

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021
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 ENDED 31 MARCH 2021**

	Page
Report on review of condensed consolidated interim financial statements	2
Condensed consolidated interim statement of financial position	3 - 4
Condensed consolidated interim statement of profit or loss and other comprehensive income	5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim statement of cash flows	7 - 8
Notes to the condensed consolidated interim financial statements	9 - 19



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 (together the "Group") as of 31 March 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended 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

29 April 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 March 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Assets			
Non-current assets			
Property, plant and equipment	5	12,754,772	12,950,401
Right-of-use assets		57,292	63,266
Other assets		129,532	134,234
Total non-current assets		<u>12,941,596</u>	<u>13,147,901</u>
Current assets			
Inventories	6	1,014,933	1,017,190
Prepayments and other current assets	7	141,550	144,643
Due from related parties	8	238,648	229,481
Trade receivables		1,072,999	784,883
Cash and cash equivalents	9	1,765,116	1,297,527
Total current assets		<u>4,233,246</u>	<u>3,473,724</u>
Total assets		<u>17,174,842</u>	<u>16,621,625</u>
Equity and liabilities			
Equity			
Share capital	10	4,800,000	4,800,000
Statutory reserve		438,294	438,294
Retained earnings		3,188,502	2,877,752
Equity attributable to the shareholders of National Petrochemical Company		<u>8,426,796</u>	<u>8,116,046</u>
Non-controlling interest		<u>4,262,177</u>	<u>4,165,547</u>
Total equity		<u>12,688,973</u>	<u>12,281,593</u>
Liabilities			
Non-current liabilities			
Long-term borrowings	11	1,495,081	1,493,854
Lease liabilities		37,826	42,244
Deferred tax liabilities - net		303,795	298,696
Employee benefit obligations		326,324	318,959
Total non-current liabilities		<u>2,163,026</u>	<u>2,153,753</u>

(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 March 2021 (Unaudited)	As at 31 December 2020 (Audited)
Current liabilities			
Trade payables		320,717	300,975
Due to related parties	8	238,941	199,067
Accrued and other liabilities	12	413,098	362,909
Zakat and income tax	13	585,283	556,887
Current portion of long-term borrowings	11	743,864	743,254
Current portion of lease liabilities		20,940	23,187
Total current liabilities		2,322,843	2,186,279
Total liabilities		4,485,869	4,340,032
Total equity and liabilities		17,174,842	16,621,625

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 March	
		2021 (Unaudited)	2020 (Unaudited)
Revenue from contracts with customers	8, 18	2,127,939	1,572,922
Cost of revenues	8, 18	(1,445,287)	(1,323,033)
Gross profit	1	682,652	249,889
Selling and distribution expenses	8	(108,020)	(84,547)
General and administrative expenses	8	(31,668)	(40,505)
Operating profit		542,964	124,837
Finance costs		(8,328)	(26,962)
Finance income	18	1,625	13,814
Finance costs - net		(6,703)	(13,148)
Other (expenses) income - net	18	(9,013)	2,077
Profit before zakat and income tax		527,248	113,766
Zakat expense		(30,857)	(22,630)
Income tax expense		(36,513)	(3,835)
Profit for the period		459,878	87,301
Other comprehensive income for the period		-	-
Total comprehensive income for the period		459,878	87,301
Profit for the period is attributable to:			
Shareholders of National Petrochemical Company		310,750	50,221
Non-controlling interest		149,128	37,080
		459,878	87,301
Total comprehensive income for the period is attributable to:			
Shareholders of National Petrochemical Company		310,750	50,221
Non-controlling interest		149,128	37,080
		459,878	87,301
Earnings per share (Saudi Riyals)			
Basic and diluted	15	0.65	0.10

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			Total	Non- controlling interests	Total equity
		Share capital	Statutory reserve	Retained earnings			
At 1 January 2020 (Audited)		4,800,000	415,317	2,932,677	8,147,994	4,101,801	12,249,795
Profit for the period		-	-	50,221	50,221	37,080	87,301
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	-	50,221	50,221	37,080	87,301
Transactions with shareholders in their capacity as shareholders:							
Reimbursement of income tax	8	-	-	-	-	24,276	24,276
At 31 March 2020 (Unaudited)		4,800,000	415,317	2,982,898	8,198,215	4,163,157	12,361,372
At 1 January 2021 (Audited)		4,800,000	438,294	2,877,752	8,116,046	4,165,547	12,281,593
Profit for the period		-	-	310,750	310,750	149,128	459,878
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	-	310,750	310,750	149,128	459,878
Transactions with shareholders in their capacity as shareholders:							
Reimbursement of income tax	8	-	-	-	-	13,127	13,127
Dividends		-	-	-	-	(65,625)	(65,625)
		-	-	-	-	(52,498)	(52,498)
At 31 March 2021 (Unaudited)		4,800,000	438,294	3,188,502	8,426,796	4,262,177	12,688,973

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 three-month period ended 31 March	
		2021 (Unaudited)	2020 (Unaudited)
Cash flows from operating activities			
Profit before zakat and income tax		527,248	113,766
<u>Adjustments for:</u>			
Depreciation		217,428	221,600
Finance costs - net		6,703	13,148
Gain on modification of subordinated loan from non-controlling interest		-	(1,593)
Provision for employee benefit obligations		9,125	8,995
<u>Changes in operating assets and liabilities:</u>			
Decrease (increase) in inventories		2,257	(34,263)
Increase in prepayments and other current assets		(7,218)	(6,475)
(Increase) decrease in due from related parties		(9,167)	51,625
(Increase) decrease in trade receivables		(288,116)	191,949
Increase in trade payables		19,742	9,427
Increase (decrease) in due to related parties		39,843	(57,595)
Increase in accrued and other liabilities		50,189	31,869
Cash generated from operations		568,034	542,453
Finance costs paid		(6,491)	(26,588)
Finance income received		276	13,814
Zakat and income tax paid		(21,862)	(24,276)
Employee benefit obligations paid		(1,729)	(2,766)
Loans to employees collected		4,349	739
Net cash inflow from operating activities		542,577	503,376
Cash flows from investing activity			
Payments for purchases of property, plant and equipment	5	(15,825)	(5,719)
Cash flows from financing activities			
Proceeds from long-term borrowings		-	2,980,369
Repayments of long-term borrowings		-	(4,649,038)
Repayment of subordinated loan from non-controlling interest		-	(77,041)
Principal elements of lease payments		(6,665)	(3,426)
Dividends paid by a subsidiary to non-controlling interest		(65,625)	-
Income tax reimbursed by non-controlling interest	8	13,127	24,276
Net cash outflow from financing activities		(59,163)	(1,724,860)

(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)

	Note	For the three-month period ended 31 March	
		2021 (Unaudited)	2020 (Unaudited)
Net change in cash and cash equivalents		467,589	(1,227,203)
Cash and cash equivalents at beginning of the period		<u>1,297,527</u>	<u>2,485,617</u>
Cash and cash equivalents at end of the period	9	<u>1,765,116</u>	<u>1,258,414</u>
Non-cash operating, investing and financing activities:			
Amortization of transaction costs		<u>1,837</u>	374
Transfer of employee benefit obligations		<u>31</u>	-
Accrued finance cost on subordinated loan from non-controlling interest		<u>-</u>	<u>1,709</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)**

Notes to the condensed consolidated interim financial statements (Unaudited)

For the three-month period ended 31 March 2021

(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 (“CR”) 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’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 (together the “Group”):

	Country of incorporation	Effective ownership percentage at	
		31 March 2021	31 December 2020
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 CR 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 March 2021.

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.

During the three-month period ended 31 March 2021, the Group has witnessed an increase in the prices of most of its products, primarily due to recovery in market conditions in key markets and countries where the Group sells its products. The increase in prices of such products has resulted in an increase in revenue and profitability for the period. However, the market conditions remain volatile and management continues to monitor the situation closely.

The Group’s management has also assessed other impacts of COVID-19 on its operations and continues to take preventative measures to ensure the health and safety of its employees and minimize the impact of the pandemic on its operations. However, as the situation is fluid and evolving, management continues to monitor and is taking necessary steps to ensure the continuity of its operations.

The condensed consolidated interim financial statements including notes and other explanatory information were approved and authorized for issue on 28 April 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 ended 31 March 2021

(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 Chartered and Professional 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 2020.

(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 2020.

(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, certain 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.

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 March 2021 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.

**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 ended 31 March 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Accounting policies (continued)

2.2 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. Subsidiaries are entities controlled by the Group. Control 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.

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 March 2021 and 31 December 2020, 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 2020.

**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 ended 31 March 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Critical accounting estimates and judgements (continued)

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.

5 Property, plant and equipment

	1 January 2021	Additions	Transfers	31 March 2021
Cost				
Office buildings	685,696	-	-	685,696
Plant, machinery and equipment	19,508,567	12,166	1,647	19,522,380
Furniture and office equipment	190,252	-	-	190,252
Vehicles	28,494	-	-	28,494
Catalysts	18,877	-	-	18,877
Capital work-in-progress	56,182	3,659	(1,647)	58,194
	<u>20,488,068</u>	<u>15,825</u>	<u>-</u>	<u>20,503,893</u>
Accumulated depreciation				
Office buildings	(225,370)	(6,900)	-	(232,270)
Plant, machinery and equipment	(7,119,125)	(202,937)	-	(7,322,062)
Furniture and office equipment	(165,007)	(1,503)	-	(166,510)
Vehicles	(28,165)	(114)	-	(28,279)
	<u>(7,537,667)</u>	<u>(211,454)</u>	<u>-</u>	<u>(7,749,121)</u>
Net book value	<u>12,950,401</u>			<u>12,754,772</u>

6 Inventories

	31 March 2021	31 December 2020
Spare parts and consumables	410,702	422,659
Finished goods	396,671	410,116
Catalyst, chemicals and additives	146,580	136,718
Goods-in-transit	63,698	46,099
Raw materials	2,143	1,598
	<u>1,019,794</u>	<u>1,017,190</u>
Less: provision for slow-moving inventories	(4,861)	-
	<u>1,014,933</u>	<u>1,017,190</u>

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 ended 31 March 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Inventories (continued)

Movement in provision for slow-moving inventories is as follows:

	For the three- month period ended 31 March 2021	For the year ended 31 December 2020
Balance at the beginning of period / year	-	-
Additions	4,861	-
Balance at the end of period / year	4,861	-

7 Prepayments and other current assets

	31 March 2021	31 December 2020
Value added tax receivable - net	63,865	72,829
Prepayments	54,402	37,549
Loans to employees	13,147	13,509
Advances to suppliers	6,140	5,111
Cash margin against bank guarantees	2,264	2,264
Accrued interest income	430	74
Advance income tax	-	12,013
Other receivables	1,302	1,294
	141,550	144,643

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 ended 31 March 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 three month period ended 31 March	
		2021	2020
Shareholder:			
Saudi Industrial Investment Group Company (“SIIG”)	Support services	(313)	(178)
	Transfer of employee benefit obligations	31	-
Associated entities:			
Saudi Chevron Phillips Company (“SCP”) (Notes i and ii)	Sales	55,919	58,028
	Purchases	(26,699)	(20,026)
	Support services	(76,291)	(88,115)
Jubail Chevron Phillips Company (“JCP”) (Note ii)	Sales	67,514	73,259
	Purchases	(267,557)	(223,762)
	Support services	172	(121)
Chevron Phillips Chemical International Sales LLC (“CPCIS”) (Note iii)	Marketing fees	(68,435)	(48,034)
	Royalty	(12,536)	(12,778)
	Support services	(133)	(3,259)
Chevron Phillips Chemical Global Employment Company	Support services	(11,592)	(11,739)
Chemical Services Inc.	Support services	(4,642)	(3,738)
Other affiliates	Support services	(585)	(602)

- (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 and technical support.
- (ii) SPCO, SCP and JCP jointly operate an employee savings plan for eligible employees. The contributions from the participants are deposited in a separate bank account held in the name of SCP.
- (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) During the three-month period ended 31 March 2021, the non-controlling interest of SPCO reimbursed Saudi Riyals 13.1 million (2020: Saudi Riyals 24.3 million) to compensate SPCO for cash payments made relating to its income tax liability.

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 ended 31 March 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

8 Related party transactions and balances (continued)

(b) *Outstanding balances arising from sales / purchases of goods and services are repayable in the ordinary course of business. Such balances do not bear any financial charges.*

(i) Due from related parties

	31 March 2021	31 December 2020
SCP	195,566	183,326
JCP	43,028	46,106
Aromatics Distribution Company FZCO	54	49
	238,648	229,481

(ii) Due to related parties

	31 March 2021	31 December 2020
JCP	132,423	87,188
SCP	57,960	73,088
CPCIS	47,555	37,780
Others	1,003	1,011
	238,941	199,067

(c) *Key management personnel compensation*

	For the three-month period ended 31 March	
	2021	2020
Salaries and other short-term employee benefits	3,055	3,344
Employee benefit obligations	253	250
	3,308	3,594

Key management personnel represent board members, directors and key personnel of 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 ended 31 March 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

9 Cash and cash equivalents

	31 March 2021	31 December 2020
Cash at banks	1,273,097	872,506
Short-term deposits	492,019	425,021
	1,765,116	1,297,527

Short-term deposits, at 31 March 2021, represent Murabaha and conventional deposits amounting to Saudi Riyals 392.0 million and Saudi Riyals 100.0 million, respectively (31 December 2020: 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 0.60% per annum (31 December 2020: 0.45% to 0.65% per annum).

10 Share capital

As at 31 March 2021, the authorized, issued and fully paid-up share capital comprised 480 million ordinary shares (31 December 2020: 480 million ordinary shares) of Saudi Riyals 10 per share.

11 Long-term borrowings

	31 March 2021	31 December 2020
Local commercial banks	2,250,000	2,250,000
Less: unamortized transaction costs	(11,055)	(12,892)
	2,238,945	2,237,108

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

Long-term borrowings	1,495,081	1,493,854
Current portion of long-term borrowings	743,864	743,254
	2,238,945	2,237,108

During 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 then 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 March 2022 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, imposes conditional limitations on shareholder distributions and certain other matters. As at 31 March 2021, the Group was in compliance with these covenants.

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 March 2021.

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.

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 ended 31 March 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Accrued and other liabilities

	31 March 2021	31 December 2020
Accrued expenses	320,188	282,956
Advances from customers	70,215	51,300
Accrued salaries and benefits	9,585	19,164
Value added tax payable - net	3,514	2,423
Other payables	9,596	7,066
	413,098	362,909

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 other comprehensive income.

The Group's management believes that the provision made in the consolidated statement of financial position is adequate to cover any additional zakat liability that may arise from the GAZT

(a) Status of assessments of the Company

The Company has filed its Zakat and Income Tax returns with the GAZT up to 2019. Subsequent to the three-month period ended 31 March 2021, the Company filed its Zakat and Income Tax return for the year 2020. 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 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.

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 with the GSTC and the final ruling 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 2020. 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 2020 have not yet been raised by the GAZT.

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 ended 31 March 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Zakat and income tax (continued)

(b) Status of assessments of SPCO (continued)

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 comprises 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 March	
	2021	2020
Domestic/Middle East	29%	27%
Asia	45%	49%
Europe/Africa	26%	24%
	100%	100%

15 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the period. 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 March	
	2021	2020
Earnings for the period	310,750	50,221
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	480,000	480,000
Earnings per share	0.65	0.10

16 Dividends

During the three-month period ended 31 March 2021, the Company's Board of Directors proposed a dividend of Saudi Riyals 360.0 million (Saudi Riyals 0.75 per share) for the year ended 31 December 2020, which was approved by the shareholders at the General Assembly Meeting held on 20 April 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 ended 31 March 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 Contingencies and commitments

- (i) At 31 March 2021, 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 2020: Saudi Riyals 458.8 million) and other bank guarantees issued in the normal course of business amounting to Saudi Riyals 11.0 million (31 December 2020: Saudi Riyals 11.2 million).
- (ii) The capital expenditure approved by the Board of Directors, for the next 12 months, as at 31 March 2021 was approximately Saudi Riyals 118.5 million (31 December 2020: Saudi Riyals 134.3 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 March 2021.

18 Comparative figures

For the three-month period ended 31 March 2020, the managements of GPDC and SPCO recorded freight costs as incidental costs necessary to satisfy performance obligations with its customers. As a result, freight costs were netted-off against the "Revenue from contracts with customers" line item in the condensed consolidated interim statement of profit or loss and other comprehensive income. The managements of GPDC and SPCO re-assessed this practice and concluded that freight costs were not incidental costs and, instead, were incurred in order to satisfy the performance obligation with its customers. As a consequence, management has reclassified such freight costs from "Revenue from contracts with customers" to "Cost of revenues" as summarized below. This reclassification has had no impact on the gross profit, operating profit, profit for the period, basic and diluted earnings per share or any condensed consolidated interim statement of financial position line items.

Finance income previously included under "Other income - net" in the comparative condensed consolidated interim financial statements has been presented separately as "Finance income" in the condensed consolidated interim statement of profit or loss and other comprehensive income to conform to the presentation for the three-month period ended 31 March 2021. This reclassification has had no impact on the gross profit, operating profit, profit for the period, basic and diluted earnings per share or any condensed consolidated interim statement of financial position line items.

	As previously reported	Reclassification	As reclassified
Condensed consolidated interim statement of profit or loss and other comprehensive income			
For the three-month period ended 31 March 2020			
Revenue from contracts with customers	1,515,288	57,634	1,572,922
Cost of revenues	(1,265,399)	(57,634)	(1,323,033)
Gross profit	249,889	-	249,889
Other income - net	15,891	(13,814)	2,077
Finance income	-	13,814	13,814