

SAUDI KAYAN PETROCHEMICAL COMPANY (SAUDI KAYAN)

(SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 Nine-month Period Ended 30 September 2020

INDEX

	Pages
Independent auditor's review report	1
Interim condensed statement of income and other comprehensive income	2
Interim condensed statement of financial position	3
Interim condensed statement of changes in equity	4
Interim condensed statement of cash flows	5-6
Notes to the interim condensed financial statements	7-10



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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 30 September 2020, and the related interim condensed statement of income and other comprehensive income for the three and nine-month periods then ended and related interim condensed statements of changes in equity and cash flows for the nine-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 Rabi' Al-Awwal 1442H
20 October 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 and nine-month periods ended 30 September 2020

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020	2019	2020	2019
	SR '000	SR '000	SR '000	SR '000
	(un-audited)	(un-audited)	(un-audited)	(un-audited)
Sales				
Cost of sales	2,105,538	2,303,214	5,530,378	7,276,728
GROSS PROFIT (LOSS)	(1,869,013)	(1,923,621)	(5,585,376)	(6,434,438)
Selling and distribution expenses	236,525	379,593	(54,998)	842,290
General and administrative expenses	(53,526)	(69,954)	(151,128)	(181,533)
OPERATING PROFIT (LOSS)	(103,275)	(108,409)	(280,495)	(321,451)
Share in net results of an associate	79,724	201,230	(486,621)	339,306
Finance income	4,016	5,250	11,050	15,250
Other income (expenses), net	2,247	7,694	16,518	82,583
Finance costs	490	172	(40,744)	15,969
PROFIT (LOSS) BEFORE ZAKAT	(83,235)	(176,958)	(370,468)	(842,740)
Zakat charge	3,242	37,388	(870,265)	(389,632)
NET (LOSS) PROFIT FOR THE PERIOD	(31,403)	(36,132)	(72,878)	(79,732)
	(28,161)	1,256	(943,143)	(469,364)
OTHER COMPREHENSIVE (LOSS) INCOME				
<i>Other comprehensive loss not to be reclassified to income in subsequent periods:</i>				
Re-measurement loss on defined benefit plans	(18,728)	(78,851)	(66,279)	(113,753)
<i>Other comprehensive income (loss) that may be reclassified to income in subsequent periods:</i>				
Net gain on debt instruments at fair value through other comprehensive income	-	-	-	12
Transfer of fair value reserve of financial assets at fair value through other comprehensive income to net income on sale of debt instruments	-	(12)	-	(12)
OTHER COMPREHENSIVE LOSS	(18,728)	(78,863)	(66,279)	(113,753)
TOTAL COMPREHENSIVE LOSS	(46,889)	(77,607)	(1,009,422)	(583,117)
Earnings (Loss) per share (Saudi Riyals)				
Number of shares outstanding (in thousands)	1,500,000	1,500,000	1,500,000	1,500,000
Basic and diluted earnings (loss) per share from net (loss) income for the period attributable to the equity holders of the Company	(0.02)	0.00	(0.63)	(0.31)

Designate Member

Waleed Ahmed Al-Shalfan

Company's President

Omar Ali Al-Ruhaily

Finance and Planning Director

Aiman Fouad Khayat

The attached notes 1 to 9 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 30 September 2020

	30 September 2020 SR '000 (un-audited)	31 December 2019 SR '000 (audited)
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment		
Right of use assets	27,317,812	28,780,613
Intangible assets	376,606	403,691
Investment in an associate and advances	241,637	242,929
Other non-current assets	381,081	404,965
	104,582	113,868
TOTAL NON-CURRENT ASSETS	28,421,718	29,946,066
CURRENT ASSETS		
Inventories		
Prepayments	1,307,391	1,315,617
Trade receivables	77,483	93,330
Other current assets	2,258,289	2,510,206
Short term investments - bank deposits	204,160	129,853
Cash and cash equivalents	1,008,750	420,000
	624,726	912,723
TOTAL CURRENT ASSETS	5,480,799	5,381,729
TOTAL ASSETS	33,902,517	35,327,795
EQUITY AND LIABILITIES		
EQUITY		
Share capital		
Statutory reserve	15,000,000	15,000,000
Other component of equity	49,408	49,408
Actuarial loss reserve	620,874	620,874
Accumulated losses	(85,328)	(19,049)
	(1,641,511)	(698,368)
TOTAL EQUITY	13,943,443	14,952,865
LIABILITIES		
NON-CURRENT LIABILITIES		
Term loans		
Lease liability	15,638,745	16,469,491
Employees' benefits	333,043	345,161
	798,311	673,528
TOTAL NON-CURRENT LIABILITIES	16,770,099	17,488,180
CURRENT LIABILITIES		
Current portion of term loans		
Current portion of lease liability	1,681,133	1,496,725
Trade payables	44,326	43,088
Accruals and other current liabilities	673,319	463,948
Zakat provision	715,423	782,983
	74,774	100,006
TOTAL CURRENT LIABILITIES	3,188,975	2,886,750
TOTAL LIABILITIES	19,959,074	20,374,930
TOTAL EQUITY AND LIABILITIES	33,902,517	35,327,795

Designate Member

Waleed Ahmed Al-Shalfan

Company's President

Omar Ali Al-Ruhaily

Finance and Planning Director

Aiman Fouad Khayat

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 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	-	-	-	-	(469,364)	(469,364)
Other comprehensive loss	-	-	-	(113,753)	-	(113,753)
Total comprehensive loss	-	-	-	(113,753)	(469,364)	(583,117)
Balance at 30 September 2019 (un-audited)	15,000,000	49,408	620,874	(24,084)	(530,955)	15,115,243
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	-	-	-	-	(943,143)	(943,143)
Other comprehensive loss	-	-	-	(66,279)	-	(66,279)
Total comprehensive loss	-	-	-	(66,279)	(943,143)	(1,009,422)
Balance at 30 September 2020 (un-audited)	15,000,000	49,408	620,874	(85,328)	(1,641,511)	13,943,443

Designate Member

Waleed Ahmed Al-Shallan

Company's President

Omar Al-Fai-Ruhally

Finance and Planning Director

Aiman Fouad Khayat

The attached notes 1 to 9 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2020

	Nine-month period ended 30 September	
	2020	2019
	SR '000	SR '000
	(un-audited)	(un-audited)
Cash flow from operating activities:		
Loss before zakat		
Adjustments to reconcile loss before zakat to net cash flows provided by operations:	(870,265)	(389,632)
Depreciation of property, plant and equipment	1,670,473	1,704,263
Depreciation of right of use assets	41,435	39,596
Amortisation of intangible assets	16,553	15,866
Employees' benefits and saving plans, net	58,504	45,271
Write-off of property, plant and equipment	8,913	-
Gain on sale of debt instruments at fair value through other comprehensive income	-	(17)
Share in net results of an associate	(11,050)	(15,250)
Adjustment to the fair value differential on long term advances to an associate	34,934	-
Finance costs	370,468	842,740
Finance income	(16,518)	(82,583)
	1,303,447	2,160,254
Working capital adjustments:		
Inventories	8,226	329,407
Trade receivables	251,917	(158,403)
Prepayments	15,847	(28,831)
Other current and non-current assets	(65,012)	97,430
Trade payables, accruals and other current liabilities	85,211	(352,891)
Cash provided by operations	1,599,636	2,046,966
Finance costs paid	(277,846)	(643,010)
Zakat paid	(98,110)	(185,830)
Net cash flow provided by operating activities	1,223,680	1,218,126
Investing activities:		
Additions to property, plant and equipment	(216,585)	(169,186)
Additions to right of use assets	(14,350)	(3,419)
Additions to intangible assets	(15,261)	-
Investment in debt instruments	-	(752)
Proceeds from sale of debt instruments	-	769
Net movement in short term investments - bank deposits	(588,750)	932,500
Financial income received	16,509	89,781
Net cash flow (used in) from investing activities	(818,437)	849,693
Financing activities:		
Net movement in term loans	(666,037)	(2,920,141)
Net movements in subordinated loans from the parent company	-	(1,252,470)
Net movement in lease liability	(27,203)	(31,469)
Net cash flow used in financing activities	(693,240)	(4,204,080)
Net decrease in cash and cash equivalents	(287,997)	(2,136,261)
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	624,726	240,336

The attached notes 1 to 9 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 nine-month period ended 30 September 2020

NON-CASH TRANSACTIONS:

	Nine-month period ended 30 September	
	2020	2019
	SR '000	SR '000
	(un-audited)	(un-audited)
Financial charges on lease liability	16,323	17,871
Amortisation of upfront fees on term loans	19,699	39,023
Financial charges for the fair value differential on loans from the parent company	-	111,404
Net of non-cash movement in accrued financial charges	56,600	31,432
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	9	7,198

Designate Member

Waleed Ahmed Al-Shalfan



Company's President

Omar Ali Al-Ruhaily



Finance and Planning Director

Aiman Fouad Khayat



The attached notes 1 to 9 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 30 September 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 Jumada'l 1428 H (12 June 2007). The registered address of the Company is P.O. Box 10302, Al Jubail Industrial City, the Kingdom of Saudi Arabia. 35% of the Company's shares are owned by Saudi Basic Industries Corporation ("SABIC") and remaining held by general public. Saudi Aramco acquired 70% of SABIC's shares effective 16 June 2020.

The Company is engaged in production of polypropylene, propylene, acetone, polyethylene, ethoxylate, ethylene, ethylene glycol, bisphenol, 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 Rabi Al-Awwal 1442H (corresponding to 20 October 2020).

2 Basis of preparation and basis of measurement

2.1 Statement of compliance

These interim condensed financial statements are for the nine-month period ended 30 September 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 30 September 2020

5 RELATED PARTY TRANSACTIONS AND BALANCES

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

Name of related party	Nature of relationship
Saudi Basic Industries Corporation "SABIC"	Parent company
Saudi Arabian Oil Company "ARAMCO"	Ultimate parent company
Saudi Butanol Company	Associate
SABIC affiliates	Affiliates

The following table provides the total amount of major transactions that have been entered into with related parties during the period and related parties balances as at 30 September 2020 and 31 December 2019:

Related party	Relationship	Amount of transaction		Ending balance	
		Nature of transaction	For the period ended 30 September 2020	For the period ended 30 September 2019	31 December 2019
			SR '000	SR '000	SR '000
a. Trade accounts receivable due from a related party					
SABIC	Parent company	Sales	5,530,088	7,276,666	2,502,670
			2,251,271		
b. Advances and other receivables due from related parties					
SABIC	Parent company	Advances		123,178	97,160
SABIC affiliates	Affiliate	Advances		546	9,211
			123,724		106,371

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED) (continued)
At 30 September 2020

5 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	Relationship	Nature of transaction	Amount of transaction		Ending balance	
			For the period ended 30 September 2020		30 September 2020	
			SR '000		SR '000	
c. Advances to an associate Saudi Butanol Company				SR '000		SR '000
					35,135	35,135
d. Trade accounts payable due to related parties SABIC	Parent company	Purchases and other services	661,511	819,321		
		Shared services charges	36,156	47,291		
		Technology and innovation cost	110,587	145,175		
		Purchase of insurance policies through the parent company	25,994	22,485		
		Finance cost charges	-	169,309	172,366	145,470
ARAMCO (effective from 16 June 2020)	Ultimate parent company	Purchases and other services	705,224	-	396,814	277,312
Other	Affiliates and an associate	Costs charged by an associate	95,599	93,657		
		Purchase of inventory, capital goods and services	57,199	89,725	27,123	2,252
					596,303	425,034
e. Subordinated loans from the parent company – presented under non current liabilities in the statement of financial position						
SABIC		Financial charges for the fair value differential on loans from the parent company	-	111,404	-	-

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

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

At 30 September 2020

6 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.

7 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.

8 Subsequent events

In the opinion of management, there have been no significant subsequent events since period ended 30 September 2020 that would have a material impact on the financial position of the Company as reflected in these interim condensed financial statements.

9 Comparative figures

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