

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

(SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

Saudi Kayan Petrochemical Company (SAUDI KAYAN)
(Saudi Joint Stock Company)

Interim Condensed Financial Statements and Independent Auditor's Review Report
For the Three-month Period Ended 31 March 2020

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Independent auditor's review report on the interim condensed financial statements to the shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Saudi Kayan Petrochemical Company (Saudi Kayan) (Saudi Joint Stock Company) ("the Company") as at 31 March 2020, and the related interim condensed statements of income and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed 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" 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 that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Waleed Ghazi Tawfiq
Certified Public Accountant
Registration No. 437

3 Ramadan 1441H
26 April 2020

Al Khobar



Saudi Kayan Petrochemical Company (Saudi Kayan)
(Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

For the three-month period ended 31 March 2020

	Three-month period ended 31 March	
	2020 SR '000 (un-audited)	2019 SR '000 (un-audited)
Sales	1,887,932	2,544,339
Cost of sales	(2,108,700)	(2,278,345)
GROSS (LOSS) PROFIT	(220,768)	265,994
Selling and distribution expenses	(49,886)	(61,514)
General and administrative expenses	(80,279)	(105,991)
OPERATING (LOSS) PROFIT	(350,933)	98,489
Share in net results of an associate	3,336	5,350
Finance income	7,907	34,573
Other (expenses) income, net	(6,375)	3,416
Finance costs	(147,126)	(287,331)
LOSS BEFORE ZAKAT	(493,191)	(145,503)
Zakat charge	(23,597)	(51,984)
NET LOSS FOR THE PERIOD	(516,788)	(197,487)
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss not to be reclassified to income in subsequent periods:</i>		
Re-measurement loss on defined benefit plans	(5)	(18,959)
OTHER COMPREHENSIVE LOSS	(5)	(18,959)
TOTAL COMPREHENSIVE LOSS	(516,793)	(216,446)
Loss per share (Saudi Riyals)		
Number of shares outstanding (in thousands)	1,500,000	1,500,000
Basic and diluted loss per share from net loss for the period attributable to the equity holders of the Company	(0.34)	(0.13)

Designate Member

Waleed Ahmed Al-Shalfan

Company's President

Omar Ali Al-Ruhaily

Finance and Planning Director

Ayed Habib Al Haider

The attached notes 1 to 8 form part of these interim condensed financial statements.

Saudi Kayan Petrochemical Company (Saudi Kayan)
(Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>31 March</i> 2020 SR '000 (un-audited)	<i>31 December</i> 2019 SR '000 (audited)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	28,349,852	28,780,613
Right of use assets	392,010	403,691
Intangible assets	237,996	242,929
Investment in an associate and advances	408,301	404,965
Other non-current assets	117,589	113,868
TOTAL NON-CURRENT ASSETS	29,505,748	29,946,066
CURRENT ASSETS		
Inventories	1,219,801	1,315,617
Prepayments	79,143	93,330
Trade receivables	2,108,162	2,510,206
Other current assets	184,231	129,853
Short term investments - bank deposits	1,282,500	420,000
Cash and cash equivalents	533,923	912,723
TOTAL CURRENT ASSETS	5,407,760	5,381,729
TOTAL ASSETS	34,913,508	35,327,795
EQUITY AND LIABILITIES		
EQUITY		
Share capital	15,000,000	15,000,000
Statutory reserve	49,408	49,408
Other component of equity	620,874	620,874
Actuarial loss reserve	(19,054)	(19,049)
Accumulated losses	(1,215,156)	(698,368)
TOTAL EQUITY	14,436,072	14,952,865
LIABILITIES		
NON-CURRENT LIABILITIES		
Term loans	16,476,188	16,469,491
Lease liability	343,921	345,161
Employees' benefits	688,484	673,528
TOTAL NON-CURRENT LIABILITIES	17,508,593	17,488,180
CURRENT LIABILITIES		
Current portion of term loans	1,496,725	1,496,725
Current portion of lease liability	43,670	43,088
Trade payables	529,587	463,948
Accruals and other current liabilities	775,258	782,983
Zakat provision	123,603	100,006
TOTAL CURRENT LIABILITIES	2,968,843	2,886,750
TOTAL LIABILITIES	20,477,436	20,374,930
TOTAL EQUITY AND LIABILITIES	34,913,508	35,327,795

Designate Member

Waleed Ahmed Al-Shalhan

Company's President

Omar Ali Al-Ruhaily

Finance and Planning Director

Ayed Habib Al Haider

The attached notes 1 to 8 form part of these interim condensed financial statements.

**Saudi Kayan Petrochemical Company (Saudi Kayan)
(Saudi Joint Stock Company)**

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three-month ended 31 March 2020

	Share capital	Statutory reserve	Other component of equity	Actuarial gain (loss) reserve	Accumulated losses	Total
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance as at 1 January 2019 (audited)	15,000,000	49,408	620,874	89,669	(61,591)	15,698,360
Net loss for the period	-	-	-	-	(197,487)	(197,487)
Other comprehensive loss	-	-	-	(18,959)	-	(18,959)
Total comprehensive loss	-	-	-	(18,959)	(197,487)	(216,446)
Balance at 31 March 2019 (un-audited)	<u>15,000,000</u>	<u>49,408</u>	<u>620,874</u>	<u>70,710</u>	<u>(259,078)</u>	<u>15,481,914</u>
Balance as at 1 January 2020 (audited)	15,000,000	49,408	620,874	(19,049)	(698,368)	14,952,865
Net loss for the period	-	-	-	-	(516,788)	(516,788)
Other comprehensive loss	-	-	-	(5)	-	(5)
Total comprehensive loss	-	-	-	(5)	(516,788)	(516,793)
Balance at 31 March 2020 (un-audited)	<u>15,000,000</u>	<u>49,408</u>	<u>620,874</u>	<u>(19,054)</u>	<u>(1,215,156)</u>	<u>14,436,072</u>

Designate Member

Waleed Ahmed Al-Shalhan

Company's President

Omar Ali Al-Ruhaily

Finance and Planning Director

Ayed Habib Al Haider

Saudi Kayan Petrochemical Company (Saudi Kayan)
(Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the three-month ended 31 March 2020

	Three-month period ended 31	
	March	
	2020	2019
	SR '000	SR '000
	(un-audited)	(un-audited)
Cash flow from operating activities:		
Loss before zakat	(493,191)	(145,503)
Adjustments to reconcile loss before zakat to net cash flows provided by operations:		
Depreciation of property, plant and equipment	552,849	559,003
Depreciation of right of use assets	13,523	13,055
Amortisation of intangible assets	4,933	5,915
Employees' benefits and saving plans, net	14,951	19,567
Write-off of property, plant and equipment	7,041	-
Share in net results of an associate	(3,336)	(5,350)
Finance costs	147,126	287,331
Finance income	(7,907)	(34,573)
	<u>235,989</u>	<u>699,445</u>
Working capital adjustments:		
Inventories	95,816	205,280
Trade receivables	402,044	(36,783)
Prepayments	14,187	24,062
Other current and non-current assets	(53,614)	2,953
Trade payables, accruals and other current liabilities	(70,903)	(211,515)
Cash provided by operations	<u>623,519</u>	<u>683,442</u>
Finance costs paid	(6,054)	(119,492)
Net cash flow provided by operating activities	<u>617,465</u>	<u>563,950</u>
Investing activities:		
Additions to property, plant and equipment	(129,129)	(30,468)
Additions to right of use assets	(1,842)	-
Net movement in short term investments - bank deposits	(862,500)	(2,312,501)
Financial income received	3,422	17,978
Net cash flow used in investing activities	<u>(990,049)</u>	<u>(2,324,991)</u>
Financing activity:		
Net movement in lease liability	(6,216)	(6,450)
Net cash flow used in financing activity	<u>(6,216)</u>	<u>(6,450)</u>
Net decrease in cash and cash equivalents	(378,800)	(1,767,491)
Cash and cash equivalents at the beginning of the period	912,723	2,376,597
Cash and cash equivalents at the end of the period	<u>533,923</u>	<u>609,106</u>

The attached notes 1 to 8 form part of these interim condensed financial statements.

Saudi Kayan Petrochemical Company (Saudi Kayan)
(Saudi Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)

For the three-month ended 31 March 2020

NON-CASH TRANSACTIONS:

	Three-month period ended 31 March	
	<i>2020</i> <i>SR '000</i> <i>(un-audited)</i>	<i>2019</i> <i>SR '000</i> <i>(un-audited)</i>
Financial charges on lease liability	5,558	6,174
Amortisation of upfront fees on term loans	6,697	6,497
Financial charges for the fair value differential on loans from a shareholder	-	14,617
Net of non-cash movement in accrued financial charges	128,817	140,551
IFRS 16 adoption adjustment impacting lease liability and right of use assets	-	406,743
IFRS 16 adoption adjustment recognizing right of use assets by crediting prepayments	-	36,541
IFRS 16 adoption adjustment recognizing right of use assets by crediting capital lease under property, plant and equipment	-	6,448
IFRS 16 adoption adjustment recognizing lease liability by debiting term loans	-	9,206
Accrued financial income under other current assets	4,485	16,595

Designate Member

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Company's President

Omar Ali Al-Ruhaily

Finance and Planning Director

Ayed Habib Al Haider

The attached notes 1 to 8 form part of these interim condensed financial statements.

Saudi Kayan Petrochemical Company (Saudi Kayan) (Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

At 31 March 2020

1 Corporate information

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

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

The Company had major inspections (turnarounds/shutdown plans) in certain plants during the three-month period ended 31 March 2020.

These interim condensed financial statements have been approved on 3 Ramadan 1441H (corresponding to 26 April 2020).

2 Basis of preparation and basis of measurement

2.1 Statement of compliance

These interim condensed financial statements are for the three-month period ended 31 March 2020 and have been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34") as endorsed in the KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim condensed financial statements do not include all the information and disclosures required in annual financial statements to be prepared in accordance with IFRS that are endorsed in KSA and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2019.

2.2 Basis of measurement

The interim condensed financial statements are prepared under the historical cost convention, using the accruals basis of accounting.

For employee and other post-employment benefits, actuarial present value calculations are used.

The interim condensed financial statements are presented in Saudi Riyals (SR) which is also the functional currency of the Company.

All values are rounded to the nearest thousand (SR '000), except when otherwise indicated.

3 Accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Company.

4 Significant accounting judgements, estimates and assumptions

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure, and the disclosures of contingent liabilities. There were no significant changes to the judgments and key assumptions used in the preparation of the Company's annual financial statements for the year ended 31 December 2019.

Saudi Kayan Petrochemical Company (Saudi Kayan)
(Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) (continued)

At 31 March 2020

5 Segment information

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

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

6 Significant matters during the period

The outbreak of novel coronavirus ("COVID-19") since early 2020, was spread globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed financial statements, no significant changes are required to the judgements and key estimates. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

7 Subsequent events

In the opinion of management, there have been no significant subsequent events since period ended 31 March 2020 that would have a material impact on the financial position of the Company as reflected in these interim condensed financial statements.

8 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.