short term Murabaha loans and lease liabilities, because their carrying amounts are a reasonable approximation of fair values.

The fair value of the financial assets and liabilities is included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Floating-rate borrowings approximate their carrying amounts largely due to the fact that the floating rate approximates the market interest rate.

The fair value of loans from banks and other financial indebtedness as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.

15. SUBSEQUENT EVENT

In the opinion of management, there have been no significant subsequent events since the period ended 30 September 2023 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.