

**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
**(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021**  
**WITH**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**

**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021**

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## KPMG Professional Services

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Kingdom of Saudi Arabia  
Headquarter in Riyadh

## كي بي إم جي للاستشارات المهنية

الطابق الأول، أبراج بالطيور  
طريق الملك سعود، الصفا  
ص.ب ٤٨٠٣  
الخير ٣١٩٥٢  
المملكة العربية السعودية  
المركز الرئيسي الرياض

Commercial Registration No 2051062328

سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

# Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Saudi Kayan Petrochemical Company

## Introduction

We have reviewed the accompanying 30 June 2021 condensed interim financial statements of **Saudi Kayan Petrochemical Company** ("the Company") which comprises:

- the condensed statement of financial position as at 30 June 2021;
- the condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2021;
- the condensed statement of changes in equity for the six-month period ended 30 June 2021;
- the condensed statement of cash flows for the six-month period ended 30 June 2021; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is 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 30 June 2021 condensed interim financial statements of Saudi Kayan Petrochemical Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأسمالها (١٥.٠٠٠.٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفزان وشركاه محاسبين ومراجعين قانونيين". وهي تعتبر غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة التابعة لـ كي بي إم جي العالمية المحدودة، شركة الجزيرة المحدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarter in Riyadh is 1010425494.



# Independent auditor's report on review of condensed interim financial statements


To the Shareholders of Saudi Kayan Petrochemical Company (Continued)

## Other Matter

The condensed interim financial statements of the Company for the three month and six-month periods ended 30 June 2020, were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 28 Dhul Qadah 1441H corresponding to 19 July 2020G.

The condensed interim financial statements of the Company for the three-month period ended 31 March 2021, were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 10 Ramadan 1442H corresponding to 22 April 2021G. The financial statements of the Company as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 10 Rajab 1442H corresponding to 22 February 2021G.

## For KPMG Professional Services

  
**Abdulaziz Abdullah Alnaim**  
License no. 394



Al Khobar,  
Date: 16 Dhul Hijjah 1442H  
Corresponding to: 26 July 2021G

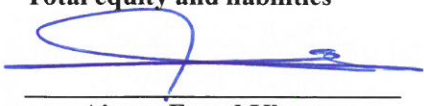
**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

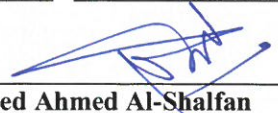
**AS AT 30 JUNE 2021**

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	<u>Note</u>	<u>30 June 2021</u> (Unaudited)	<u>31 December 2020</u> (Audited)
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment		25,976,466	26,823,694
Right-of-use assets		391,360	362,535
Intangible assets		224,120	235,556
Investment in an associate and advances		393,873	385,097
Other non-current assets		79,591	101,116
<b>Total non-current assets</b>		<b>27,065,410</b>	<b>27,907,998</b>
<b>Current assets</b>			
Inventories		1,536,570	1,280,975
Prepayments		46,001	96,028
Trade receivables		2,900,049	2,643,059
Other current assets		258,296	239,173
Short term investments		1,233,750	615,000
Cash and cash equivalents		899,778	564,726
<b>Total current assets</b>		<b>6,874,444</b>	<b>5,438,961</b>
<b>Total assets</b>		<b>33,939,854</b>	<b>33,346,959</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Share capital		15,000,000	15,000,000
Statutory reserve		49,408	49,408
Other components of equity		620,874	620,874
Actuarial loss reserve		(144,686)	(178,321)
Accumulated losses		(209,207)	(1,483,095)
<b>Total equity</b>		<b>15,316,389</b>	<b>14,008,866</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Term loans	5	13,949,737	14,794,629
Lease liabilities		354,549	318,341
Employees' benefits		928,522	913,412
<b>Total non-current liabilities</b>		<b>15,232,808</b>	<b>16,026,382</b>
<b>Current liabilities</b>			
Current portion of term loans	5	1,707,476	1,700,891
Current portion of lease liabilities		47,742	43,682
Trade payables		736,848	704,922
Accruals and other current liabilities		811,228	746,375
Provision for zakat		87,363	115,841
<b>Total current liabilities</b>		<b>3,390,657</b>	<b>3,311,711</b>
<b>Total liabilities</b>		<b>18,623,465</b>	<b>19,338,093</b>
<b>Total equity and liabilities</b>		<b>33,939,854</b>	<b>33,346,959</b>

  
**Aiman Fouad Khayat**  
(Finance and Planning Director)

  
**Omar Ali Al-Ruhaily**  
(Company's President)

  
**Waleed Ahmed Al-Shalfan**  
(Designate Member)


The accompanying notes 1 through 10 on pages 6 to 13 form an integral part of these interim condensed financial statements.


**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
(A SAUDI JOINT STOCK COMPANY)


**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021**

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	For the three month period ended		For the six month period ended	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales	2,973,710	1,536,908	5,657,038	3,424,840
Cost of sales	(1,932,297)	(1,607,663)	(3,865,253)	(3,716,363)
<b>Gross profit / (loss)</b>	<b>1,041,413</b>	<b>(70,755)</b>	<b>1,791,785</b>	<b>(291,523)</b>
Selling and distribution expenses	(34,482)	(47,716)	(83,525)	(97,602)
General and administrative expenses	(112,034)	(96,941)	(226,577)	(177,220)
<b>Operating profit / (loss)</b>	<b>894,897</b>	<b>(215,412)</b>	<b>1,481,683</b>	<b>(566,345)</b>
Share in net results of an associate	4,760	3,698	8,776	7,034
Finance income	1,690	6,364	2,810	14,271
Other expenses, net	(10,301)	(34,859)	(10,008)	(41,234)
Finance cost	(70,621)	(140,107)	(140,694)	(287,233)
<b>Profit / (loss) before zakat</b>	<b>820,425</b>	<b>(380,316)</b>	<b>1,342,567</b>	<b>(873,507)</b>
Zakat	(39,428)	(17,878)	(68,679)	(41,475)
<b>Profit / (loss) for the period</b>	<b>780,997</b>	<b>(398,194)</b>	<b>1,273,888</b>	<b>(914,982)</b>
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to the interim condensed statement of profit or loss in subsequent periods:</i>				
Re-measurement of defined benefit obligations	(23,200)	(47,546)	33,635	(47,551)
<b>Other comprehensive (loss) / income for the period</b>	<b>(23,200)</b>	<b>(47,546)</b>	<b>33,635</b>	<b>(47,551)</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>757,797</b>	<b>(445,740)</b>	<b>1,307,523</b>	<b>(962,533)</b>
<b>Earnings / (loss) per share (Saudi Riyals)</b>				
Basic and diluted earnings / (loss) per share attributable to the shareholders of the Company	0.52	(0.27)	0.85	(0.61)

  
**Aiman Fouad Khayat**  
(Finance and Planning Director)

  
**Omar Ali Al-Ruhaily**  
(Company's President)

  
**Waleed Ahmed Al-Shalfan**  
(Designate Member)

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**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	Share capital	Statutory reserve	Other component of equity	Actuarial loss reserve	Accumulated losses	Total
As at 1 January 2020 (Audited)	15,000,000	49,408	620,874	(19,049)	(698,368)	14,952,865
<i>Total comprehensive loss for the period</i>						
Loss for the period	-	-	-	-	(914,982)	(914,982)
Other comprehensive loss for the period	-	-	-	(47,551)	(914,982)	(47,551)
Total comprehensive loss for the period	-	-	-	(47,551)	(914,982)	(962,533)
As at 30 June 2020 (Unaudited)	15,000,000	49,408	620,874	(66,600)	(1,613,350)	13,990,332
As at 1 January 2021 (Audited)	15,000,000	49,408	620,874	(178,321)	(1,483,095)	14,008,866
<i>Total comprehensive income for the period</i>						
Profit for the period	-	-	-	-	1,273,888	1,273,888
Other comprehensive income for the period	-	-	-	33,635	-	33,635
Total comprehensive income for the period	-	-	-	33,635	1,273,888	1,307,523
As at 30 June 2021 (Unaudited)	15,000,000	49,408	620,874	(144,686)	(209,207)	15,316,389

  
**Aiman Fouad Khayat**  
(Finance and Planning Director)

  
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**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

	For the six month period ended	
	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit / (loss) before zakat	1,342,567	(873,507)
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	1,146,449	1,109,296
Depreciation of right-of-use assets	28,472	27,168
Amortization of intangible assets	12,327	10,544
Employees' benefits	48,745	37,673
Write-off of property, plant and equipment	13,128	7,198
Share in net results of an associate	(8,776)	(7,034)
Adjustment to the fair value differential on long term advances to an associate	-	34,934
Finance cost	140,694	287,233
Finance income	(2,810)	(14,271)
	<u>2,720,796</u>	<u>619,234</u>
<i>Changes in:</i>		
Inventories	(255,595)	(36,540)
Trade receivables	(256,990)	799,656
Prepayments	50,027	46,844
Other current and non-current assets	1,885	(12,374)
Trade payables, accruals and other current liabilities	97,556	(286,453)
<b>Cash generated from operations</b>	<u>2,357,679</u>	<u>1,130,367</u>
Finance cost paid	(118,035)	(271,083)
Zakat paid	(97,157)	-
<b>Net cash generated from operating activities</b>	<u>2,142,487</u>	<u>859,284</u>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(312,349)	(186,536)
Additions to intangible assets	(891)	(13)
Net movement in short term investments	(618,750)	(195,000)
Finance income received	3,327	15,883
<b>Net cash used in investing activities</b>	<u>(928,663)</u>	<u>(365,666)</u>

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**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)**

**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

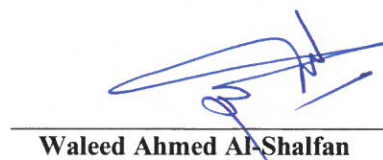
	<b>For the six month period ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from financing activities</b>		
Repayment of term loans	(850,446)	(666,037)
Payment of lease liabilities	(28,326)	(20,228)
<b>Cash used in financing activities</b>	<b>(878,772)</b>	<b>(686,265)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>335,052</b>	<b>(192,647)</b>
Cash and cash equivalents at the beginning of the period	564,726	912,723
<b>Cash and cash equivalents at the end of the period</b>	<b>899,778</b>	<b>720,076</b>
<b>Non-cash transactions</b>		
Additions to right-of-use assets and lease liabilities	57,297	7,993



**Aiman Fouad Khayat**  
(Finance and Planning Director)



**Omar Ali Al-Ruhaily**  
(Company's President)



**Waleed Ahmed Al-Shalfan**  
(Designate Member)

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**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021  
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)**

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**1. CORPORATE INFORMATION**

Saudi Kayan Petrochemical Company (Saudi Kayan) ("the Company") is a Saudi Joint Stock Company registered under Commercial Registration No. 2055008450 issued in Al Jubail on 26 Jumada I 1428 H (12 June 2007). The registered address of the Company is P.O. Box 10302, Al Jubail Industrial City, the Kingdom of Saudi Arabia. 35% of the Company's shares are owned by Saudi Basic Industries Corporation ("SABIC") and remaining held by general public. Saudi Arabian Oil Company ("Saudi Aramco") acquired 70% of SABIC's shares effective 16 June 2020.

The Company is engaged in production of polypropylene, propylene, acetone, polyethylene, ethoxylate, ethylene, ethylene glycol, bisphenol, ethanalamine, industrial Fatty alcohol, polycarbonate and other petrochemical products under an industrial license No. (218) dated 7 Safar 1441H (corresponding to 7 October 2019) and ending on 7 Safar 1444H (corresponding to 4 September 2022) issued by the Ministry of Energy, Industry and Mineral Resources.

The Company had major inspections (turnarounds / shutdown plans) in certain plants during the six month period ended 30 June 2021.

These interim condensed financial statements have been approved on 16 Dhul Hijjah 1442H (corresponding to 26 July 2021).

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of compliance**

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

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2020 ("Last Annual Financial Statements"). However, changes in accounting policies, if any and selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in the Company's financial position and performance since the last annual financial statements.

**2.2 Basis of preparation**

These interim condensed financial statements are prepared using historical cost convention using the accrual basis of accounting except for employees benefit obligation which is measured at present value of the defined benefit obligation using the projected unit credit method.

**2.3 Functional and presentation currency**

These interim condensed financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Company.

**2.4 Use of judgements and estimates**

In preparing these interim condensed 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. Management has considered the potential impact of COVID-19 pandemic in the Company's significant accounting judgements and estimates. However, there was no significant impact. Accordingly, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021**  
(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.5. Significant accounting policies**

The accounting policies applied in these interim condensed financial statements are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2020. A number of amendments to existing standards, as detailed in note 2.6 below, became effective from 1 January 2021 but they do not have a material effect on the interim condensed financial statements of the Company. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**2.6. New standards and amendments to existing standards**

*New and amended standards adopted by the Company during the year*

The Company has adopted the following standards and amendments:

- COVID-19-Related Rent Concessions (Amendments to IFRS 16), effective for annual periods beginning on or after 1 June 2020. The application of the revised IFRS did not have any material impact on the amounts reported for current and prior periods.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective for annual periods beginning on or after 1 January 2021.

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will impact the Company's current risk management strategy and, possibly, the accounting for certain financial instruments.

Phase 1 of these amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs related to hedge accounting and have effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the interim condensed statement of profit or loss and other comprehensive income.

Phase 2 amendments require an entity to prospectively cease to apply the Phase I reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued.

The Company is currently assessing the impact of the LIBOR reforms and determining next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

*Standards and amendments to existing standards issued but not yet effective*

Certain new amendments to existing accounting standards have been published that are not mandatory for reporting period and have not been early adopted by the Company. The amendments to existing standards are not expected to have a material impact on the Company in the year of its adoption

**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**

(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021**

(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)

**3. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, associated companies, key personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Following is the list of the major related parties of the Company:

<u>Name of related party</u>	<u>Nature of relationship</u>
Saudi Arabian Oil Company "Saudi Aramco"	Ultimate parent company
Saudi Basic Industries Corporation "SABIC"	Parent company
Saudi Butanol Company	Associate
SABIC affiliates	Affiliates

The following table provides the total amount of major transactions that have been entered into with related parties during the period and related parties balances as at 30 June 2021 and 31 December 2020:

		<u>Nature of Transaction</u>	<u>Amount of transaction</u>		<u>Closing balance</u>	
			<u>For the six month period ended</u>			
			<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>31 December</u>
	<u>Relationship</u>		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
			<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>a. Trade receivables (due from a related party)</b>						
SABIC	Parent company	Sales	<b>5,655,717</b>	3,424,333	<b>2,895,282</b>	2,640,541
<b>b. Advances and other receivables (due from related parties)</b>						
SABIC	Parent company	Advances	-	-	<b>138,260</b>	136,384
SABIC affiliates	Affiliates	Advances	-	-	<b>2,183</b>	2,129
					<b>140,443</b>	138,513
<b>c. Advance to an associate</b>						
Saudi Butanol Company	Associate	Advances	-	-	<b>35,135</b>	35,135

**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021**

**(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)**

**3. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

	Relationship	Nature of Transaction	Amount of transaction		Closing balance	
			For the six month period ended			
			30 June 2021 (Unaudited)	30 June 2020 (Unaudited)	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>d. Trade payables (due to related parties)</b>						
SABIC	Parent company	Purchases and other services	552,753	381,867		
		Shared services charges	25,851	22,637		
		Technology and innovation cost	113,123	68,477		
		Purchase of insurance policies through the Parent company	17,565	17,563		
					282,072	175,619
Saudi Aramco (effective from 16 June 2020)	Ultimate parent company	Purchases and other services	1,337,950	-	395,092	478,949
Other	Affiliates	Purchase of inventory, capital goods and services	33,099	37,653	8,456	437
Saudi Butanol Company	Associate	Costs charged by an associate	62,571	52,119	12,029	11,978
					<u>697,649</u>	<u>666,983</u>



**SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**  
**(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2021**

**(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)**

**3. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

			<b>Amount of transaction</b>		<b>Closing balance</b>	
			<b>For the six month period ended</b>			
			<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>31 December</b>
			<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
			<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Relationship</b>	<b>Nature of Transaction</b>					
<b>e. Accruals and other current liabilities (due to related parties)</b>						
SABIC	Parent company	Purchases and other services	<b>37,182</b>	34,373	<b>37,182</b>	118,094
Saudi Aramco (effective from 16 June 2020)	Ultimate parent company	Purchases and other services	<b>335,200</b>	123,736	<b>335,200</b>	288,896
Saudi Butanol Company	Associate	Costs charged by an associate	<b>483</b>	10,215	<b>483</b>	12,093
					<b>372,865</b>	419,083

## **SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)**

(A SAUDI JOINT STOCK COMPANY)

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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**(EXPRESSED IN SAUDI RIYALS IN THOUSANDS, UNLESS OTHERWISE STATED)**

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#### **3. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**

##### **Terms and conditions of transactions with related parties**

The sales to and purchases from related parties are made at terms agreed by the management. Outstanding balances at the period ended 30 June 2021 and year ended 31 December 2020 are unsecured, interest free and settled in cash. For the six- month period ended 30 June 2021 and 30 June 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken by examining the financial position of the related party and the market in which the related party operates.

##### **Significant transactions with related parties are described as follows:**

- i) The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, warehousing, human resources, information technology (ERP/SAP), transporting and arranging for delivery of materials related to the Company's spare parts, engineering, procurement and related services and other general services to the Company. The Company has also logistic service agreement with SABIC.
- ii) Advances to SABIC represent the amount paid by the Company according to shared service agreement to finance the purchase of the Company's materials and services from SABIC and its affiliates.
- iii) The Company has provided an interest free advance to its associate which resulted in fair value differential.
- iv) The Company's annual contribution to SABIC for research and technology is 2% of total sales, which is charged to general and administrative expenses in the interim condensed statement of profit or loss and other comprehensive income.
- v) The majority of Company's products are sold to SABIC ("the Marketer") under marketing and off-take agreements. Upon delivery of the product, sales are recorded at net provisional price which are subsequently adjusted, on a monthly basis, to actual selling prices received by SABIC from its customers after deducting shipping, distribution and selling cost, and a marketing fee to cover all other marketing expenses.
- vi) The Company has gas allocation agreement, for which the Company has to purchase a pre-set amount of gas from Saudi Aramco on a yearly basis.
- vii) The Company has issued a guarantee amounting to USD 1.1 million (SR 4.1 million) in favor of Saudi Aramco.

Prices and terms of payments for the above transactions are approved by the Company's management.

#### **4. ZAKAT**

The Company has finalized its zakat status with the Zakat, Tax and Custom Authority ("ZATCA") for all years up to 2015. During the year 2020, ZATCA issued assessments for the years from 2016 to 2018 with an additional liability of SR 22.5 million, the Company has filed an appeal against the additional liability and ZATCA's response is still awaited. The Company has booked a provision against such assessment amounting to SR 16.5 million. Zakat return for the year 2020 has been filed with ZATCA. ZATCA has not finalized the assessments for the years from 2019 to 2020.

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#### **5. TERMS LOAN**

During the six month period ended 30 June 2021 and 30 June 2020, the Company made repayments of SR 850 million and SR 666 million respectively.

#### **6. FAIR VALUE MEASUREMENT**

The Company's principal financial assets include cash and cash equivalents, trade receivables and certain other receivables that arise directly from its operations. The Company's principal financial liabilities comprise term loans, trade payables, due to related parties and other payables.

##### *Fair values hierarchy*

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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 recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

As at the reporting date all financial assets and financial liabilities are measured at amortized cost. The carrying value of the financial assets and financial liabilities of the company approximate their fair value.

#### **7. SEGMENT INFORMATION**

A segment is a distinguishable component of the Company 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.

Substantial portion of the Company's sales are made to one customer and all of the Company's operations are related to one operating segment which is petrochemicals. Accordingly, segmental analysis by geographical and operating segment has not been presented.

#### **8. ECONOMIC ENVIRONMENT AND ITS EFFECTS ON BUSINESS**

On 11 March 2020, the World Health Organization declared COVID-19 coronavirus outbreak to be a pandemic. Consequently, asset prices became more volatile and a marked decline was seen in long-term interest rates in developed economies. These circumstances impacted FY2020 and resulted in a decrease in sales, net income, earnings before interest and Zakat, free cash flow and other financial metrics.

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**8. ECONOMIC ENVIRONMENT AND ITS EFFECTS ON BUSINESS (Continued)**

The Company, in response to these developments, implemented active prevention programs at its sites and devised contingency plans in order to minimize the risks related to COVID-19 and to continue business operations, ensuring the health and safety of its employees, customers, contractors and wider community.

Moreover, the management has considered potential impacts of the current economic uncertainties and volatility in determining the carrying amounts of the Company's financial and non-financial assets. These are based on management's best estimates based on observable information at the period end. The management also continues to monitor long term supplier contracts in order to ensure minimal disruption in operations and timely delivery of its products.

**9. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to comply with the current period presentation of the financial statements. None of the reclassifications effecting profit or equity.

**10. SUBSEQUENT EVENTS**

No significant subsequent event occurred between 30 June 2021 and the date of authorization of these interim condensed financial statements by the Board Audit Committee, which may have material impact on these interim condensed financial statements.