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ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

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

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

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Index	Pages
Independent Auditor's Review Report on the Interim Condensed Consolidated Financial Statements	1
Interim Condensed Consolidated Statement of Financial Position	2
Interim Condensed Consolidated statement of profit or loss	3
Interim Condensed Consolidated statement of comprehensive income	4
Interim Condensed Consolidated Statement of Changes in Equity	5
Interim Condensed Consolidated Statement of Cash Flows	6
Notes to the Interim Condensed Consolidated Financial Statements	7 – 20



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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

**TO THE SHAREHOLDERS
ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **ALUJAIN CORPORATION (A Saudi Joint Stock Company)** (the "Company") and its subsidiaries (the "Group"), as at June 30, 2023, and the related interim condensed consolidated financial statements of profit or loss and other comprehensive income for the three and six month periods ended June 30, 2023, and the interim condensed consolidated statements of changes in equity, and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with International Accounting Standard (34), "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

**Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting**



**Abdullah M. AlAzem
License No. 335**

16 Muharram 1445H (August 3, 2023)
Jeddah, Kingdom of Saudi Arabia

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Interim condensed consolidated statement of financial position
As of June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	5	1,912,617	1,997,428
Right of use assets		14,433	15,056
Intangible assets		19,408	20,785
Goodwill	6	1,533,429	1,533,429
Investment in a joint venture	7	76,719	69,016
Projects under construction		57,860	1,806
Investment in financial assets	8	2,057	2,059
Total non-current assets		3,616,523	3,639,579
Current assets			
Investment in financial assets	8	49	44
Trade and other receivables, net		602,351	615,575
Prepayments and other current assets		84,003	81,789
Inventories		227,043	233,579
Cash and cash equivalents		216,951	295,172
Total current assets		1,130,397	1,226,159
Total assets		4,746,920	4,865,738
Equity and liabilities			
Equity			
Share capital	9	692,000	692,000
Statutory reserve		288,075	288,075
Retained earnings		2,325,519	2,315,886
Reserve for acquisition of additional shares in a subsidiary	11	(25,752)	(25,752)
Other reserves		5,195	5,197
Treasury shares	12	(631,980)	(631,980)
Equity attributable to the shareholders		2,653,057	2,643,426
Non-controlling interests		774,183	799,597
Total equity		3,427,240	3,443,023
Non-current liabilities			
Non-current portion of long term loans		789,065	803,095
Non-current portion of lease liabilities		15,322	15,892
Decommissioning provision		13,878	13,558
Employees defined benefits liabilities		72,402	68,778
Total non-current liabilities		890,667	901,323
Current liabilities			
Current portion of long term loan		115,272	213,365
Trade and other payables		38,610	37,375
Current portion of lease liabilities		738	831
Accrued and other current liabilities		233,851	214,758
Zakat payable	10	40,542	55,063
Total current liabilities		429,013	521,392
Total liabilities		1,319,680	1,422,715
Total equity and liabilities		4,746,920	4,865,738

Khalid Bin Mohammed Aldawood
CEO

Abdulwahab Bin Abdulkarim Albetari
Designated Member

Saleem Akhtar
CFO

The accompanying notes (1) to (19) form an integral part of these interim condensed consolidated financial statements

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Interim condensed consolidated statement of profit or loss
For the three months and six months periods ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-months ended 30 June		For the six-months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Revenues		401,872	574,639	798,930	1,084,009
Cost of revenues		(322,995)	(430,354)	(676,414)	(779,598)
Gross profit		78,877	144,285	122,516	304,411
Selling and marketing expenses		(21,414)	(60,858)	(37,634)	(113,445)
General and administration expenses		(17,752)	(19,259)	(35,668)	(37,542)
Other expenses		(41)	-	(41)	-
Other income		432	22,718	1,350	24,311
Fair value loss on re-measurement of equity investment FVTPL		5	(5)	5	4
Profit from operations		40,107	86,881	50,528	177,739
Financing cost		(14,690)	(7,685)	(28,546)	(15,452)
Financing income		2,181	969	2,853	1,309
Share of result of a joint venture	7	4,504	8,538	7,749	7,249
Profit before Zakat		32,102	88,703	32,584	170,845
Zakat	10	(5,078)	(3,607)	(10,483)	(10,949)
Net profit for the period		27,024	85,096	22,101	159,896
Profit for the period attributable to:					
Shareholders of the Parent Company		16,830	62,970	9,633	118,748
Non-controlling interests		10,194	22,126	12,468	41,148
		27,024	85,096	22,101	159,896
Earnings per share attributable to equity holders of the parent Company (SR/share):					
Basic	13	0.34	1.28	0.20	2.41
Diluted	13	0.24	0.91	0.14	1.72

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ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Interim condensed consolidated statement of comprehensive income
For the three months and six months periods ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month ended 30 June		For the six-month ended 30 June	
	2023 <u>Note (Unaudited)</u>	2022 <u>(Unaudited)</u>	2023 <u>(Unaudited)</u>	2022 <u>(Unaudited)</u>
Net profit for the period	27,024	85,096	22,101	159,896
Other comprehensive income				
<u>Items that will not be reclassified to statement of profit or loss:</u>				
Re-measurement gain on equity investment designated as FVTOCI	(2)	(28)	(2)	(14)
	(2)	(28)	(2)	(14)
Total comprehensive income for the period	27,022	85,068	22,099	159,882
Total comprehensive income for the period attributable to:				
Equity holders of the Parent Company	16,828	62,948	9,631	118,737
Non-controlling interests	10,194	22,120	12,468	41,145
	27,022	85,068	22,099	159,882

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ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

Interim condensed consolidated statement of changes in equity
For the six months period ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

Note	Attributable to the shareholders of parent Company							Non-controlling interests	Total equity
	Share capital	Statutory reserve	Retained earnings	Additional shares in a subsidiary	Treasury shares	Other reserves	Total		
	692,000	288,075	2,315,886	(25,752)	(631,980)	5,197	2,643,426	799,597	3,443,023
As at January 1, 2023 (audited)	-	-	9,633	-	-	-	9,633	12,468	22,101
Net profit for the period	-	-	-	-	-	(2)	(2)	-	(2)
Other comprehensive loss for the period	-	-	9,633	-	-	(2)	9,631	12,468	22,099
Total comprehensive income for the period	-	-	-	-	-	-	-	(37,882)	(37,882)
Dividends	16								
As at June 30, 2023 (unaudited)	692,000	288,075	2,325,519	(25,752)	(631,980)	5,195	2,653,057	774,183	3,427,240
As at January 1, 2022 (audited)	692,000	288,075	2,293,975	(8,084)	(627,141)	(27,071)	2,611,754	826,784	3,438,538
Reserve for acquisition of additional shares in a subsidiary	11			(17,668)	-	-	(17,668)	(35,132)	(52,800)
Net profit for the period	-	-	118,748	-	-	-	118,748	41,148	159,896
Other comprehensive loss for the period	-	-	-	-	-	(11)	(11)	(3)	(14)
Total comprehensive income for the period	-	-	118,748	-	-	(11)	118,737	41,145	159,882
Dividends	16		(74,010)	-	-	-	(74,010)	(45,457)	(119,467)
As at June 30, 2022 (unaudited)	692,000	288,075	2,338,713	(25,752)	(627,141)	(27,082)	2,638,813	787,340	3,426,153

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ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Interim condensed consolidated statement of cash flows
For the six months period ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the six months period ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities		
Profit before Zakat	32,584	170,845
<u>Adjustments for:</u>		
Depreciation and amortization	97,020	97,391
Depreciation of right of use assets	623	573
Employee defined benefit charged	5,620	5,038
Share of result of a joint venture	(7,749)	(7,249)
Decommissioning provision	320	310
Finance cost	28,546	15,452
Finance income	(2,853)	(1,309)
Profit on disposal of property, plant and equipment	-	171
Fair value on re-measurement of equity investment FVTPL	(5)	(4)
<u>Working capital adjustments:</u>		
Inventories	6,536	75,187
Trade and others receivables	13,270	(100,191)
Prepayments and other current assets	(2,214)	(6,096)
Trade and other payables	1,235	(9,133)
Accrued and other current liabilities	(2,493)	33,792
Net cash flows provided from operations	170,440	274,777
Finance cost paid	(6,636)	(4,679)
Finance income received	2,853	1,309
Employees defined benefits paid	(1,996)	(2,755)
Zakat paid	(25,004)	(22,065)
Net cash flows provided from operating activities	139,657	246,587
Cash flows from investing activities		
Additional shares in a subsidiary	-	(52,800)
Addition to property, plant and equipment	(10,832)	(116,908)
Addition to project under construction	(56,054)	-
Net cash flows used in investing activities	(66,886)	(169,708)
Cash flows from financing activities		
Repayment of long term loan	(112,123)	(63,334)
Lease liabilities paid	(987)	(157)
Dividend paid to shareholders	-	(297)
Dividend paid to non-controlling interests	(37,882)	(45,457)
Net cash flows used in financing activities	(150,992)	(109,245)
Net change in cash and cash equivalents	(78,221)	(32,366)
Cash and cash equivalents at the beginning of the period	295,172	410,926
Cash and cash equivalents at the end of the period	216,951	378,560

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CFO

The accompanying notes (1) to (19) form an integral part of these interim condensed consolidated financial statements

ALUJAIN CORPORATION**(A Saudi Joint Stock Company)****Notes to the interim condensed consolidated financial statements****For the three months and six months periods ended June 30, 2023 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1- GENERAL INFORMATION

ALUJAIN CORPORATION (“the Company” or “the Parent Company”) is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia under Ministerial Decision No. 694, dated 15 Jamaad Thani 1412H, corresponding to 23 December 1991. The Company obtained its Commercial Registration No. 4030084538 on Rajab 3, 1412H, corresponding to January 7, 1992. The Commercial Register was deleted and replaced with the new Commercial Register No. 1010614417 issued on 8 Jumada Al-Awal 1439H corresponding 25 January 2018. The Parent Company is listed on the Saudi Stock Exchange.

On 18 May 2022, the Extraordinary General Assembly agreed to amend Article Two of the Articles of Association related to the company’s name to become Alujain Corporation (Alujain), in addition to the amendment of Article Three of the Articles of Association related to the company's purposes.

The main activities of the Company and its subsidiaries (the “Group”) are the production and sale of propylene, polypropylene and its derivatives, establishment, operation and investment in industrial projects, including projects related to the petrochemical and chemical industries, basic and transformational industries, plastic industries (plastics), industries related to renewable energy and other vital industries inside and outside the Kingdom of Saudi Arabia.

The head office of the Parent Company is located in Riyadh.

Details of subsidiaries are as follow:

Subsidiaries	Country of incorporation	Principal activities	Effective ownership	
			2023	2022
National Petrochemical Industrial Company (Closed Joint Stock Company) (“NATPET”)	Saudi Arabia	Produce polypropylene	76.40%	76.40%
Zain Industries Company (Closed Joint Stock Company) (“Zain”)	Saudi Arabia	Engaged in the business of homecare products, insecticides and agricultural pesticides	98.75%	98.75%
Infrastructure Reinforcement Industrial Company *	Saudi Arabia	Manufacturing, distribution and sale of geo-synthetic products	100%	100%
Fawasel Advanced Chemicals Company (A Limited Liability Company) (“Fawasel”) *	Saudi Arabia	Wholesale of chemicals	100%	100%
Abraj Altaj Plastic Company (A Limited Liability Company) (“Abraj”) *	Saudi Arabia	Manufacturing of organic chemicals including styrene except nitrogenous fertilizers	100%	100%
Afaq Professional Chemicals Company (A Limited Liability Company) (“Afaq”) *	Saudi Arabia	Wholesale of basic plastic, rubber and synthetic fiber	100%	100%
Mina Company (A Single Person Company) (“Mina”) *	Saudi Arabia	Wholesale of basic plastic, rubber and synthetic fiber	100%	100%
Alujain National Industrial Co. (A One Person Company - A Limited Liability Company) (“LNIC”) **	Saudi Arabia	Produce polypropylene	100%	-

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim condensed consolidated financial statements
For the three months and six months periods ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

1- GENERAL INFORMATION (Continued)

On 6 Rabi' II 1443 A.H. (11 November 2021), the Group obtained control over National Petrochemical Industrial Company ("NATPET") due to minority veto rights lapse after changes in the Company By-Law and NATPET became a subsidiary from that date. The Group consolidated the financial statements of NATPET within its consolidated financial statements for the year ended 31 December 2021, instead of using the equity method to account for this investment.

* The Company has indirect ownership in these companies, which are subsidiaries of NATPET.

** Alujain National Industrial Co. (A one Person Company - A Limited Liability Company) is a company that was established on 10/6/1444 A.H. (corresponding to 3/1/2023), and it is wholly owned by Alujain, and it has not started its business yet.

2- BASIS OF PREPARATION

2-1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") and other standards and pronouncements, as endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA") in the Kingdom of Saudi Arabia ("KSA").

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

a.) Basis of measurement

The condensed consolidated interim financial information has been prepared on a historical cost basis using the accrual basis of accounting and the going concern concept except for:

- Derivative financial instruments measured at fair value.
- Employee's defined benefits determined using actuarial present value calculations based on project unit credit method.
- Investments measured at fair value through Other Comprehensive Income (OCI).

In addition, results for the interim period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

The accounting policies adopted are consistent with those of the previous financial year ended 31 December 2022

b.) Functional and presentation currency

The interim condensed financial statements are presented in Saudi Riyals which is also the Group's functional currency and all values are rounded to the nearest thousand Saudi Riyals, except when otherwise indicated.

2-2 Basis for consolidation

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
- The ability to use its power over the investee to affect its return

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements
For the three months and six months periods ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

2- BASIS OF PREPARATION (CONTINUED)

2-2 Basis for consolidation (continued)

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

The Group re-assesses whether or not 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 off during the year / period are included in the interim condensed consolidated financial information from the date the Group gains control until the date the Group ceases to control the subsidiary.

Income and each component of other comprehensive income are attributed to the equity holders of the part of the Group and 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 information of subsidiaries to bring their accounting policies in 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Condensed Consolidated Interim statement of income. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administration expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the interim condensed consolidated statement of profit or loss.

2- BASIS OF PREPARATION (CONTINUED)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in interim condensed consolidated profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its financial information, provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed one year from the acquisition date.

Where goodwill has been allocated to a Cash-Generating Unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investments accounted for using equity method

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

2- BASIS OF PREPARATION (CONTINUED)

2-2 Basis of preparation (continued)

Investments accounted for using equity method (continued)

The condensed consolidated interim statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in statement of other comprehensive income of those investees is presented as part of the Group's Condensed Consolidated Interim statement of other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the interim statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Condensed Consolidated Interim statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial information of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the interim condensed consolidated statement of profit or loss.

Fair value measurement

The Group measures financial instruments, such as, derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

ALUJAIN CORPORATION

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the three months and six months periods ended June 30, 2023 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

2- BASIS OF PREPARATION (CONTINUED)

Fair value measurement (continued)

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The policies and procedures for both recurring fair value measurement and for non-recurring measurement are evaluated periodically.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash dividend to equity holders

The Group recognises a liability to make cash distribution to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the companies' regulations of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Inter-group loans

The Group recognises any loans obtained from the shareholder of subsidiaries as a financial liability and classifies it under the current liabilities. Such loans are repayable at the request and the Group does not have an unconditional right to avoid settlement of such obligation.

2.3 Using judgments and estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in annual consolidated financial statements.

However, as explained in Note (1) above, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual consolidated financial statements against the backdrop of Covid-19 pandemic. Management believes that other than the expected credit losses arising on the financial assets, all other sources of estimation uncertainty remain similar to those disclosed in the annual consolidated financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

ALUJAIN CORPORATION

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the three months and six months periods ended June 30, 2023 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

3- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained

4- NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and have been explained in Group annual consolidated financial statements, but they do not have a material effect on the Group's condensed consolidated interim financial statements.

5- PROPERTY, PLANT AND EQUIPMENT

The additions to property and equipment during the period ended June 30, 2023 amounted to SR 10.83 million (31 December 2022: SR 130.65 million), and the depreciation for the period ended 30 June 2023 amounted to SR 95.64 million (31 December 2022: SR 186.24 million).

6- GOODWILL

On 11 November 2021, the Group obtained control over NATPET due to minority rights lapse after changes in the Company By-Law and NATPET became a subsidiary from that date.

The acquisition as mentioned came as a result of changes in the Company's by-law of NATPET, where the acquisition took place without a transfer in exchange for a consideration and without an increase in the ownership of Alujain Corporation in the subsidiary NATPET.

Alujain has fulfilled all the requirements for controlling NATPET in accordance with the IFRSs, which was previously announced in the Saudi Stock Exchange (Tadawul) on 30 January 2022. At the date of obtaining the control, the Company included NATPET'S financial statements within its consolidated financial statements. At the acquisition date, the Company appointed an independent accredited valuator to evaluate NATPET, and as a result of the evaluation, a goodwill amounting to SR1,533 million was recognized. The evaluation of NATPET also resulted in a profit against the shares owned in NATPET previously to the date of control of 74.98% an amount of SR 1,352 million.

The Group management evaluated the goodwill as of 31 December 2022, and the evaluation did not result in any impairment losses in the value of the recognized goodwill.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim condensed consolidated financial statements
For the three months and six months periods ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

7- INVESTMENT IN A JOINT VENTURE

Details of the Group's investment in a joint venture at the reporting dates are as follows:

	Principal activities	Place of business / country of incorporation	Proportion of ownership interest		30 June 2023	31 December 2022
			2023	2022	(Unaudited)	(Audited)
Natpet Schulman Specialty Plastic Compounding L.L.C ("Natpet Schulman")	Produce polypropylene compounds	Saudi Arabia	50%	50%	76,719	69,016

The movement in the investment in a joint venture during the period / year is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at January 1,	69,016	56,079
Share of profit	7,749	11,662
Share of other comprehensive income	-	79
Zakat expense (refund) / absorption for the period / year	(46)	1,196
End of the period / year	76,719	69,016

The Group has joint control over Natpet Schulman by virtue of its 50% shareholding and voting right.

The activities of Natpet Schulman are jointly controlled by both the shareholders.

8- INVESTMENT IN FINANCIAL ASSETS

Equity investments comprise the following individual investments:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Fair value through Profit or Loss ("FVTPL")		
Investment in listed equity shares		
Saudi Arabian Oil Company	49	44
Fair value through Other Comprehensive Income ("FVTOCI")		
Investment in listed equity shares		
Saudi Basic Industries Corporation (SABIC)	88	90
Investment in financial assets measured at cost		
Lygos Inc.	1,969	1,969
Total Investments in financial assets	2,106	2,103

Equity securities designated at FVTPL and FVTOCI represent investments in quoted equity shares of companies registered in the Kingdom of Saudi Arabia. Fair values of these quoted equity shares are determined by reference to published price quotations in an active market.

9- SHARE CAPITAL

The Parent Company's authorized, issued and fully paid share capital is SR 692 million which is divided into 69.2 million shares of SR 10 par value each.

ALUJAIN CORPORATION

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the three months and six months periods ended June 30, 2023 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

10- ZAKAT

10.1 Components of Zakat base

The Company and its subsidiaries file separate Zakat declarations which are filed on unconsolidated basis. The significant components of the Zakat base of each company under Zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, adjusted income, less deductions for the adjusted net book value of property and equipment, and investments.

10.2 Provision for Zakat

The movement in the Group's provision for Zakat balance is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
January 1	55,063	52,405
Provided during the period / year	10,483	24,340
Adjustment for prior / year	-	470
Paid during the period / year	(25,004)	(22,152)
End of the period / year	40,542	55,063

10.3 Status of assessments

The Parent Company

The Zakat, Tax and Customs Authority ("the Authority") completed the Zakat assessment until 2019, and obtained the final Zakat certificate.

The parent Company finalized the Zakat assessment for the year ended 31 December 2020 without any Zakat differences, and obtained the final Zakat certificate.

The parent Company has submitted its returns for the year ended 31 December 2021 and 31 December 2022, which are currently under the review by the Authority.

11- RESERVE FOR ACQUISITION OF ADDITIONAL SHARES IN A SUBSIDIARY

During the period, the Group has acquired further 1.03% shares in (NATPET) for a total value of SR 52,8 million paid in cash, resulting in an increase in its shareholding from (75.37%) to (76.40%) by purchasing 1,100,000 shares, the purchases were as follows:

- In January 2022, the Group purchased 900,000 shares at SR 48 per share.
- In March 2022, the Group purchased 200,000 shares at SR 48 per share.

The movement of the reserve for acquisition of additional shares in a subsidiary during the period / year is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at January 1,	25,752	8,084
Additions	-	17,668
End of the period / year	25,752	25,752

12- TREASURY SHARES

The shares of Alujain, 20 million shares amounting to SR 631.98 million as of 30 June 2023 (31 December 2022: 20 million shares amounting to SR 631.98 million), owned by NATPET and its subsidiaries were classified after the consolidation of the financial statements as treasury shares according to the IFRS. The acquisition of these shares will be finalized in coordination with stakeholders and regulatory authorities.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim condensed consolidated financial statements
For the three months and six months periods ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

13- EARNINGS PER SHARE

The following is the calculation of basic and diluted earnings per share for the period:

	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
Net profit attributable to equity holders of the Parent Company	<u>9,633</u>	<u>118,748</u>
Number of shares (in thousands)		
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	49,340	49,340
Weighted average number of repurchased ordinary shares	<u>19,860</u>	<u>19,860</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>69,200</u>	<u>69,200</u>
Earnings per share attributable to equity holders of the Parent Company (SR/share)		
Basic	<u>0.20</u>	<u>2.41</u>
Diluted	<u>0.14</u>	<u>1.72</u>

14- SEGMENT REPORTING

A reporting segment is a group of assets and operations engaged in revenue producing activities, results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment, and financial statements for which is separately available,

The Group's President and Board of Directors monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment, they are collectively the chief operating decision makers ("CODM") for the Group.

CODM now reviews the operations principally in the following two operating segments:

- i. Manufacturing of petrochemical products; and
- ii. Manufacturing of home-care products.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim condensed consolidated financial statements
For the three months and six months periods ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

14- SEGMENT REPORTING (CONTINUED)

Financial statements summarized by the above operating segments, is as follows:

	Manufacturing petrochemical products	Manufacturing of home-care products	Unallocated	Total
<u>30 June 2023 - unaudited</u>				
Revenues	788,470	10,460	-	798,930
Cost of revenues excluding depreciation	(572,403)	(7,861)	-	(580,264)
Depreciation and amortization	(95,827)	(1,710)	(106)	(97,643)
Selling and marketing expenses excluding depreciation	(35,945)	(1,524)	-	(37,469)
General and administration expenses excluding depreciation	(27,690)	(1,534)	(5,116)	(34,340)
Finance costs	(3,224)	(27)	(22,442)	(25,693)
Other income	8,938	125	-	9,063
Segment results profit / (loss) before Zakat	62,319	(2,071)	(27,664)	32,584
	Manufacturing petrochemical products	Manufacturing of home-care products	Unallocated	Total
<u>30 June 2022 - unaudited</u>				
Revenues	1,074,062	9,947	-	1,084,009
Cost of revenues excluding depreciation	(676,051)	(7,879)	-	(683,930)
Depreciation and amortization	(96,181)	(1,676)	(107)	(97,964)
Selling and marketing expenses excluding depreciation	(111,937)	(1,424)	-	(113,361)
General and administration expenses excluding depreciation	(28,675)	(1,306)	(5,349)	(35,330)
Finance costs	(5,213)	(32)	(10,207)	(15,452)
Other income	32,479	2	392	32,873
Segment results profit / (loss) before Zakat	188,484	(2,368)	(15,271)	170,845

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim condensed consolidated financial statements
For the three months and six months periods ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

14- SEGMENT REPORTING (CONTINUED)

Total assets and liabilities as at 30 June 2023 - unaudited	Manufacturing petrochemical products	Manufacturing of home-care products	Unallocated	Total
Total assets	3,121,812	31,106	1,594,002	4,746,920
Total liabilities	374,644	14,552	930,484	1,319,680
Total assets and liabilities as at 31 December 2022 - audited	Manufacturing petrochemical products	Manufacturing of home-care products	Unallocated	Total
Total assets	3,279,247	34,348	1,552,143	4,865,738
Total liabilities	494,626	15,573	912,516	1,422,715

The Group's local and export sales during the period are as follows:

	For the six-month ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Geographic information		
Local sales	115,689	221,614
Export sales	683,241	862,395
	798,930	1,084,009

The revenue information above is based on the locations of the customers; the non-current assets of the Group are based in the Kingdom of Saudi Arabia.

15- RELATED PARTY TRANSACTIONS AND BALANCES

Key management compensation for the Group

The Group's senior management personnel represent members of the Board of Directors and senior executives who exercise authority and responsibility in planning, obligating and controlling the Group's activities, directly or indirectly. The compensation of senior management of the Group is as follows:

	For the six-month ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Short-term employee salaries and benefits	8,236	5,505
Termination benefits	333	199
	8,569	5,704

The following table provides the total amount of material transactions that have been entered into with related parties:

Related Party	Nature of transaction	Relation	30 June 2023	30 June 2022
			(Unaudited)	(Unaudited)
	Sales		21,672	5,122
	Expenses re-charged by the Group		(2,449)	(1,128)
Natpet Schulman Specialty Plastic Compounds Company	Management support services	Joint Venture	1,325	1,000
	Sale of waste raw material		230	-
	Zakat (refund) / absorption		(46)	216

ALUJAIN CORPORATION**(A Saudi Joint Stock Company)****Notes to the interim condensed consolidated financial statements****For the three months and six months periods ended June 30, 2023 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)****15- RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****Related party balances**

Related party	Relationship	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Included within "trade and other receivables"			
Natpet Schulman Specialty Plastic Compounds Company	Joint Venture	19,985	16,798
		19,985	16,798

The Group always measures the allowances for expected credit losses which are unsecured at an amount equal to lifetime ECL, The expected impairment loss on due from related parties is estimated using a provision matrix by reference to past default experience of related parties with similar loss patterns and where applicable an analysis of the related parties' current financial position, adjusted for factors that are specific to the related parties, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

16- DIVIDENDS

In the General Assembly meeting held on 18 May 2022; shareholders approved authorizing the Board of Directors to distribute interim profits for the fiscal year 2022. On 5 June 2022, the company announced the decision of the Board of Directors to distribute cash dividends to shareholders in the amount of SR 103.8 million, at SR 1.5 per share for the first half of the fiscal year 2022, which represents 15% of the total paid-up capital. The share of the subsidiary amounting to SR 29.8 million was excluded when consolidating the financial statements. The eligibility for dividends will be for the shareholders who own the shares by the end of trading on 30 June 2022 (the due date). The dividends paid to the non-controlling interests through NATPET amounted to SR 45.5 million during the period ended 30 June 2022.

During the period ended 31 March 2023, the board of directors of NATPET approved on 26 February 2023, the distribution of interim dividends amounting to SR 160.5 million. This amount excludes the Company's share of SR122.6 million, which was eliminated in the consolidation of the financial statements. The dividends paid to the non-controlling interest through NATPET amounted to SR 37.9 million during the period ended 30 June 2023.

17- SUBSEQUENT EVENTS**- Buying the share of the General Organization for Social Insurance in NATPET**

On 20 June 2023, the Group announced that it had signed an agreement to purchase all the shares of the General Organization for Social Insurance (GOSI) in the capital of NATPET, amounting to 13,044,294 shares, representing 12.19% of the capital of NATPET by exchange for shares in Alujain amounted to 9,064,021 shares and cash consideration amounted to SR 81,210,053, in order to support the Company's strategic plans by increasing its investments.

On 12 July 2023, the General Assembly of NATPET approved the distribution of in-kind profits (which is all the shares owned by NATPET and its subsidiaries in Alujain, which is 19,997,224 shares) to the shareholders of NATPET.

- Obtaining credit refinancing facilities

On 10 July 2023, the Group announced that it had signed an agreement to amend the credit facilities agreement signed on 16 August 2021 and obtaining a Sharia-Compliant Islamic Credit Refinancing Facilities at competitive prices amounting to SR 1,263,561,000 with Alinma Bank to finance the Company's investment activities. It will be repaid over 9 years, the remaining rescheduled part amounting to SR 863,561,000. Promissory notes and shares were pledged as collateral against financing.

ALUJAIN CORPORATION
(A Saudi Joint Stock Company)
Notes to the interim condensed consolidated financial statements
For the three months and six months periods ended June 30, 2023 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

17- SUBSEQUENT EVENTS (continued)

- Selling Alujain's entire shares in Zain's capital

On 10 July 2023, the Group announced that it had signed an agreement to sell its entire shares amounting to 98.75% in the capital of its subsidiary's, Zain Industries, at a value of SR 15.2 million in exchange for the subsidiary fixed assets and goodwill. The net current assets will be determined, verified and paid within 120 days after the sale based on the Company's financial statements to be prepared within 90 days.

18- LAWSUITS

On 9 March 2020 (corresponding to 14 Rajab 1441), the management of Alujain filed a liability legal suit against the members of former Board of Directors, who were removed on 14 June 2017, at the competent judicial authorities in the Commercial Court in Jeddah.

19- APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements was approved and authorized for issuance by the Board of Directors on 14 Muharam 1445 H (corresponding to 1 August 2023).