

**NATIONAL PETROCHEMICAL COMPANY
(PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31
DECEMBER 2020
AND REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

**NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD AND YEAR ENDED 31 DECEMBER 2020**

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Report on review of condensed consolidated interim financial statements

To the shareholders of National Petrochemical Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Petrochemical Company (the "Company") and its subsidiaries (the "Group") as of 31 December 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three-month period and year then ended and the condensed consolidated interim statements of changes in equity and cash flows for the year ended 31 December 2020 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim 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 condensed consolidated interim 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 statements 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, as 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

31 January 2021



NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December 2020 (Unaudited)	As at 31 December 2019 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	5	12,950,401	14,175,165
Right-of-use assets		63,266	69,280
Other assets		134,234	138,978
Total non-current assets		13,147,901	14,383,423
Current assets			
Inventories	6	1,017,190	917,803
Prepayments and other current assets	7	144,643	85,557
Due from related parties	8	199,121	237,226
Trade receivables		784,883	906,097
Cash and cash equivalents	9	1,297,527	2,485,617
Total current assets		3,443,364	4,632,300
Total assets		16,591,265	19,015,723
Equity and liabilities			
Equity			
Share capital	10	4,800,000	4,800,000
Statutory reserve		438,294	415,317
Retained earnings		2,877,752	2,932,677
Equity attributable to the shareholders of National Petrochemical Company		8,116,046	8,147,994
Non-controlling interest		4,165,547	4,101,801
Total equity		12,281,593	12,249,795
Liabilities			
Non-current liabilities			
Long-term borrowings	11	1,493,854	3,435,135
Subordinated loan from non-controlling interest	8	-	182,696
Lease liabilities		42,244	52,097
Deferred tax liabilities - net		298,696	326,273
Employee benefit obligations		288,599	231,162
Total non-current liabilities		2,123,393	4,227,363

(Continued)

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 31 December 2020 <u>(Unaudited)</u>	As at 31 December 2019 <u>(Audited)</u>
Current liabilities			
Trade payables		300,975	203,467
Due to related parties	8	199,067	208,054
Accrued and other liabilities	12	362,909	337,824
Zakat and income tax	13	556,887	565,878
Current portion of long-term borrowings	11	743,254	1,210,425
Current portion of lease liabilities		23,187	12,917
Total current liabilities		<u>2,186,279</u>	<u>2,538,565</u>
Total liabilities		<u>4,309,672</u>	<u>6,765,928</u>
Total equity and liabilities		<u>16,591,265</u>	<u>19,015,723</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended 31 December		For the year ended 31 December	
		2020 (Unaudited)	2019 (Unaudited) (Note 18)	2020 (Unaudited)	2019 (Audited) (Note 18)
Revenue from contracts with customers		1,643,649	1,869,637	6,112,766	7,655,533
Cost of revenues	5	(1,142,802)	(1,459,492)	(5,168,211)	(5,772,269)
Gross profit		500,847	410,145	944,555	1,883,264
Selling and distribution expenses		(81,725)	(105,298)	(333,263)	(421,931)
General and administrative expenses		(46,731)	(50,950)	(165,417)	(175,460)
Operating profit		372,391	253,897	445,875	1,285,873
Finance costs		(22,800)	(42,205)	(78,008)	(227,721)
Finance income		12,184	12,671	21,682	83,690
Finance costs - net		(10,616)	(29,534)	(56,326)	(144,031)
Other income - net		2,900	1,679	23,701	14,470
Profit before zakat and income tax		364,675	226,042	413,250	1,156,312
Zakat		17,667	(12,453)	(33,537)	(70,800)
Income tax		18,089	(6,619)	(22,744)	(70,149)
Profit for the period/year		400,431	206,970	356,969	1,015,363
Other comprehensive income					
<i>Item that will not be reclassified to profit or loss</i>					
Re-measurements of employee benefit obligations		(32,952)	(40,649)	(32,952)	(40,649)
Deferred tax		2,246	2,798	2,246	2,798
Other comprehensive loss for the period/year		(30,706)	(37,851)	(30,706)	(37,851)
Total comprehensive income for the period/year		369,725	169,119	326,263	977,512

(Continued)

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss and other comprehensive
income (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended 31 December		For the year ended 31 December	
		2020 (Unaudited)	2019 (Unaudited) (Note 18)	2020 (Unaudited)	2019 (Audited) (Note 18)
Profit for the period/year is attributable to:					
Shareholders of National Petrochemical Company		251,523	132,728	229,771	674,470
Non-controlling interest		148,908	74,242	127,198	340,893
		400,431	206,970	356,969	1,015,363
Total comprehensive income for the period/year is attributable to:					
Shareholders of National Petrochemical Company		229,804	106,071	208,052	647,813
Non-controlling interest		139,921	63,048	118,211	329,699
		369,725	169,119	326,263	977,512
Earnings per share					
Basic and diluted	15	0.52	0.28	0.48	1.41

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

Note	Attributable to the shareholders of National Petrochemical Company				Non- controlling interest	Total equity
	Share capital	Statutory reserve	Retained earnings	Total		
At 1 January 2019 (Audited)	4,800,000	347,870	2,592,311	7,740,181	3,648,431	11,388,612
Profit for the year	-	-	674,470	674,470	340,893	1,015,363
Other comprehensive loss for the year	-	-	(26,657)	(26,657)	(11,194)	(37,851)
Total comprehensive income for the year	-	-	647,813	647,813	329,699	977,512
Transfer to statutory reserve	-	67,447	(67,447)	-	-	-
Transactions with shareholders in their capacity as shareholders:						
Reimbursement of income tax	8	-	-	-	123,671	123,671
Dividends	16	-	(240,000)	(240,000)	-	(240,000)
		-	(240,000)	(240,000)	123,671	(116,329)
At 31 December 2019 (Audited)	4,800,000	415,317	2,932,677	8,147,994	4,101,801	12,249,795
Profit for the year	-	-	229,771	229,771	127,198	356,969
Other comprehensive loss for the year	-	-	(21,719)	(21,719)	(8,987)	(30,706)
Total comprehensive income for the year	-	-	208,052	208,052	118,211	326,263
Transfer to statutory reserve	-	22,977	(22,977)	-	-	-
Transactions with shareholders in their capacity as shareholders:						
Reimbursement of income tax	8	-	-	-	50,535	50,535
Dividends	16	-	(240,000)	(240,000)	(105,000)	(345,000)
		-	(240,000)	(240,000)	(54,465)	(294,465)
At 31 December 2020 (Unaudited)	4,800,000	438,294	2,877,752	8,116,046	4,165,547	12,281,593

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended 31 December	
		2020 (Unaudited)	2019 (Audited)
Cash flows from operating activities			
Profit before zakat and income tax		413,250	1,156,312
<u>Adjustments for:</u>			
Depreciation		876,776	886,496
Impairment of property, plant and equipment	5	389,969	-
Gain on disposals of property, plant and equipment		(953)	(968)
Finance costs - net		56,326	144,031
Gain on modification of subordinated loan from non-controlling interest		(619)	(5,508)
Provision for employee benefit obligations		25,919	20,824
<u>Changes in operating assets and liabilities:</u>			
(Increase) decrease in inventories		(99,387)	187,654
(Increase) decrease in prepayments and other current assets		(26,407)	155,209
Decrease (increase) in due from related parties		39,807	(10,327)
Decrease in trade receivables		121,214	129,285
Increase in trade payables		97,508	165,505
Decrease in due to related parties		(8,987)	(1,527)
Increase (decrease) in accrued and other liabilities		25,085	(290,138)
Cash generated from operations		1,909,501	2,536,848
Finance costs paid		(59,001)	(206,902)
Finance income received		10,088	77,512
Zakat and income tax paid		(102,616)	(142,732)
Employee benefit obligations paid		(10,935)	(6,586)
Loans to employees paid		(5,319)	(8,648)
Net cash inflow from operating activities		1,741,718	2,249,492
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	5	(25,076)	(10,044)
Proceeds from disposals of property, plant and equipment		5,591	12,197
Net cash (outflow) inflow from investing activities		(19,485)	2,153
Cash flows from financing activities			
Proceeds from long-term borrowings	11	2,980,369	-
Repayments of long-term borrowings	11	(5,399,038)	(1,583,291)
Repayment of Sukuk		-	(1,078,000)
Repayment of subordinated loan from non-controlling interest		(182,077)	(227,432)
Dividends paid	16	(240,000)	(240,000)
Principal elements of lease payments		(15,112)	(12,513)
Dividends paid by a subsidiary to non-controlling interest		(105,000)	-
Income tax reimbursed by non-controlling interest		50,535	123,671
Net cash outflow from financing activities		(2,910,323)	(3,017,565)
Net decrease in cash and cash equivalents		(1,188,090)	(765,920)
Cash and cash equivalents at beginning of year		2,485,617	3,251,537
Cash and cash equivalents at end of year	9	1,297,527	2,485,617

(Continued)

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows (continued)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	For the year ended 31 December	
	2020 (Unaudited)	2019 (Audited)
Non-cash operating, investing and financing activities:		
Amortization of transaction costs	10,217	3,159
Transfer of employee benefit obligations from a related party	1,702	5,573
Accrued finance cost on subordinated loan from non-controlling interest	-	1,709
Right-of-use assets recorded against lease liabilities	-	77,017
Prepaid lease rentals adjusted against right-of-use assets	-	12,019
Accrued capital expenditure	-	22,758

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)**

Notes to the condensed consolidated interim financial statements (Unaudited)

For the three-month period and year ended 31 December 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

National Petrochemical Company (“Petrochem” or the “Company”) is a Saudi Joint Stock Company registered under Commercial Registration Number 1010246363 issued in Riyadh on 8 Rabi Al Awwal 1429 H (corresponding to 16 March 2008), and it was established pursuant to the Ministry of Commerce and Industry’s resolution number 53/Q dated 16 Safar 1429 H (corresponding to 23 February 2008).

The accompanying condensed consolidated interim financial statements include the activities of the Company and its following subsidiaries (collectively the “Group”):

	<u>Country of incorporation</u>	<u>Effective ownership percentage at 31 December</u>	
		2020	2019
Saudi Polymers Company (a limited liability company) (“SPCO”)	Kingdom of Saudi Arabia	65%	65%
Gulf Polymers Distribution Company FZCO (a free zone limited liability company) (“GPDC”)	United Arab Emirates	65%	65%

The Company is principally engaged in the development and establishment, operation and management and maintenance of petrochemical factories, gas, petroleum and other industries, wholesale and retail trade in material and petrochemical products and its derivatives.

SPCO is a limited liability company registered in Jubail, Saudi Arabia under Commercial Registration number 2055008886 dated 29 Dhul-Qadah 1428H (corresponding to 9 December 2007), with a branch in Jubail under Commercial Registration number 2055009065.

During 2019, the shareholders of SPCO resolved to decrease the share capital of SPCO from Saudi Riyals 4.8 billion to Saudi Riyals 1.4 billion. The legal formalities for the reduction in capital have not been completed as at 31 December 2020.

GPDC was formed in the Dubai Airport Free Zone on 15 February 2011 as per DAFZA trade license. The registered address of GPDC is Dubai Airport Free Zone, Office No.6EA 420, Dubai, United Arab Emirates.

In response to the spread of the COVID-19 pandemic in territories where the Group operates and its consequential disruption to the social and economic activities in those markets, the Group’s management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures to:

- ensure the health and safety of its employees; and
- minimizing the impact of the pandemic on its operations and product supply to the customers.

Despite these challenges, the Group’s business operations remain largely unaffected as the petrochemicals industry is, in general, exempted from the various restrictions and constraints imposed by various local regulatory authorities including the exemption from curfew hours and cargo shipping limitations. The Group’s management believes that the COVID-19 pandemic, by itself, has had limited direct material effects on the Group’s reported results for the three-month period and year ended 31 December 2020. However, the Group’s management continues to monitor the situation closely in order to mitigate any disruptions as much as possible.

The condensed consolidated interim financial statements including notes and other explanatory information were approved and authorized for issue on 28 January 2021.

**NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (Unaudited)
For the three-month period and year ended 31 December 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)**

2 Accounting policies

The principal accounting policies applied in the preparation of the condensed consolidated interim financial statements of the Group are consistent with those of the previous financial year and corresponding interim reporting periods.

2.1 Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements of the Group have been prepared in compliance with IAS 34 “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements. Accordingly, these condensed consolidated interim financial statements are to be read in conjunction with the annual financial statements for the year ended 31 December 2019.

(b) Historical cost convention

The condensed consolidated interim financial statements are prepared under the historical cost convention, except as explained in the relevant accounting policies in the annual financial statements for the year ended 31 December 2019.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). Both SPCO and GPDC are translated in the condensed consolidated interim financial statements from United States Dollar to Saudi Riyal on a fixed rate of Saudi Riyal 3.75 to United States Dollar 1. All values are rounded to the nearest Saudi Riyal thousands, except when otherwise indicated. The condensed consolidated interim financial statements are presented in Saudi Riyals, which is also the Company’s functional currency.

(d) New standards and amendment to standards and interpretation

There are no new standards applicable to the Group, however, the Group has applied the following amendments to the standards for the first time for their reporting periods commencing on or after 1 January 2020:

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the 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 condensed consolidated interim statement of profit or loss and other comprehensive income (also see Note 11).

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
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(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards and amendment to standards and interpretation (continued)

Other amendments to standards

Certain other amendments to standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards:

- Amendments to IFRS 3, 'Business combinations' effective 1 January 2020. These amendments contained a revised definition of business.
- Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' effective from 1 January 2020. These amendments contain guidance on use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting, clarify the explanation of the definition of material and incorporate some of the guidance in IAS 1 about immaterial information.

There are no other International Financial Reporting Standards or International Financing Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Group.

(e) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2.2 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Subsidiaries are entities controlled by the Group. Controls exists 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 all of the following three elements:

- 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group investments, transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

**NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements (Unaudited)
For the three-month period and year ended 31 December 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)**

2 Accounting policies (continued)

2.2 Basis of consolidation (continued)

Non-controlling interests in the results and equity of not wholly owned subsidiaries are shown separately in the condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of financial position, respectively.

3 Fair value of assets and liabilities

As at 31 December 2020 and 31 December 2019, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short-term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of condensed consolidated interim statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these are determined through cash flows discounted using interest rates which are based on prevailing market interest rates.

4 Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial statements requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no significant changes in critical accounting estimates and judgements used by management in the preparation of the condensed consolidated interim financial statements from those that were applied and disclosed in the annual consolidated financial statements for the year ended 31 December 2019.

However, as explained in Note 1, the Group's management has proactively assessed the potential impact of the COVID-19 pandemic for any further regulatory and government restrictions both locally and in the markets in which the Group operates that could adversely affect the Group's supply chain, production capabilities, demand of its products, as well as the sales distribution network that could cause a negative impact on the financial performance. Management has concluded that the Group's critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances for the purpose of preparation of these condensed consolidated interim financial statements. Further, as the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
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Notes to the condensed consolidated interim financial statements (Unaudited)
For the three-month period and year ended 31 December 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 Property, plant and equipment

	1					31
	January	Additions	Disposals	Transfers	Impairment	December
	2020					2020
Cost						
Office buildings	681,784	2,636	-	1,276	-	685,696
Plant, machinery and equipment	18,976,951	6,641	(7,759)	6,656	-	18,982,489
Planned turnaround costs	532,813	7,639	-	-	-	540,452
Furniture and office equipment	190,241	-	-	11	-	190,252
Vehicles	30,505	-	(2,011)	-	-	28,494
Catalysts	18,877	-	-	-	-	18,877
Construction-in-progress	41,591	8,160	-	(7,943)	-	41,808
	<u>20,472,762</u>	<u>25,076</u>	<u>(9,770)</u>	<u>-</u>	<u>-</u>	<u>20,488,068</u>
Accumulated depreciation and impairment						
Office buildings	(197,727)	(27,643)	-	-	-	(225,370)
Plant, machinery and equipment	(5,624,511)	(737,738)	3,203	-	(389,969)	(6,749,015)
Planned turnaround costs	(286,993)	(83,117)	-	-	-	(370,110)
Furniture and office equipment	(158,852)	(6,155)	-	-	-	(165,007)
Vehicles	(29,514)	(580)	1,929	-	-	(28,165)
	<u>(6,297,597)</u>	<u>(855,233)</u>	<u>5,132</u>	<u>-</u>	<u>(389,969)</u>	<u>(7,537,667)</u>
Net book value	<u>14,175,165</u>					<u>12,950,401</u>

During the year ended 31 December 2020, the Board of Managers of SPCO resolved to cease the production of its Polystyrene product. Accordingly, the management of SPCO recorded an impairment loss amounting to Saudi Riyals 390.0 million against the net book value of production facilities relating to the Polystyrene product as at 31 December 2020. The impairment loss has been recognized within the "Cost of revenues" line item in the condensed consolidated interim statement of profit or loss and other comprehensive income.

At 31 December 2019, part of the Group's property, plant and equipment amounting to Saudi Riyals 3.3 billion were secured by (i) liens against loan facilities from Saudi Industrial Development Fund ("SIDF") and (ii) assignment of residual proceeds against loan facilities from consortium of local and foreign commercial banks and Public Investment Fund ("PIF"), which were settled during the year ended 31 December 2020 (also see Note 11).

NATIONAL PETROCHEMICAL COMPANY (PETROCHEM) AND ITS SUBSIDIARIES
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Notes to the condensed consolidated interim financial statements (Unaudited)
For the three-month period and year ended 31 December 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Inventories

	31 December 2020	31 December 2019
Finished goods	452,465	357,780
Spares	422,659	423,005
Catalyst, chemicals and additives	140,468	135,319
Raw materials	1,598	1,699
	1,017,190	917,803

During the year ended 31 December 2020, the management of SPCO have written-off inventories relating to the ceasing of Polystyrene product amounting to Saudi Riyals 10.6 million (also see Note 5).

7 Prepayments and other current assets

	31 December 2020	31 December 2019
Value added tax receivable - net	72,829	17,321
Prepayments	37,549	41,392
Loans to employees	13,509	16,766
Advance income tax	12,013	-
Advances to suppliers	5,111	5,959
Cash margin against bank guarantees	2,264	2,264
Accrued interest income	74	245
Other receivables	1,294	1,610
	144,643	85,557

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8 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (“other related parties”).

(a) *Following are the significant transactions entered into by the Group with its related parties:*

Related parties	Nature of transactions	For the three-month period ended 31 December		For the year ended 31 December	
		2020	2019	2020	2019
Shareholder:					
Saudi Industrial Investment Group Company (“SIIG”)	<i>Support services</i>	(254)	88	(1,413)	(760)
Associated entities:					
Saudi Chevron Phillips Company (“SCP”) (Notes i and ii)	<i>Sales</i>	34,095	52,774	151,279	203,940
	<i>Purchases</i>	(9,619)	(1,124)	(120,274)	(69,349)
	<i>Support services</i>	(84,372)	(92,003)	(333,566)	(313,410)
	<i>Transfer of employee benefit obligations</i>	(311)	(5,573)	(311)	(5,573)
Jubail Chevron Phillips Company (“JCP”) (Note ii)	<i>Sales</i>	44,883	72,381	173,171	302,415
	<i>Purchases</i>	(216,154)	(240,708)	(695,614)	(1,064,058)
	<i>Support services</i>	135	280	536	853
Chevron Phillips Chemical International Sales LLC (“CPCIS”) (Note iii)	<i>Royalty</i>	(13,605)	(13,306)	(51,146)	(51,323)
	<i>Support services</i>	(267)	(398)	(9,676)	(10,654)
	<i>Marketing fees</i>	(54,334)	(63,642)	(198,428)	(259,748)
Chevron Phillips Chemical Global Employment Company	<i>Support services</i>	(14,741)	(15,662)	(55,770)	(73,452)
Chemical Services Inc.	<i>Support services</i>	(7,105)	(1,331)	(18,806)	(18,743)
Other affiliates	<i>Support services</i>	(1,319)	(1,759)	(2,786)	(1,759)

(i) SPCO has entered into a common facilities agreement with SCP pursuant to which, SCP provides support services to SPCO in operations and maintenance, management support and technical support.

(ii) SCP, JCP and SPCO jointly operate an employee savings plan for eligible employees. As per the terms of the plan, eligible employees contribute a portion of their monthly salary, which is matched by SCP, JCP and SPCO as employer contributions, subject to certain conditions. The contributions from the participants are deposited in a separate bank account held in the name of SCP. Management has chosen to present the financial asset and financial liability balances arising from this arrangement on a net basis. SPCO’s contribution is charged to the condensed consolidated interim statement of profit or loss and other comprehensive income as an expense and amounts to Saudi Riyals 0.4 million and Saudi Riyals 1.7 million for the three-month and year ended 31 December 2020, respectively (2019: Saudi Riyals 0.4 million and Saudi Riyals 1.7 million for the three-month and year ended 31 December, respectively).

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8 Related party transactions and balances (continued)

- (iii) SPCO has entered into a royalty agreement with CPCIS in prior years under which CPCIS charges royalty to SPCO for the use of polymerization processes.
- (iv) The non-controlling interest of SPCO had provided a non-interest bearing subordinated loan of Saudi Riyals 1.1 billion in prior years to finance the construction of a petrochemical plant. The repayment of the loan was subject to certain covenants being met under the terms of the current commercial loan facilities and was also subject to certain covenants under the terms of previous commercial loan facilities, which were settled during the year ended 31 December 2020. The loan was denominated in United States Dollar. SPCO has settled the liability during the year ended 31 December 2020.
- (v) During the year ended 31 December 2020, the non-controlling interest of SPCO reimbursed Saudi Riyals 50.5 million (2019: Saudi Riyals 123.7 million) to compensate SPCO for cash payments made relating to its income tax liability.

(b) *Due from related parties*

	31 December 2020	31 December 2019
SCP	152,966	184,988
JCP	46,106	52,238
Aromatics Distribution Company	49	-
	199,121	237,226

(c) *Due to related parties*

	31 December 2020	31 December 2019
JCP	87,188	99,383
SCP	73,088	65,509
CPCIS	37,780	41,993
Others	1,011	1,169
	199,067	208,054

(d) *Key management personnel compensation*

	For the three-month period ended 31 December		For the year ended 31 December	
	2020	2019	2020	2019
Salaries and other short-term employee benefits	5,275	4,689	16,229	15,897
Employee benefit obligations	330	619	1,309	1,522
	5,605	5,308	17,538	17,419

Key management personnel represent board members, directors and key personnel of the Group.

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9 Cash and cash equivalents

	31 December 2020	31 December 2019
Cash at banks	872,506	2,349,617
Short-term deposits	425,021	136,000
	1,297,527	2,485,617

Short-term deposits represent Murabaha and conventional deposits amounting to Saudi Riyals 375.0 million and Saudi Riyals 50.0 million, respectively, and are placed with commercial banks, with a maturity period of three months or less from date of placement and yield finance income at commercial rates ranging from 0.45% to 0.65% per annum.

At 31 December 2019, part of the Group's cash and cash equivalents, amounting to Saudi Riyals 2.1 billion, were assigned as security against loan facilities from consortium of local and foreign commercial banks and PIF, which were settled during the year ended 31 December 2020 (also see Note 11).

10 Share capital

As at 31 December 2020, the authorized, issued and fully paid-up share capital comprised 480 million ordinary shares (2019: 480 million ordinary shares) of Saudi Riyals 10 per share.

11 Long-term borrowings

	31 December 2020	31 December 2019
Local commercial banks	2,250,000	-
SIDF	-	100,000
PIF	-	391,779
Consortium of local and foreign commercial banks	-	4,157,259
	2,250,000	4,649,038
Less: unamortized transaction costs	(12,892)	(3,478)
	2,237,108	4,645,560

Long-term borrowings are presented in the condensed consolidated interim statement of financial position as follows:

Long-term borrowings	1,493,854	3,435,135
Current portion of long-term borrowings	743,254	1,210,425
	2,237,108	4,645,560

During the year ended 31 December 2020, the Group obtained a term loan amounting to Saudi Riyals 3.0 billion from local commercial banks to re-finance and fully settle the existing senior debts. The loan, to be repaid over 8 equal semi-annual installments beginning 30 June 2020, carries an interest rate of London Interbank Offered Rate ('LIBOR') plus 0.9% and is secured by a principal note. The portion of term loan payable beyond 31 December 2021 has been classified under non-current liabilities. The loan is denominated in United States Dollar. The covenants of the term loan require the Group to maintain certain level of financial conditions, limiting dividends distribution and certain other matters. As at 31 December 2020, the Group was in compliance with these covenants.

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11 Long-term borrowings (continued)

The term loans obtained from a consortium of local and foreign commercial banks, PIF and SIDF, which were secured by various guarantees including pledges over the equipment and bank accounts of the Group, have been settled during the year ended 31 December 2020.

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the 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 Group's current risk management strategy and, possibly, the accounting for certain financial instruments. The Group does not have any other financial instruments, other than the term loan, which are exposed to the impact of LIBOR as at 31 December 2020.

The Group 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.

12 Accrued and other liabilities

	31 December 2020	31 December 2019
Accrued expenses	282,956	276,911
Accrued salaries and benefits	19,164	30,595
Advances from customers	51,300	29,029
Value added tax payable - net	2,423	-
Other payables	7,066	1,289
	362,909	337,824

13 Zakat and income tax

The Group is subject to zakat and income tax in accordance with the regulation of the General Authority of Zakat and Income Tax (the "GAZT"). Provisions for zakat and income tax are charged to the condensed consolidated interim statement of profit or loss and comprehensive income.

(a) Status of assessments of Petrochem

The Company has filed its Zakat and Income Tax returns with the GAZT up to 2019. The Company has finalised its zakat status with the GAZT for all years up to 31 December 2010 on a standalone basis. A number of additional assessments have been issued by the GAZT as follows:

The GAZT raised assessments for the years from 2011 to 2013 with additional zakat liability of Saudi Riyals 95.5 million. The Company has filed an appeal against the additional zakat liability with the GAZT, following which the case had been transferred to the Preliminary Appeal Committee ("PAC"). The Company received revised zakat assessments for the years from 2011 to 2013 from the GAZT reducing the additional zakat liability to Saudi Riyals 5.7 million. The Company accepted and paid Saudi Riyals 3.5 million and filed an appeal for the remaining balance of Saudi Riyals 2.2 million with the Higher Appeal Committee ("HAC"), which has been replaced by the new tax committees under the General Secretariat of Tax Committees (the "GSTC"). During September 2020, the committee at GSTC issued a final ruling in favor of the GAZT's revised assessment. Accordingly, the final remaining balance due is Saudi Riyals 2.2 million.

The GAZT raised assessments for the years from 2014 to 2016 with additional zakat liability of Saudi Riyals 204.2 million. The Company has filed an appeal against the additional zakat liability to the GAZT, following which the case has been escalated to the GSTC and the committee ruling is awaited.

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13 Zakat and income tax (continued)

(a) Status of assessments of Petrochem (continued)

During 2020, the GAZT raised assessments for the years 2017 and 2018 with additional zakat liability of Saudi Riyals 128.9 million. The Company has filed an appeal against the additional zakat liability to the GAZT, and the GAZT's decision is awaited.

The assessment for 2019 is still under the GAZT's review.

(b) Status of assessments of SPCO

SPCO has filed its zakat and income tax returns with the GAZT up to 2019. The assessment for the period ended 31 December 2008 has been finalised with the GAZT with no additional liability. The assessments for the years from 2009 through 2019 have not yet been raised by the GAZT.

Zakat base has been computed based on the managements' understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations. The assessments to be raised by the GAZT could be different from the declarations filed by the companies in Saudi Arabia.

(c) Status of assessments of GPDC

GPDC is registered in the Dubai Airport Free Zone and is exempted from income tax.

14 Segment reporting

In respect of performance appraisal and allocation of resources, the Group's management is of the opinion that all activities and operations of the Group comprise of a single operating segment which is the petrochemical sector. Therefore, financial reports are issued only for geographical segments.

Operating assets are located in the Kingdom of Saudi Arabia. The sales are geographically distributed as follows:

	For the three-month period ended 31 December		For the year ended 31 December	
	2020	2019	2020	2019
Domestic/Middle East	26%	25%	28%	26%
Asia	50%	50%	48%	50%
Europe/Africa	24%	25%	24%	24%
	100%	100%	100%	100%

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15 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings for the period/year attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period/year. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the three-month period ended 31 December		For the year ended 31 December	
	2020	2019	2020	2019
Earnings for the period / year	251,523	132,728	229,771	674,470
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	480,000	480,000	480,000	480,000
Earnings per share	0.52	0.28	0.48	1.41

16 Dividends

During the year ended 31 December 2020, the Company's shareholders approved dividends amounting to Saudi Riyals 240.0 million which were fully paid during the year (31 December 2019: Saudi Riyals 240.0 million which were fully paid during 2019).

17 Contingencies and commitments

- (i) At 31 December 2020, the Group was contingently liable for bank guarantees issued relating to uplift of feedstock for plant from a supplier amounting to Saudi Riyals 458.8 million (31 December 2019: Saudi Riyals 458.8 million) and bank guarantees issued in the normal course of business amounting to Saudi Riyals 8.8 million (31 December 2019: Saudi Riyals 8.7 million).
- (ii) The capital expenditure contracted by the Group but not incurred till 31 December was approximately Saudi Riyals 134.3 million (31 December 2019: Saudi Riyals 83.3 million).
- (iii) During 2010, the Company and the non-controlling interest in SPCO resolved to increase the share capital of SPCO through conversion of the subordinated loan amounting to Saudi Riyals 3.4 billion. The management of the Company agreed to compensate the non-controlling interest for additional costs it will incur, by making annual payments in the future based on the future earnings of SPCO, considering the non-distributable cash as a result of the share capital increase. During 2019, the shareholders of SPCO (the Company and the non-controlling interest) resolved to decrease the share capital of SPCO with the same amount. The legal formalities for the reduction in share capital have not been completed as at 31 December 2020.

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18 Comparative figures

Until 31 December 2019, the managements of GPDC and SPCO recorded freighting costs as incidental costs necessary to satisfy performance obligations with its customers. As a result, freighting costs were net-off against the "Revenue from contracts with customers" line item in the condensed consolidated interim statement of profit or loss and other comprehensive income. During 2020, the managements of GPDC and SPCO re-assessed this position and concluded that freighting costs were not incidental costs and, instead, were costs of revenues incurred in order to satisfy the performance obligation with its customers. As a consequence of the re-assessment, management has reclassified freighting costs of Saudi Riyals 204.9 million and Saudi Riyals 15.9 million for GPDC and SPCO, respectively, incurred during the year ended 31 December 2019 from the "Revenue from contracts with customers" to the "Cost of revenues" line items in the condensed consolidated interim statement of profit or loss and other comprehensive income in order to conform to the presentation of the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period and year ended 31 December 2020. This reclassification had no impact on the gross profit, operating profit, profit for the year, basic and diluted earnings per share or any condensed consolidated interim statement of financial position line items.

For better presentation, finance income classified under "Other income - net" in the comparative condensed consolidated interim financial statements has been reclassified to "Finance income" in the condensed consolidated interim statement of profit or loss and other comprehensive income, to conform to the classification for the three-month period and year ended 31 December 2020 presentation. This reclassification had no impact on the gross profit, operating profit, profit for the year basic and diluted earnings per share or any condensed consolidated interim statement of financial position line items.

For the year ended 31 December 2019:

	Amount previously reported	Reclassification	Amount after reclassification
Condensed consolidated interim statement of profit or loss and other comprehensive income			
Revenue from contracts with customers	7,434,705	220,828	7,655,533
Cost of revenues	(5,551,441)	(220,828)	(5,772,269)
	<u>1,883,264</u>	<u>-</u>	<u>1,883,264</u>
Other income - net	98,160	(83,690)	14,470
Finance income	-	83,690	83,690
	<u>98,160</u>	<u>-</u>	<u>98,160</u>

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18 Comparative figures (continued)

For the three-month period ended 31 December 2019:

	Amount previously reported	Reclassification	Amount after reclassification
Condensed consolidated interim statement of profit or loss and other comprehensive income			
Revenue from contracts with customers	1,805,857	63,780	1,869,637
Cost of revenues	(1,395,712)	(63,780)	(1,459,492)
	<u>410,145</u>	<u>-</u>	<u>410,145</u>
Other income - net	14,350	(12,671)	1,679
Finance income	-	12,671	12,671
	<u>14,350</u>	<u>-</u>	<u>14,350</u>