

**SAUDI INDUSTRIAL INVESTMENT GROUP
COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30
SEPTEMBER 2020
AND REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

**SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2020**

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Report on review of condensed consolidated interim financial statements

To the shareholders of Saudi Industrial Investment Group Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudi Industrial Investment Group Company (the "Company") and its subsidiary (the "Group") as of 30 September 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month period ended 30 September 2020 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

PricewaterhouseCoopers


Bader I. Benmohareb
License Number 471

5 November 2020



SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at 30 September 2020 (Unaudited)	As at 31 December 2019 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	5	13,157,945	14,175,897
Investments in joint ventures accounted for using the equity method	6	1,202,083	2,010,642
Right-of-use assets		53,713	69,280
Loans to employees	8	135,847	146,834
Total non-current assets		14,549,588	16,402,653
Current assets			
Inventories	7	904,378	915,053
Prepayments and other current assets	8	119,251	87,891
Due from related parties	9	788,835	237,226
Trade receivables		701,012	906,097
Short-term deposits	10	628,470	-
Cash and cash equivalents	11	1,543,231	3,658,384
Total current assets		4,685,177	5,804,651
Total assets		19,234,765	22,207,304
Equity and liabilities			
Equity			
Share capital	12	4,500,000	4,500,000
Statutory reserve		897,136	897,136
Retained earnings		1,028,417	1,396,789
Equity attributable to the shareholders of Saudi Industrial Investment Group Company		6,425,553	6,793,925
Non-controlling interests		7,994,987	8,174,422
Total equity		14,420,540	14,968,347
Liabilities			
Non-current liabilities			
Long-term borrowings	13	1,867,319	3,435,135
Subordinated loan from non-controlling interests	9	-	182,696
Lease liabilities		35,889	52,097
Deferred tax liabilities - net		340,452	326,273
Employee benefit obligations		267,591	242,400
Total non-current liabilities		2,511,251	4,238,601

(Continued)

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(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 30 September 2020 (Unaudited)	As at 31 December 2019 (Audited)
Current liabilities			
Trade payables		282,371	203,467
Due to related parties	9	171,156	206,885
Accrued and other liabilities	14	305,026	364,304
Dividends payable		-	337,500
Zakat and income tax	15	673,711	664,858
Current portion of long-term borrowings	13	742,643	1,210,425
Subordinated loan from non-controlling interests	9	107,037	-
Current portion of lease liabilities		21,030	12,917
Total current liabilities		2,302,974	3,000,356
Total liabilities		4,814,225	7,238,957
Total equity and liabilities		19,234,765	22,207,304

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

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(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 30 September		For the nine-month period ended 30 September	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Revenue		1,436,211	1,957,974	4,297,382	5,628,848
Cost of sales	5	(1,114,894)	(1,466,821)	(3,850,924)	(4,160,391)
Gross profit		321,317	491,153	446,458	1,468,457
Selling and distribution expenses		(84,042)	(118,021)	(251,538)	(316,633)
General and administrative expenses		(42,567)	(45,680)	(133,260)	(138,258)
Share of net profit (loss) of joint ventures accounted for using the equity method		30,537	82,551	(106,059)	285,320
Operating profit (loss)		225,245	410,003	(44,399)	1,298,886
Finance costs		(12,326)	(43,446)	(55,208)	(182,467)
Finance income		1,548	13,483	18,115	83,667
Finance costs - net		(10,778)	(29,963)	(37,093)	(98,800)
Other income - net		9,697	(820)	21,075	21,433
Profit (loss) before zakat and income tax		224,164	379,220	(60,417)	1,221,519
Zakat expense		(10,450)	(31,164)	(73,333)	(79,211)
Income tax expense		(17,489)	(24,618)	(40,833)	(63,530)
Profit (loss) for the period		196,225	323,438	(174,583)	1,078,778
Other comprehensive income for the period		-	-	-	-
Total comprehensive income (loss) for the period		196,225	323,438	(174,583)	1,078,778
Total comprehensive income (loss) for the period is attributable to:					
Shareholders of Saudi Industrial Investment Group Company		85,477	160,268	(143,372)	543,587
Non-controlling interests		110,748	163,170	(31,211)	535,191
		196,225	323,438	(174,583)	1,078,778
Earnings (loss) per share					
Basic and diluted	17	0.19	0.36	(0.32)	1.21

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

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(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 Saudi Industrial Investment Group Company			Total	Non- controlling interests	Total equity
		Share capital	Statutory reserve	Retained earnings			
At 1 January 2019 (Audited)		4,500,000	836,509	1,561,595	6,898,104	7,517,348	14,415,452
Profit for the period		-	-	543,587	543,587	535,191	1,078,778
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive income for the period		-	-	543,587	543,587	535,191	1,078,778
Reimbursement of income tax		-	-	-	-	99,395	99,395
Dividends	18	-	-	(337,500)	(337,500)	(120,000)	(457,500)
At 30 September 2019 (Unaudited)		4,500,000	836,509	1,767,682	7,104,191	8,031,934	15,136,125
At 1 January 2020 (Audited)		4,500,000	897,136	1,396,789	6,793,925	8,174,422	14,968,347
Loss for the period		-	-	(143,372)	(143,372)	(31,211)	(174,583)
Other comprehensive income for the period		-	-	-	-	-	-
Total comprehensive loss for the period		-	-	(143,372)	(143,372)	(31,211)	(174,583)
Reimbursement of income tax		-	-	-	-	24,276	24,276
Dividends	18	-	-	(225,000)	(225,000)	(172,500)	(397,500)
At 30 September 2020 (Unaudited)		4,500,000	897,136	1,028,417	6,425,553	7,994,987	14,420,540

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

SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the nine-month period ended 30 September	
		2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
(Loss) profit before zakat and income tax		(60,417)	1,221,519
<u>Adjustments for:</u>			
Depreciation		660,070	650,767
Impairment of property, plant and equipment	5	389,969	-
Gain on disposals of property, plant and equipment		(55)	(968)
Share of net loss (profit) of joint ventures accounted for using the equity method		106,059	(285,320)
Finance costs - net		37,093	98,800
Gain on modification of subordinated loan from non-controlling interest		(620)	(4,203)
Provision for employee benefit obligations		30,932	27,697
<u>Changes in operating assets and liabilities:</u>			
Decrease in inventories		10,675	79,131
(Increase) decrease in prepayments and other current assets and loans to employees		(21,669)	149,893
Decrease in due from related parties		150,891	9,258
Decrease in trade receivables		205,085	69,420
Increase in trade payables		78,904	169,975
(Decrease) increase in due to related parties		(35,729)	14,050
Decrease in accrued and other liabilities		(59,278)	(258,004)
Cash generated from operations		1,491,910	1,942,015
Finance costs paid		(45,145)	(179,955)
Finance income received		19,411	76,141
Zakat and income tax paid		(91,134)	(163,534)
Employee benefit obligations paid		(5,741)	(4,280)
Dividends received from joint ventures		-	373,099
Net cash inflow from operating activities		1,369,301	2,043,486
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	5	(20,714)	(25,824)
Proceeds from disposals of property, plant and equipment		4,249	12,196
(Placements in) redemption of short-term deposits		(628,470)	2,000
Net cash outflow from investing activities		(644,935)	(11,628)
Cash flows from financing activities			
Proceeds from long-term borrowings		2,980,369	-
Repayments of long-term borrowings		(5,024,038)	(906,092)
Repayment of Sukuk		-	(948,000)
Repayment of subordinated loan from non-controlling interests		(77,031)	(227,395)
Dividends paid	18	(562,500)	(675,000)
Principal elements of lease payments		(8,095)	(1,673)
Dividends paid by subsidiaries to non-controlling interests		(172,500)	(120,000)
Income tax reimbursed by non-controlling interests		24,276	99,395
Total cash outflow from financing activities		(2,839,519)	(2,778,765)

(Continued)

**SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)**

Condensed consolidated interim statement of cash flows (continued)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the nine-month period ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)
Net decrease in cash and cash equivalents	(2,115,153)	(746,907)
Cash and cash equivalents at beginning of period	3,658,384	4,107,011
Cash and cash equivalents at end of period	1,543,231	3,360,104
Non-cash operating, investing and financing activities:		
Dividends payable	-	337,500
Accrued finance cost on subordinated loan from non-controlling interests	1,992	-
Amortization of transaction costs	8,071	2,512
Right-of-use assets recorded against lease liabilities	-	31,368
Prepaid lease rentals adjusted against right-of-use assets	-	1,665
Reduction in share capital of joint ventures adjusted against due from related parties	702,500	-

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

**SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)**

**Notes to the condensed consolidated interim financial statements (Unaudited)
For the three-month and nine-month periods ended 30 September 2020**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Saudi Industrial Investment Group Company (the “Company”) is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1010139946 dated on 10 Shaban 1416 H (corresponding to 1 January 1996). The registered address of the Company is P.O. Box 99833, Riyadh, Kingdom of Saudi Arabia.

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

	Country of incorporation	Effective ownership percentage at	
		30 September 2020	31 December 2019
National Petrochemical Company (A Joint Stock Company) (“Petrochem”)	Kingdom of Saudi Arabia	50%	50%
<u>The subsidiaries of Petrochem are as follows:</u>			
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 Group is principally engaged in the development of the industrial base in the Kingdom of Saudi Arabia, in particular the petrochemical industries and opening the fields of export to foreign markets and to allow the private sector to enter the other industries using the products of the petrochemical industry after obtaining the necessary licenses from the competent authorities.

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

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

During the year ended 31 December 2019, the shareholders of SPCO have 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 30 September 2020.

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

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

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

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(A Saudi Joint Stock Company)
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(All amounts in Saudi Riyals thousands unless otherwise stated)**

1 General information (continued)

Despite these challenges, the Group's business operations remain largely unaffected as the chemicals industry is, in general, exempted from the various restrictions and constraints imposed by various local regulatory authorities including the exemption from curfew hours and cargo shipping limitations. The Group's management believes that the COVID-19 pandemic, by itself, has had limited direct material effects on the Group's reported results for the three-month and nine-month periods ended 30 September 2020. However, the Group's management continues to monitor the situation closely in order to mitigate any disruptions as much as possible.

The condensed consolidated interim financial statements including notes and other explanatory information were approved and authorized for issue on 4 November 2020.

2 Accounting policies

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

2.1 Basis of preparation

(a) Statement of compliance

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

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

(b) Historical cost convention

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

(c) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Saudi Riyals, which is also the functional currency of the Group except for SPCO and GPDC which are translated in the condensed consolidated interim financial statements from United States Dollars to Saudi Riyals on a fixed rate of Saudi Riyals 3.75 to United States Dollar 1. All values are rounded to the nearest Saudi Riyal thousands, except when otherwise indicated.

(d) Comparative figures

For better presentation, certain amounts in the comparative condensed consolidated interim financial statements have been reclassified to conform to the classification for the three-month and nine-month periods ended 30 September 2020 presentation as illustrated below. The reclassification had no impact on the operating profit, profit for the period and net assets for the three-month and nine-month periods ended 30 September 2019.

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

2 Accounting policies (continued)

2.1 Basis of preparation (continued)

For the nine-month period ended 30 September 2019:

	Amount previously reported	Reclassification	Amount after reclassification
Condensed consolidated interim statement of profit or loss and other comprehensive income			
Other income - net	105,100	(83,667)	21,433
Finance income	-	83,667	83,667
	<u>105,100</u>	<u>-</u>	<u>105,100</u>

For the three-month period ended 30 September 2019:

	Amount previously reported	Reclassification	Amount after reclassification
Condensed consolidated interim statement of profit or loss and other comprehensive income			
Other income (expenses) - net	12,663	(13,483)	(820)
Finance income	-	13,483	13,483
	<u>12,663</u>	<u>-</u>	<u>12,663</u>

2.2 New and amended standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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

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

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the condensed consolidated interim statement of profit or loss and other comprehensive income (also see Note 13).

Other amendments to standards

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

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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

2 Accounting policies (continued)

2.3 Basis of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiary as at 30 September 2020. Subsidiaries are entities controlled by the Group. Controls exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has all of the following three elements:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

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

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

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

4 Critical accounting estimates and judgements

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

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4 Critical accounting estimates and judgements (continued)

However, as explained in Note 1, the Group's management has proactively assessed the potential 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					30
	January	Additions	Disposals	Transfers	Impairment	September
	2020					2020
Cost						
Office buildings	683,425	2,582	-	320	-	686,327
Plant, machinery and equipment	18,976,951	148	(5,953)	1,191	-	18,972,337
Planned turnaround costs	532,820	5,289	-	-	-	538,109
Furniture and office equipment	189,753	24	-	11	-	189,788
Vehicles	31,108	-	(1,512)	-	-	29,596
Platinum	18,877	-	-	-	-	18,877
Construction-in-progress	41,741	12,671	-	(1,522)	-	52,890
	20,474,675	20,714	(7,465)	-	-	20,487,924
Accumulated depreciation and impairment						
Office buildings	(198,582)	(20,671)	-	-	-	(219,253)
Plant, machinery and equipment	(5,624,572)	(556,082)	1,759	-	(389,969)	(6,568,864)
Planned turnaround costs	(286,993)	(62,541)	-	-	-	(349,534)
Furniture and office equipment	(159,055)	(4,668)	-	-	-	(163,723)
Vehicles	(29,576)	(541)	1,512	-	-	(28,605)
	(6,298,778)	(644,503)	3,271	-	(389,969)	(7,329,979)
Net book value	14,175,897					13,157,945

During the nine-month period ended 30 September 2020, the Board of Managers of SPCO resolved to cease the production of its Polystyrene product. Accordingly, the management of SPCO recorded an impairment loss amounting to Saudi Riyals 390.0 million against the net book value of production facilities relating to the Polystyrene product as at 30 September 2020. The impairment loss has been recognized within the "Cost of sales" line item in the condensed consolidated interim statement of profit or loss and other comprehensive income.

At 31 December 2019, part of the Group's property, plant and equipment were secured by (i) liens against loan facilities from Saudi Industrial Development Fund ("SIDF") and (ii) assignment of residual proceeds against loan facilities from consortium of local and foreign commercial banks and Public Investment Fund ("PIF"), which were settled during the nine-month period ended 30 September 2020 (also see Note 13).

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

6 Investments in joint ventures accounted for using the equity method

The joint ventures are the following companies established as limited liability companies:

	Country of incorporation	Effective ownership percentage at	
		30 September 2020	31 December 2019
Saudi Chevron Phillips Company ("SCP")	Kingdom of Saudi Arabia	50%	50%
Jubail Chevron Phillips Company ("JCP")	Kingdom of Saudi Arabia	50%	50%
Aromatics Distribution Company FZCO (a free zone limited liability company) ("ADCO")	United Arab Emirates	50%	Nil

- (a) SCP is principally engaged in the production of iso-pentane, toluene, fuel gas, heptane and hydrogen, normal pentane, benzene and cyclohexane mixed hydrocarbon aromatics as well as in the production of iso-pentane, toluene, fuel gas, heptane and hydrogen, normal pentane, benzene and cyclohexane mixed hydrocarbon aromatics. SCP is a limited liability company registered in Jubail, Saudi Arabia under Commercial Registration number 2055003839 dated 22 Safar 1417H (corresponding to 8 July 1996) with a branch in Jubail under Commercial Registration number 2055009584.

During the year 2018, the shareholders of SCP resolved to decrease the share capital of SCP by Saudi Riyals 411 million through resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter were completed during the nine-month period ended 30 September 2020. The reduction in share capital is payable on demand to the shareholders of SCP, dependent on its financial capabilities, and is treated as a current liability in SCP (also see Note 9).

- (b) JCP is principally engaged in production and sale of styrene, mixed mogas, aromatic benzene and fuel oil. JCP is a limited liability company registered in Jubail, Saudi Arabia under Commercial Registration number 2055005901 dated 25 Jumada' II 1424H (corresponding to 23 August 2003).

During the year 2018, the shareholders of JCP resolved to decrease the share capital of JCP by Saudi Riyals 994 million through resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter were completed during the nine-month period ended 30 September 2020. The reduction in share capital is payable on demand to the shareholders of JCP, dependent on its financial capabilities, and is treated as a current liability in JCP (also see Note 9).

- (c) ADCO is principally engaged to distribute the aromatic products (styrene, cyclohexane, propane and benzene) produced by JCP and SCP. ADCO is jointly owned by the Company and Arabian Chevron Phillips Petrochemical Company Limited ("ACPPCL") with a capital of SAR 51,000 each and was established during the nine-month period ended 30 September 2020. ADCO is registered in Dubai Airport free zone ("DAFZA"), United Arab Emirates under license number 4105 and started its commercial operations from March 2020 onwards.

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7 Inventories

	30 September 2020	31 December 2019
Spares	439,453	423,005
Finished goods	304,428	355,030
Catalyst, chemicals and additives	159,993	135,319
Raw materials	504	1,699
	904,378	915,053

During the period ended 30 September 2020, the management of SPCO have written-off inventories relating to Polystyrene amounting to Saudi Riyals 10.6 million (also see Note 5).

8 Prepayments and other current assets

	30 September 2020	31 December 2019
Prepayments	54,897	34,765
Loans to employees	160,224	171,214
Value added tax receivable - net	28,037	17,321
Accrued interest income	1,296	7,444
Cash margin against bank guarantee	2,264	2,264
Other receivables	8,380	1,717
	255,098	234,725
Less: loans to employees due after one year, classified under non-current assets	(135,847)	(146,834)
	119,251	87,891

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9 Related party transactions and balances

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

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

Related parties	Nature of transactions	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2020	2019	2020	2019
SCP (Note i)	<i>Sales</i>	33,007	56,958	117,184	151,166
	<i>Purchases</i>	(37,401)	(1,715)	(110,655)	(68,225)
	<i>Support services</i>	(59,477)	(42,096)	(249,194)	(221,407)
	<i>Reduction in share capital</i>	-	-	205,625	-
JCP	<i>Sales</i>	33,341	82,213	128,288	230,034
	<i>Purchases</i>	(167,048)	(325,845)	(479,460)	(823,350)
	<i>Support services</i>	165	192	401	573
	<i>Reduction in share capital</i>	-	-	496,875	-
Chevron Phillips Chemical Company LLC (Note ii)	<i>Royalty</i>	(11,719)	(13,414)	(37,541)	(38,017)
Chevron Phillips Chemical Global Employment Company	<i>Support services</i>	(18,994)	(12,567)	(41,029)	(57,790)
Chevron Phillips Chemical International Sales LLC	<i>Support services</i>	(3,047)	-	(9,008)	(10,256)
	<i>Marketing fees</i>	(50,250)	(72,161)	(144,094)	(196,106)
Chemical Services Inc.	<i>Support services</i>	(4,626)	(2,667)	(11,701)	(17,412)
Other affiliates	<i>Support services</i>	(840)	-	(1,868)	-

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

(ii) SPCO has entered into a royalty agreement with Chevron Phillips Chemical Company LLC in prior years under which the related party charges royalty to SPCO for the use of polymerization processes.

(iii) The non-controlling interest of SPCO has provided a non-interest bearing subordinated loan of Saudi Riyals 1.1 billion in prior years to finance the construction of a petrochemical plant. The repayment of the loan is subject to certain covenants being met under the terms of the current commercial loan facilities and was also subject to certain covenants under the terms of previous commercial loan facilities, which were settled during the period ended 30 September 2020. The Group has repaid Saudi Riyals 1.0 billion in the current and prior periods.

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9 Related party transactions and balances (continued)

(b) Due from related parties

	30 September 2020	31 December 2019
JCP	533,699	52,238
SCP	255,087	184,988
ADCO	49	-
	788,835	237,226

(c) Due to related parties

	30 September 2020	31 December 2019
SCP	65,149	65,509
JCP	70,447	99,383
Chevron Phillips Chemical International Sales LLC	33,716	41,993
Chevron Phillips Chemical Global Employment Company	1,793	-
ACPPCL	51	-
	171,156	206,885

(d) Key management personnel compensation

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020	2019	2020	2019
Salaries and other short-term employee benefits	4,331	4,085	18,926	17,729
Employee benefit obligations	578	408	1,600	2,644
	4,909	4,493	20,526	20,373

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

10 Short-term deposits

Short-term murabaha deposits as at 30 September 2020 represent placements with commercial banks, for a period of more than three months and less than twelve months, and yield finance income at 0.80% per annum.

11 Cash and cash equivalents

	30 September 2020	31 December 2019
Cash at banks	1,288,231	2,368,634
Short-term murabaha deposits	255,000	1,289,750
	1,543,231	3,658,384

Short-term murabaha deposits are placed with commercial banks, with a maturity period of three months or less from date of placement, and yield finance income ranging from 0.60% to 0.70% per annum.

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11 Cash and cash equivalents (continued)

At 31 December 2019, part of the Group's cash and cash equivalents, amounting to Saudi Riyals 1.2 billion, were assigned as security against loan facilities from consortium of local and foreign commercial banks and PIF, which were settled during the nine-month period ended 30 September 2020 (also see Note 13).

12 Share capital

As at 30 September 2020, the authorized, issued and fully paid-up share capital comprised 450 million ordinary shares (2019: 450 million ordinary shares) of Saudi Riyals 10 per share.

13 Long-term borrowings

	30 September 2020	31 December 2019
Local commercial banks	2,625,000	-
SIDF	-	100,000
PIF	-	391,779
Consortium of local and foreign commercial banks	-	4,157,259
	2,625,000	4,649,038
Less unamortized transaction costs	(15,038)	(3,478)
	2,609,962	4,645,560

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

Long-term borrowings	1,867,319	3,435,135
Current maturity shown under current liabilities	742,643	1,210,425
	2,609,962	4,645,560

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

The term loans obtained from a consortium of local and foreign commercial banks, PIF and SIDF, which were secured by various guarantees including pledges over the equipment and bank accounts of the Group, have been settled during the nine-month period ended 30 September 2020.

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the LIBOR, announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will impact the Group's current risk management strategy and, possibly, the accounting for certain financial instruments. The Group does not have any other financial instruments, other than the term loan, which are exposed to the impact of LIBOR as at 30 September 2020.

The Group is currently assessing the impact of the LIBOR reforms and determining next steps to ensure a smooth transition from LIBOR to the new benchmark rates.

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14 Accrued and other liabilities

	30 September 2020	31 December 2019
Accrued expenses	218,143	269,848
Advances from customers	30,566	29,029
Value added tax payable - net	574	-
Other payables	55,743	65,427
	305,026	364,304

15 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.

(a) Status of assessments of Saudi Industrial Investment Group Company

The Company has filed its Zakat and Income Tax returns with the GAZT up to 2019. The Company has finalised its zakat status with the GAZT for all years up to 31 December 2006 on standalone basis.

The GAZT raised assessments for the years from 2007 to 2014 with additional zakat liability of Saudi Riyals 42.0 million. The Company has filed an appeal against the additional zakat liability to the GAZT, following which the case has been transferred to the Preliminary Appeal Committee ("PAC"), which has been replaced by the new tax committees under the General Secretariat of Tax Committees (the "GSTC"). Accordingly, the Company's case is under review by the GSTC.

During 2020, the GAZT raised assessments for the years from 2015 to 2018 with additional zakat liability of Saudi Riyals 38.7 million. As of 30 September 2020, the Company is in the process of submitting its appeal against such additional zakat liability to the GAZT.

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

(b) Status of assessments of Petrochem

Petrochem has filed its Zakat and Income Tax returns with the GAZT up to 2019. Petrochem has finalised its zakat status with the GAZT for all years up to 31 December 2010 on a standalone basis and 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. Petrochem has filed an appeal against the additional zakat liability with the GAZT, following which the case had been transferred to the PAC. Petrochem 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. Petrochem 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 GSTC. During September 2020, the committee at GSTC issued a final ruling in favor of the GAZT's revised assessment. Accordingly, the final remaining balance due is Saudi Riyals 2.2 million.

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

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15 Zakat and income tax (continued)

(b) Status of assessments of Petrochem (continued)

During 2020, the GAZT raised assessments for the years 2017 and 2018 with additional zakat liability of Saudi Riyals 128.9 million. As of 30 September 2020, Petrochem is in the process of submitting its appeal against such additional zakat liability to the GAZT.

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

(c) Status of assessments of SPCO

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

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

(d) Status of assessments of GPDC

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

16 Segment reporting

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

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

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020	2019	2020	2019
Domestic/Middle East	28%	22%	30%	26%
Asia	50%	54%	48%	51%
Europe/Africa	22%	24%	22%	23%
	100%	100%	100%	100%

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17 Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the earnings (loss) 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 (loss) per share is the same as the basic earnings (loss) per share.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020	2019	2020	2019
Earnings (loss) for the period	85,477	160,268	(143,372)	543,587
Weighted average number of ordinary shares used in calculating basic and diluted earnings (loss) per share	450,000	450,000	450,000	450,000
Earnings (loss) per share	0.19	0.36	(0.32)	1.21

18 Dividends

During the nine-month period ended 30 September 2020, the Company's shareholders approved dividends amounting to Saudi Riyals 225.0 million which were fully paid during the period (30 September 2019: Saudi Riyals 337.5 million which were fully paid during 2019).

19 Contingencies and commitments

- (i) At 30 September 2020, the Group was contingently liable for bank guarantees issued relating to uplift of feedstock for plant from a supplier amounting to Saudi Riyals 458.8 million (31 December 2019: Saudi Riyals 458.8 million).
- (ii) The capital expenditure contracted by the Group but not incurred till 30 September 2020 was approximately Saudi Riyals 64.0 million (31 December 2019: Saudi Riyals 83.0 million).
- (iii) During 2010, Petrochem 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 Petrochem 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 the year ended 31 December 2019, the shareholders of SPCO (Petrochem and the non-controlling interest) have 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 30 September 2020.