

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
JUNE 30, 2020 AND REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2020

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Independent Auditors' Report

Review of Interim Financial Statements to the Shareholders of Rabigh Refining and Petrochemical Company

Introduction

We have reviewed the accompanying June 30, 2020 condensed interim financial statements of Rabigh Refining and Petrochemical Company ("the Company") which comprises:

- the condensed statement of profit or loss for the three month and six month periods ended June 30, 2020;
- the condensed statement of comprehensive income for the three month and six month periods ended June 30, 2020;
- the condensed statement of financial position as at June 30, 2020;
- the condensed statement of changes in equity for the six month period ended June 30, 2020;
- the condensed statement of cash flows for the six month period ended June 30, 2020; 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 June 30, 2020 condensed interim financial statements of **Rabigh Refining and 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.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Dhul Hijjah 6, 1441H
Corresponding to July 27, 2020



RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	Three-month period ended June 30,		Six-month period ended June 30,	
		2020	2019	2020	2019
Sales	4	2,706,388	9,031,615	6,768,020	17,459,632
Cost of sales		(3,159,471)	(8,740,962)	(8,606,598)	(16,351,298)
Gross (loss) profit		(453,083)	290,653	(1,838,578)	1,108,334
Other income, net		12,316	24,770	25,395	42,270
Selling and marketing expenses		(114,822)	(129,609)	(235,449)	(255,223)
General and administrative expenses		(220,701)	(216,044)	(429,130)	(447,323)
Operating (loss) profit		(776,290)	(30,230)	(2,477,762)	448,058
Financial charges		(416,002)	(222,639)	(819,514)	(445,811)
Financial income		51,457	71,882	104,417	141,286
(Loss) profit before Zakat and tax		(1,140,835)	(180,987)	(3,192,859)	143,533
Zakat	11	-	(123,673)	(2,915)	(139,522)
Tax	11	(294,259)	(3,793)	(36,150)	(55,620)
Loss after Zakat and tax		(1,435,094)	(308,453)	(3,231,924)	(51,609)
Loss per share (Saudi Riyals) – Basic and diluted	5	(1.64)	(0.35)	(3.69)	(0.06)

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

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
 (All amounts in thousands of Saudi Riyals unless otherwise stated)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2020	2019	2020	2019
Loss after Zakat and tax	(1,435,094)	(308,453)	(3,231,924)	(51,609)
Remeasurement loss on defined benefit plan	-	-	-	-
Items that will not be reclassified to statement of profit or loss in subsequent periods	-	-	-	-
Total comprehensive loss for the period	(1,435,094)	(308,453)	(3,231,924)	(51,609)

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

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	47,021,773	46,110,807
Right-of-use assets	7	11,702,385	12,039,098
Intangible assets		455,790	494,307
Long-term loans	8	3,222,980	3,449,675
Investment	8	16,412	16,412
Deferred tax asset		362,936	399,086
		62,782,276	62,509,385
Current assets			
Inventories		2,818,602	3,406,225
Trade receivables	8	1,934,550	5,364,086
Current portion of long-term loans	8	465,448	450,318
Prepayments and other receivables		708,755	1,983,548
Cash and cash equivalents		212,222	316,086
		6,139,577	11,520,263
Total assets		68,921,853	74,029,648
Equity and liabilities			
Equity			
Share capital	9	8,760,000	8,760,000
Statutory reserve	10	252,134	252,134
Employees' share ownership plan		(4,729)	(4,813)
(Accumulated loss) retained earnings		(2,197,838)	1,034,086
Total equity		6,809,567	10,041,407
Non-current liabilities			
Loans, borrowings and other long-term liability	8	22,154,523	23,638,023
Lease liabilities	7	11,489,875	11,750,600
Employees' benefits		702,702	653,504
		34,347,100	36,042,127
Current liabilities			
Current maturity of loans and borrowings	8	17,007,680	16,816,897
Current maturity of lease liabilities	7	565,153	555,352
Trade and other payables	8	9,731,309	9,401,638
Accrued expenses and other liabilities		461,044	1,157,008
Zakat and tax payable		-	15,219
		27,765,186	27,946,114
Total liabilities		62,112,286	63,988,241
Total equity and liabilities		68,921,853	74,029,648

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

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
 (All amounts in thousands of Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Employees' share ownership plan	(Accumulated loss) retained earnings	Total
Balance as at January 1, 2020 (Audited)	8,760,000	252,134	(4,813)	1,034,086	10,041,407
Net loss after Zakat and tax	-	-	-	(3,231,924)	(3,231,924)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss	-	-	-	(3,231,924)	(3,231,924)
Vesting of shares under employees' share ownership plan	-	-	84	-	84
Balance as at June 30, 2020 (Unaudited)	8,760,000	252,134	(4,729)	(2,197,838)	6,809,567
Balance as at January 1, 2019 (Audited)	8,760,000	249,465	(6,241)	1,538,796	10,542,020
Net loss after Zakat and tax	-	-	-	(51,609)	(51,609)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss	-	-	-	(51,609)	(51,609)
Vesting of shares under employees' share ownership plan	-	-	1,344	-	1,344
Zakat and tax reimbursements	-	-	-	150,279	150,279
Balance as at June 30, 2019 (Unaudited)	8,760,000	249,465	(4,897)	1,637,466	10,642,034

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

RABIGH REFINING AND PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	Six-month period ended June 30,	
		2020	2019
Cash flows from operating activities			
(Loss) profit before Zakat and tax		(3,192,859)	143,533
<u>Adjustments for non-cash items</u>			
Depreciation		1,492,112	1,121,301
Financial charges		819,514	445,811
Financial income		(104,417)	(141,286)
Amortization		38,517	6,184
Provision for slow moving inventories		11,024	2,611
Loss on disposal of property, plant and equipment		-	672
Gain on derecognition of right-of-use assets and lease liabilities		(11)	-
		(936,120)	1,578,826
<u>Changes in working capital</u>			
Inventories		576,599	(482,130)
Trade receivables		3,429,537	97,559
Prepayments and other receivables		1,274,792	361,109
Trade and other payables		561,964	1,055,531
Accrued expenses and other liabilities		(750,832)	(363,691)
Employees' benefits		49,281	36,394
		4,205,221	2,283,598
Zakat and income tax paid		(18,135)	(359,038)
Interest received		86,809	121,400
Interest paid		(734,790)	(355,633)
Net cash generated from operating activities		3,539,105	1,690,327
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,010,027)	(1,573,281)
Net movement in long-term loans		2,245	(21,043)
Net movement in time deposits		-	224,763
Net cash used in investing activities		(2,007,782)	(1,369,561)
Cash flows from financing activities			
Proceeds from loans and borrowings		3,992,980	4,975,000
Repayments of loans and borrowings		(5,355,612)	(5,164,371)
Repayment of lease liabilities		(272,555)	(265,075)
Dividend paid		-	(64)
Net cash used in financing activities		(1,635,187)	(454,510)
Net decrease in cash and cash equivalents		(103,864)	(133,744)
Cash and cash equivalents at beginning of the period		316,086	1,263,713
Cash and cash equivalents at end of the period		212,222	1,129,969
Supplemental schedule of non-cash information			
Zakat and income tax reimbursable from shareholders		-	150,279
Addition to property, plant and equipment through accrued expenses and other liabilities		34,695	58,522
Long-term loan repayments settled against capacity payments	8.1.1	214,684	198,757
Addition to right-to-use assets	7.1	23,488	12,357,463

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

1 General information

Rabigh Refining and Petrochemical Company ("the Company" or "PetroRabigh") is a company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4602002161 issued by the Ministry of Commerce and Investment, Jeddah, on Shaaban 15, 1426H (September 19, 2005) subsequently revised by Ministry of Commerce and Investment, Riyadh on Shawal 22, 1428H (November 3, 2007).

The Company is engaged in the development, construction and operation of an integrated refining and petrochemical complex ("the Complex"), including the manufacturing and sales of refined and petrochemical products.

The Company's registered address is P.O. Box 101, Rabigh 21911, Kingdom of Saudi Arabia.

2 Basis of preparation

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

These condensed 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 financial statements for the year ended December 31, 2019. However, selected explanatory notes are included to explain the events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the last annual financial statements.

2.1 New standards, interpretations and amendments

Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the condensed interim financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17	Insurance contracts	January 1, 2021
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2022
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The Company is currently assessing the implications of adopting the above-mentioned standards, amendments or interpretations on the Company's financial statements on adoption.

2.2 Critical accounting estimates and judgments

The preparation of Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The Company based its assumptions and estimates on parameters available when the condensed interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Also see Note 13.

The significant judgments exercised 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 for the year ended December 31, 2019.

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2 Basis of preparation (continued)

Going concern

As at June 30, 2020, the Company's current liabilities exceed the current assets by Saudi Riyals 21,626 million, primarily due to the equity bridge loan amounting to Saudi Riyals 11,250 million falling due on October 1, 2020, backed by the founding shareholders' guarantees as provided to the lenders. Furthermore, discussions regarding the repayment or extension are already in progress in respect of equity bridge loan (see Note 8.3).

The Board of Directors of the Company has assessed the ability of the Company to continue as a going concern as described above including operating plans and cashflow projections and is not aware of any material uncertainties that may cast significant doubt and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the interim condensed financial statements of the Company continue to be prepared on going concern basis.

3 Significant accounting policies

The accounting policies used by the Company for the preparation of these condensed interim financial statements are consistent with those followed in preparation of the Company's annual financial statements for the year ended December 31, 2019.

4 Segment information

4.1 Operating segment

The Company operates an integrated refinery and petrochemical complex. The primary format for segment reporting is based on operating segments and is determined on the basis of management's internal reporting structure. The Management Committee (collectively considered to be the Chief Operating Decision Maker) monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. The Company's segment profit measure is operating profit (loss).

The Company's operating segments comprise of refined products and petrochemicals. Information as of and for the three-month and six-month periods is summarized below:

	For the three-month period ended			For the six-month period ended		
	Refined products	Petro-chemicals	Total	Refined products	Petro-chemicals	Total
June 30, 2020 (Unaudited)						
Sales – external customers	1,726,846	979,542	2,706,388	4,359,172	2,408,848	6,768,020
Depreciation and amortization	177,744	623,356	801,100	338,378	1,192,251	1,530,629
Operating loss	(37,706)	(738,584)	(776,290)	(1,033,690)	(1,444,072)	(2,477,762)
	For the three-month period ended			For the six-month period ended		
	Refined products	Petro-chemicals	Total	Refined products	Petro-chemicals	Total
June 30, 2019 (Unaudited)						
Sales – external customers	7,046,580	1,985,035	9,031,615	13,559,273	3,900,359	17,459,632
Depreciation and amortization	140,982	422,945	563,927	281,871	845,614	1,127,485
Operating (loss) profit	(501,200)	470,970	(30,230)	(499,462)	947,520	448,058

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4 Segment information (continued)

June 30, 2020 (Unaudited)	Refined products	Petrochemicals	Unallocated	Total
Total assets	19,226,158	48,928,106	767,589	68,921,853
Total liabilities	15,202,615	44,837,943	2,071,728	62,112,286
Capital expenditure	825,690	1,219,033	-	2,044,723
December 31, 2019 (Audited)	Refined products	Petrochemicals	Unallocated	Total
Total assets	23,160,458	49,961,151	908,039	74,029,648
Total liabilities	17,379,094	45,300,223	1,308,924	63,988,241
Capital expenditure	606,719	3,341,906	-	3,948,625

The Company's revenue from external customers involve Saudi Riyals 6,695 million (June 30, 2019: Saudi Riyals 17,119 million) of revenue generated from 5 customers in the period ended June 30, 2020 (June 30, 2019: 3 customers).

Geographical information for the three-month and six-month periods ended June 30, is as follows:

Three-month period ended June 30, 2020 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	1,726,846	-	-	1,726,846
Petrochemicals	124,588	816,221	38,733	979,542
Total	1,851,434	816,221	38,733	2,706,388
Six-month period ended June 30, 2020 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	4,359,172	-	-	4,359,172
Petrochemicals	250,686	2,104,257	53,905	2,408,848
Total	4,609,858	2,104,257	53,905	6,768,020
Three-month period ended June 30, 2019 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	7,046,580	-	-	7,046,580
Petrochemicals	692,877	1,273,687	18,471	1,985,035
Total	7,739,457	1,273,687	18,471	9,031,615
Six-month period ended June 30, 2019 (Unaudited)	Middle East	Asia Pacific	Others	Total
Sales – external customers				
Refined products	13,559,273	-	-	13,559,273
Petrochemicals	1,452,881	2,412,033	35,445	3,900,359
Total	15,012,154	2,412,033	35,445	17,459,632

Middle East market primarily includes Kingdom of Saudi Arabia whereas Asia Pacific primarily includes Singapore and China.

4.2 Adjustments

Financial charges and income, Zakat and tax, cash and cash equivalents, loans and borrowings and certain assets and liabilities are not allocated to operating segments as they are managed on a Company-wide basis.

Capital expenditure consists of additions to property, plant and equipment and intangible assets.

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4 Segment information (continued)

4.3 Reconciliation of (loss) profit

	Three-month period ended June 30,		Six-month period ended June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating (loss) profit	(776,290)	(30,230)	(2,477,762)	448,058
Financial charges	(416,002)	(222,639)	(819,514)	(445,811)
Financial income	51,457	71,882	104,417	141,286
(Loss) profit before Zakat and tax	(1,140,835)	(180,987)	(3,192,859)	143,533
Zakat	-	(123,673)	(2,915)	(139,522)
Tax	(294,259)	(3,793)	(36,150)	(55,620)
Loss after Zakat and Tax	(1,435,094)	(308,453)	(3,231,924)	(51,609)

5 Loss per share

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share is calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	Three-month period ended June 30,		Six-month period ended June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period for basic and dilutive earnings per share	(1,435,094)	(308,453)	(3,231,924)	(51,609)
Weighted average number of shares outstanding during the period (thousands)	876,000	876,000	876,000	876,000
Adjustment for the effect of dilution in weighted average number of shares outstanding during the period due to ESOP (thousands)	223	231	223	231
Basic and diluted loss per share	(1.64)	(0.35)	(3.69)	(0.06)

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6 Property, plant and equipment

	Buildings and infrastructure	Plant, machinery and operating equipment	Vehicles and related equipment	Furniture and IT equipment	Capital projects- in- progress	Total
Cost						
January 1, 2020	10,712,035	54,296,357	43,367	561,296	2,509,072	68,122,127
Additions	-	266,487	-	-	1,778,236	2,044,723
Transfers (Note 6.1)	168,226	1,972,470	1,472	20,677	(2,162,845)	-
Disposals	-	(5,278)	-	-	-	(5,278)
June 30, 2020	10,880,261	56,530,036	44,839	581,973	2,124,463	70,161,572
Accumulated depreciation						
January 1, 2020	2,607,362	19,131,655	36,324	235,979	-	22,011,320
Charge for the period	122,670	989,145	562	21,380	-	1,133,757
Released on disposals	-	(5,278)	-	-	-	(5,278)
June 30, 2020	2,730,032	20,115,522	36,886	257,359	-	23,139,799
Carrying Value						
At June 30, 2020 (Unaudited)	8,150,229	36,414,514	7,953	324,614	2,124,463	47,021,773
At December 31, 2019 (Audited)	8,104,673	35,164,702	7,043	325,317	2,509,072	46,110,807

6.1 Planned periodic maintenance

During the six-month period ended June 30, 2020, the Company conducted planned periodic maintenance activity for its integrated operational facilities and production plants. This planned periodic maintenance activity required shutdown of all integrated operational facilities and production plants from March 1, 2020 to April 30, 2020 and amounted to Saudi Riyals 1,234.4 million.

7 Leases

7.1 Right-of-use assets

	Land, buildings and infrastructure	Plant and machinery	Vehicles	Total
Cost				
January 1, 2020	1,234,445	11,660,838	86,222	12,981,505
Additions	-	-	23,488	23,488
Derecognition	-	-	(5,376)	(5,376)
June 30, 2020	1,234,445	11,660,838	104,334	12,999,617
Accumulated depreciation				
January 1, 2020	197,880	716,908	27,619	942,407
Charge for the period	17,516	326,490	14,349	358,355
Released on derecognition	-	-	(3,530)	(3,530)
June 30, 2020	215,396	1,043,398	38,438	1,297,232
Carrying value				
At June 30, 2020 (Unaudited)	1,019,049	10,617,440	65,896	11,702,385
At December 31, 2019 (Audited)	1,036,565	10,943,930	58,603	12,039,098

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(All amounts in thousands of Saudi Riyals unless otherwise stated)

7 Leases (continued)

7.2 Lease liabilities

Lease liabilities as at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020		December 31, 2019	
	Minimum lease payments (Unaudited)	Interest (Unaudited)	Present value of minimum lease payments (Unaudited)	Present value of minimum lease payments (Audited)
Land, buildings and infrastructure	2,762,833	1,642,149	1,120,684	1,128,587
Plant and machinery	14,320,824	3,453,901	10,866,923	11,117,614
Vehicles	71,852	4,431	67,421	59,751
	17,155,509	5,100,481	12,055,028	12,305,952

The present value of minimum lease payments as at June 30, 2020 and December 31, 2019 are presented in the condensed interim statement of financial position as follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Current portion	565,153	555,352
Non-current portion	11,489,875	11,750,600
	12,055,028	12,305,952

The minimum lease payments together with the present value of minimum lease payments as at June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020		December 31, 2019	
	Minimum lease payments (Unaudited)	Present value of minimum lease payments (Unaudited)	Minimum lease payments (Audited)	Present value of minimum lease payments (Audited)
Within twelve months	967,590	565,153	969,018	555,352
One to five years	3,815,126	2,380,436	3,826,524	2,340,082
More than five years	12,372,793	9,109,439	12,812,840	9,410,518
Total minimum lease payments	17,155,509	12,055,028	17,608,382	12,305,952
Less: finance charges	(5,100,481)	-	(5,302,430)	-
Present value of minimum lease payments	12,055,028	12,055,028	12,305,952	12,305,952

7.3 During the period ended June 30, 2020, the Company's expenses relating to short-term leases and low value assets are Saudi Riyals 240 thousands (June 30, 2019: Saudi Riyals 710 thousands) and Saudi Riyals 1,753 thousands (June 30, 2019: Saudi Riyals 1,595 thousands), respectively.

8 Financial assets and financial liabilities

8.1 Financial assets measured at amortized cost

Long-term loans:

	Notes	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Loan to Rabigh Arabian Water and Electricity Company (RAWEC)	8.1.1	3,440,599	3,655,284
Loans to employees	8.1.2	247,829	244,709
Long-term loans		3,688,428	3,899,993
Less: current portion of long-term loans		(465,448)	(450,318)
Non-current portion of long-term loans		3,222,980	3,449,675
Trade receivables	8.1.3	1,934,550	5,364,086

8 Financial assets and financial liabilities (continued)

8.1.1 The Company has entered into various agreements namely Water and Energy Conversion Agreement (WECA), Facility Agreement and RAWEC Shareholders' Agreement (the "Agreements"), dated August 7, 2005 as amended on October 31, 2011, with RAWEC to develop a plant, on build, own and operate basis, to supply desalinated water, steam and power to the Company. Pursuant to these agreements, the Company provided a loan to RAWEC amounting to Saudi Riyals 3.9 billion carrying interest rate of 5.76% per annum. The loan is being settled in monthly repayments, which commenced from June 30, 2008 and will run upto November 30, 2023.

During the year ended December 31, 2015, pursuant to Amended and Restated Agreement, dated March 28, 2006 as amended subsequently on March 9, 2015, the Company provided RAWEC a portion of project finance, in the total amount of Saudi Riyals 3.3 billion carrying interest rate of 5.7% per annum to expand the existing independent water, steam and power facilities to meet the requirements of Phase II Expansion Project. The loan is being settled in monthly repayments, which commenced from July 31, 2016 and will run upto June 30, 2031. These loans are secured by the assets of RAWEC.

The loan is settled by offsetting against monthly utilities payments to RAWEC. During the period ended June 30, 2020, loan amounting to Saudi Riyals 215.2 million (June 30, 2019: Saudi Riyals 200 million) have been offset against monthly utility payments to RAWEC amounting to Saudi Riyals 583.6 million (June 30, 2019: Saudi Riyals 597.7 million).

8.1.2 The Company's eligible employees are provided with loans under an employees' home ownership program. The cost of the land is advanced to employees free of interest cost provided the employee serves the Company for a minimum period of four years while the construction cost of the house is amortized and repayable free of interest to the Company to the extent of 90% over a period of seventeen years. The remaining 10% is amortized over the term of the loan (seventeen years). These loans are secured by mortgages on the related housing units. Ownership of the housing unit is transferred to the employee upon full payment of the loan.

8.1.3 Trade receivables of the Company are as follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade	34,010	31,138
Less: provision for doubtful debts	(28,410)	(28,410)
	5,600	2,728
Related parties	1,928,950	5,361,358
	1,934,550	5,364,086

Following is the ageing matrix used by the Company for analysis of trade receivables:

	Total	Neither past due nor impaired	Past due but not impaired					More than 24 months impaired
			Less than 6 months	6 to 12 months	12 to 18 months	18 to 24 months	More than 24 months	
Balance	1,962,960	1,747,821	168,739	8,940	6,334	670	2,046	28,410
Less: Loss allowance	(28,410)	-	-	-	-	-	-	(28,410)
June 30, 2020 (Unaudited)	1,934,550	1,747,821	168,739	8,940	6,334	670	2,046	-
December 31, 2019 (Audited)	5,364,086	4,952,175	403,011	6,527	442	-	1,931	-

Financial assets also include cash and cash equivalents and other receivables that are measured at amortized cost.

8 Financial assets and financial liabilities (continued)

8.2 Financial assets measured at fair value through profit and loss

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Investment in RAWEC	16,412	16,412

The Company holds 1% shares in the capital of RAWEC, a Saudi limited liability company.

The above valuation is carried at Level 3 fair valuation as the management has determined that carrying value of the investment approximates the fair value.

8.3 Financial liabilities measured at amortized cost

Loans, borrowings and other long-term liability

	Notes	June 30, 2020	December 31, 2019
		(Unaudited)	(Audited)
Loans from banks and financial institutions:			
Opening balance		34,672,840	35,113,716
Additions		4,455,351	16,647,888
Repayments		(5,830,909)	(17,088,764)
Closing balance	8.3.1	33,297,282	34,672,840
Less: current portion		(17,007,680)	(16,816,897)
Non-current portion		16,289,602	17,855,943
Loans from founding shareholders	8.3.3	5,831,846	5,751,130
Other long-term liability	8.3.4	33,075	30,950
Total non-current portion		22,154,523	23,638,023
Trade and other payables	8.3.5	9,731,309	9,401,638

8.3.1 Loans from banks and financial institutions

The Company entered into Consortium Loan Agreements with commercial banks and financial institutions for development, design, and construction of integrated refining and petrochemical complex. The facilities available under these Consortium Loan Agreements have been utilized in full by July 2008. The loan is repayable in semi-annual instalments from June 2011 to December 2021.

During the year ended December 31, 2015, the Company further entered into Consortium Loan Agreements with commercial banks and financial institutions for Phase II Expansion Project. The facilities available under these loan agreements amount to Saudi Riyals 30,630 million which have been utilized in full by the Company. The loan amounting to Saudi Riyals 19,380 million are repayable in semi-annual instalments from June 2019 to June 2031, whereas the equity bridge loan amounting to Saudi Riyals 11,250 million had initial maturity of July 1, 2019, which during the period ended June 30, 2020, has been further rescheduled to October 1, 2020 (see Note 2.2).

The aforementioned loans are denominated in US Dollar and Saudi Riyal and bear financial charges based on prevailing market rates. The loan agreements include financial and operational covenants which among other things; require certain financial ratios to be maintained. The loans are secured by property, plant and equipment, cash and cash equivalents and time deposits of the Company with a carrying value of Saudi Riyals 47,022 million and Saudi Riyals 212 million, respectively.

During the year ended December 31, 2015, the Company entered into a working capital facility of Saudi Riyals 1,875 million with a local commercial bank on prevailing market rates. During the period ended June 30, 2020, drawdowns and repayments amounting to Saudi Riyals 3,677 million and Saudi Riyals 3,215 million, respectively have been made by the Company with a closing balance of Saudi Riyals 1,755 million as at the statement of financial position date (December 31, 2019: Saudi Riyals 1,293 million).

8 Financial assets and financial liabilities (continued)

8.3.2 Loan from Saudi Industrial Development Fund (SIDF)

During the three-month period ended December 31, 2019, the Company entered into a loan agreement with SIDF to replace a portion of the loans for Phase II Expansion Project (also see Note 8.3.1). The facility available under this loan agreement amounts to Saudi Riyals 3,600 million and is unutilized as at June 30, 2020. The loan is repayable in unequal semi-annual instalments commencing from Rabi Aakhir 1443H corresponding to November 2021 to Shawwal 1453H corresponding to January 2032. Upfront fees amounting to Saudi Riyals 288 million will be deducted at the time of receipt of the loan and will be amortised over the loan term. The loan also bears a follow up fee to be paid on semi-annual basis. The loan has certain covenants which among other things requires certain financial ratios to be maintained. The loan facility is secured by a mortgage on the property, plant and equipment of the Company amounting to Saudi Riyals 7,200 million.

8.3.3 Loans from founding shareholders

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Loans:		
Saudi Arabian Oil Company (Saudi Aramco)	2,287,500	2,287,500
Sumitomo Chemical Company Limited (Sumitomo Chemical)	2,287,500	2,287,500
Accumulated interest:		
Saudi Aramco	628,423	588,065
Sumitomo Chemical	628,423	588,065
	5,831,846	5,751,130

Loans from the founding shareholders are availed as part of the Credit Facility Agreement and bear financial charges. Repayment shall be made on demand on achieving the conditions set by the financial institutions under the Inter-creditor Agreement. The loan is secured by promissory note issued by the Company in favour of each shareholder equivalent to drawdowns.

8.3.4 Other long-term liability

Other long-term liability represents withholding tax on accumulated interest on loan from Sumitomo Chemical (see Note 8.3.3) in accordance with Saudi Arabian Income Tax Law.

8.3.5 Trade and other payables

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Trade payables:		
- Related parties	8,122,955	8,249,720
- Others	1,527,036	1,076,664
	9,649,991	9,326,384
Other payables – related parties (see below)	81,318	75,254
	9,731,309	9,401,638

Other payables principally relate to payments made by founding shareholders on behalf of the Company in respect of seconded employees and other charges.

9 Share capital

The Company's authorised and issued share capital of Saudi Riyals 8.76 billion at June 30, 2020 and December 31, 2019 consists of 876 million fully paid shares of Saudi Riyals 10 each. The founding shareholders of the Company are Saudi Aramco and Sumitomo Chemical and each of them hold 37.5% of the shares.

10 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year at least 10% of its net income, after absorbing accumulated deficit, to a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for distribution to shareholders.

11 Zakat and Tax

11.1 Charge (income) for the period

Zakat and Tax for the three-month and six-month periods ended June 30, is as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Zakat for the period	-	1,171	-	14,198
Income tax for the period	-	(3,712)	-	49,360
Deferred tax for the period (see below)	294,259	(19,993)	36,150	(21,158)
Zakat for the preceding periods	-	122,502	2,915	125,324
Income tax for the preceding periods	-	27,498	-	27,418
	294,259	127,466	39,065	195,142

Income tax and deferred tax for the three-month and six-month periods ended June 30, has been recognised as follows:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Condensed interim statement of profit or loss:				
- Income tax	-	23,786	-	76,778
- Deferred tax (see below)	294,259	(19,993)	36,150	(21,158)
	294,259	3,793	36,150	55,620

During the three-month period ended June 30, 2020, pursuant to the issuance of the Royal Order M/153 amending Article 2(a) of the Saudi Arabian Income Tax Law (the Order), shares in the Kingdom of Saudi Arabia's resident listed companies held directly or indirectly by Saudi Aramco are subject to Zakat rather than income tax. The Company recognised Zakat and tax in the accompanying condensed interim financial statements accordingly. The adoption of the Order has resulted in reduction of deferred tax asset of Saudi Riyals 403 million relating to Saudi Aramco's owned interest.

11.2 Status of assessments

The Company has filed its Zakat and income tax returns with General Authority for Zakat and Tax ("GAZT") up to the financial year 2019. The Company's Zakat and tax assessments have been finalized by GAZT up to the financial year 2008 and for the years 2011 up to 2016. The GAZT has requested certain information in respect of the returns filed for the years 2017 and 2018 which the Company has duly submitted.

The GAZT had issued assessments for the years 2009 and 2010 by raising additional Zakat and tax demand of Saudi Riyals 43.3 million and Saudi Riyals 0.2 million, respectively. The Company had filed an appeal with the Higher Appeal Committee for the years 2009 and 2010, now replaced by Tax Violation and Dispute Appellate Committee (TAC) and submitted a bank guarantee amounting to Saudi Riyals 43.5 million. The Company submitted its appeal to the General Secretariat of Tax Committees (GSTC), which is the body organized by the GAZT's board of directors in order to facilitate hearing for the newly formed Committees. The GSTC has requested certain information from the Company in order to facilitate a hearing at the newly formed TAC. The Company has duly submitted the information to GSTC. The management expects a favorable outcome of the objection against the additional demand. If any additional Zakat and tax demand arises on finalization of the assessment, it is recoverable to the extent of Saudi Riyals 26 million from one of the founding shareholders of the Company.

12 Related party transactions and balances

Related parties comprise of founding shareholders of the Company being Saudi Aramco and Sumitomo Chemical, their subsidiaries and associates and other companies with common directorship with significant influence on other companies and key management personnel.

12.1 Transactions with related parties

Transactions with related parties arise mainly from purchases, sales of refined and petrochemical products, credit facilities, secondments and various lease arrangements and are undertaken at approved contractual terms. Significant related party transactions for the six-month period ended June 30, are summarized as follows:

	2020	2019
	(Unaudited)	(Unaudited)
Saudi Aramco and its associated companies		
Purchase of goods including LPG shortfall	5,890,338	18,037,555
Sale of refined products and petrochemical products	5,648,261	17,549,201
Financial charges	67,797	79,468
Rentals	10,258	1,405
Secondees' costs	15,786	22,245
Service and other cost charges, net	67,242	98,084
Sumitomo Chemical and its associated companies		
Purchase of goods	64,840	105,075
Sale of petrochemical products	1,046,599	3,129,926
Financial charges	40,575	51,913
Rentals	137	132
Secondees' costs	15,955	45,963
Service and other cost charges, net	708	17,694

12.2 Balances with related parties

In addition to Trade receivables (see Note 8.1.3), loans from founding shareholders (see Note 8.3.3) and Trade and other payables (see Note 8.3.5), the related party transactions result in receivable and payable balances as set out in the interim statement of financial position in non-trade receivables and accrued expenses and other liabilities amounting to Saudi Riyals 8.1 million (December 31, 2019: Saudi Riyals 347.8 million) and Saudi Riyals 226 million (December 31, 2019: Saudi Riyals 198.2 million), respectively.

12.3 Transactions with key management personnel

Transactions with key management personnel on account of short-term benefits amounted to Saudi Riyals 9.9 million (June 30, 2019: Saudi Riyals 9.6 million) of which Saudi Riyals 5.3 million (June 30, 2019: Saudi Riyals 5.3 million) are included in secondees' costs above. The remuneration paid to directors amounted to Saudi Riyals 1.05 million (June 30, 2019: Saudi Riyals 1.05 million).

12.4 Acquisition of Rabigh Plus Tech Park

The Company is in the process of acquiring Rabigh Plus Tech Park (RPTP), a business comprising of an industrial complex adjacent to the Company's integrated refining and petrochemical complex, developed jointly by Saudi Aramco and Rabigh Conversion Industry management Services Company (RCIMS), an associated company of Sumitomo Chemical. The acquisition is planned to be executed through asset transfer agreements for the infrastructure with Saudi Aramco and RCIMS and a lease agreement with Saudi Aramco for the land on which RPTP is located. The legal formalities in this regard are under process and are expected to be completed by the end of financial year 2020.

13 Impacts of the Pandemic

Since early 2020, the Novel Coronavirus Pandemic (COVID-19) has spread globally across various geographies causing disruption to businesses and economic activities thereby impacting the oil prices and products demand.

Whilst it is challenging to predict the full extent and duration of business and economic impacts, the Company's management has considered the potential impacts of COVID-19 on the Company's operations and concluded that as of the issuance date of these condensed interim financial statements, no significant changes are required to the judgements and key estimates. The Company is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods.

14 Contingencies and commitments

- (i) As at June 30, 2020, bank guarantees and letter of credits issued on behalf of the Company amounted to Saudi Riyals 3,029 million (December 31, 2019: Saudi Riyals 1,386 million).
- (ii) As at June 30, 2020, capital commitments contracted for but not incurred amounted to Saudi Riyals 223.7 million (December 31, 2019: Saudi Riyals 1,057 million).

15 Approval and authorization for issue

These condensed interim financial statements were approved and authorized for issue by the Board Audit Committee, as delegated by the Board of Directors, on Dhul Hijjah 6, 1441H (July 27, 2020).