

**SAUDI INDUSTRIAL INVESTMENT GROUP
COMPANY AND ITS SUBSIDIARY
(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

**SAUDI INDUSTRIAL INVESTMENT GROUP COMPANY AND ITS SUBSIDIARY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**

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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 (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

A handwritten signature in blue ink, appearing to read 'Bader I. Benmohareb', is written over the PricewaterhouseCoopers logo.

Bader I. Benmohareb
License Number 471

29 April 2021

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 31 March 2021 <u>(Unaudited)</u> | As at 31 December 2020 <u>(Audited)</u> |
|--|------|---|--|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 12,755,508 | 12,951,249 |
| Investments in joint ventures accounted for using the equity method | 6 | 1,405,004 | 1,290,946 |
| Right-of-use assets | | 57,292 | 63,266 |
| Other assets | | 131,141 | 135,905 |
| Total non-current assets | | <u>14,348,945</u> | <u>14,441,366</u> |
| Current assets | | | |
| Inventories | 7 | 1,011,701 | 1,013,390 |
| Prepayments and other current assets | 8 | 143,576 | 147,621 |
| Due from related parties | 9 | 735,523 | 838,231 |
| Trade receivables | | 1,072,999 | 784,883 |
| Cash and cash equivalents | 10 | 2,459,897 | 2,080,971 |
| Total current assets | | <u>5,423,696</u> | <u>4,865,096</u> |
| Total assets | | <u>19,772,641</u> | <u>19,306,462</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 11 | 4,500,000 | 4,500,000 |
| Statutory reserve | | 906,301 | 906,301 |
| Retained earnings | | 1,310,772 | 1,005,359 |
| Equity attributable to the shareholders of Saudi Industrial Investment Group Company | | 6,717,073 | 6,411,660 |
| Non-controlling interests | | 8,473,959 | 8,221,670 |
| Total equity | | <u>15,191,032</u> | <u>14,633,330</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 12 | 1,495,081 | 1,493,854 |
| Lease liabilities | | 37,826 | 42,244 |
| Deferred tax liabilities - net | | 303,795 | 298,696 |
| Employee benefit obligations | | 337,813 | 330,416 |
| Total non-current liabilities | | <u>2,174,515</u> | <u>2,165,210</u> |

(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 31 March 2021 | As at 31 December 2020 |
|---|------|---------------------------|------------------------------|
| | | (Unaudited) | (Audited) |
| Current liabilities | | | |
| Trade payables | | 320,717 | 300,975 |
| Due to related parties | 9 | 238,555 | 198,884 |
| Accrued and other liabilities | 13 | 441,387 | 392,367 |
| Dividends payable | | - | 225,000 |
| Zakat and income tax | 14 | 641,631 | 624,255 |
| Current portion of long-term borrowings | 12 | 743,864 | 743,254 |
| Current portion of lease liabilities | | 20,940 | 23,187 |
| Total current liabilities | | 2,407,094 | 2,507,922 |
| Total liabilities | | 4,581,609 | 4,673,132 |
| Total equity and liabilities | | 19,772,641 | 19,306,462 |

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 31 March | |
|---|-------|--|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| Revenue from contracts with customers | 9, 19 | 2,127,939 | 1,572,922 |
| Cost of revenues | 9, 19 | (1,444,719) | (1,326,088) |
| Gross profit | 1 | 683,220 | 246,834 |
| Selling and distribution expenses | 9 | (108,020) | (84,547) |
| General and administrative expenses | 9 | (37,679) | (45,544) |
| Share of net profit (loss) of joint ventures accounted for using the equity method | | 160,933 | (189,310) |
| Operating profit (loss) | | 698,454 | (72,567) |
| Finance costs | | (8,328) | (26,962) |
| Finance income | 19 | 2,391 | 18,659 |
| Finance costs - net | | (5,937) | (8,303) |
| Other (expenses) income - net | 19 | (8,919) | 2,077 |
| Profit (loss) before zakat and income tax | | 683,598 | (78,793) |
| Zakat expense | | (36,885) | (30,623) |
| Income tax expense | | (36,513) | (3,835) |
| Profit (loss) for the period | | 610,200 | (113,251) |
| Other comprehensive income for the period | | - | - |
| Total comprehensive income (loss) for the period | | 610,200 | (113,251) |
| Profit (loss) for the period is attributable to: | | | |
| Shareholders of Saudi Industrial Investment Group Company | | 305,413 | (173,914) |
| Non-controlling interests | | 304,787 | 60,663 |
| | | 610,200 | (113,251) |
| Total comprehensive income (loss) for the period is attributable to: | | | |
| Shareholders of Saudi Industrial Investment Group Company | | 305,413 | (173,914) |
| Non-controlling interests | | 304,787 | 60,663 |
| | | 610,200 | (113,251) |
| Earnings (loss) per share (Saudi Riyals) | | | |
| Basic and diluted | 16 | 0.68 | (0.39) |

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 | | | Non- controlling interests | Total equity | |
|--|------|--|----------------------|----------------------|----------------------------------|------------------|-------------------|
| | | Share capital | Statutory reserve | Retained earnings | | | Total |
| At 1 January 2020 (Audited) | | 4,500,000 | 897,136 | 1,396,789 | 6,793,925 | 8,174,422 | 14,968,347 |
| (Loss) profit for the period | | - | - | (173,914) | (173,914) | 60,663 | (113,251) |
| Other comprehensive income for the period | | - | - | - | - | - | - |
| Total comprehensive (loss) income for the period | | - | - | (173,914) | (173,914) | 60,663 | (113,251) |
| Transactions with shareholders in their capacity as shareholders: | | | | | | | |
| Reimbursement of income tax | 9 | - | - | - | - | 24,276 | 24,276 |
| At 31 March 2020 (Unaudited) | | 4,500,000 | 897,136 | 1,222,875 | 6,620,011 | 8,259,361 | 14,879,372 |
| At 1 January 2021 (Audited) | | 4,500,000 | 906,301 | 1,005,359 | 6,411,660 | 8,221,670 | 14,633,330 |
| Profit for the period | | - | - | 305,413 | 305,413 | 304,787 | 610,200 |
| Other comprehensive income for the period | | - | - | - | - | - | - |
| Total comprehensive income for the period | | - | - | 305,413 | 305,413 | 304,787 | 610,200 |
| Transactions with shareholders in their capacity as shareholders: | | | | | | | |
| Reimbursement of income tax | 9 | - | - | - | - | 13,127 | 13,127 |
| Dividends | | - | - | - | - | (65,625) | (65,625) |
| | | - | - | - | - | (52,498) | (52,498) |
| At 31 March 2021 (Unaudited) | | 4,500,000 | 906,301 | 1,310,772 | 6,717,073 | 8,473,959 | 15,191,032 |

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 three-month period ended 31 March | |
|--|------|---|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| Cash flows from operating activities | | | |
| Profit (loss) before zakat and income tax | | 683,598 | (78,793) |
| <u>Adjustments for:</u> | | | |
| Depreciation | | 217,540 | 221,652 |
| Share of net (profit) loss of joint ventures accounted for using the equity method | | (160,933) | 189,310 |
| Finance costs - net | | 5,937 | 8,303 |
| Gain on modification of subordinated loan from a related party | | - | (1,593) |
| Provision for employee benefit obligations | | 9,157 | 9,226 |
| <u>Changes in operating assets and liabilities:</u> | | | |
| Decrease (increase) in inventories | | 1,689 | (31,207) |
| Increase in prepayments and other current assets | | (5,504) | (4,628) |
| Decrease in due from related parties | | 102,708 | 51,625 |
| (Increase) decrease in trade receivables | | (288,116) | 196,894 |
| Increase in trade payables | | 19,742 | 9,427 |
| Increase (decrease) in due to related parties | | 39,671 | (57,773) |
| Increase in accrued and other liabilities | | 49,020 | 32,186 |
| Cash generated from operations | | 674,509 | 544,629 |
| Finance costs paid | | (6,491) | (26,588) |
| Finance income received | | 276 | 13,714 |
| Zakat and income tax paid | | (38,910) | (24,278) |
| Employee benefit obligations paid | | (1,760) | (2,767) |
| Loans to employees collected | | 4,415 | 813 |
| Dividends received from joint ventures | | 46,875 | 93,754 |
| Net cash inflow from operating activities | | 678,914 | 599,277 |
| Cash flows from investing activities | | | |
| Payments for purchases of property, plant and equipment | 5 | (15,825) | (5,719) |
| Placements in short-term deposits | | - | (128,000) |
| Total cash outflow from investing activities | | (15,825) | (133,719) |

(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)

| | Note | For the three-month period ended 31 March | |
|--|------|---|---------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) |
| 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 a related party | | - | (77,041) |
| Dividends paid | 17 | (225,000) | (337,500) |
| Principal elements of lease payments | | (6,665) | (3,426) |
| Dividends paid by subsidiaries to non-controlling interests | | (65,625) | - |
| Income tax reimbursed by a related party | 9 | 13,127 | 24,276 |
| Net cash outflow from financing activities | | (284,163) | (2,062,360) |
| Net change in cash and cash equivalents | | 378,926 | (1,596,802) |
| Cash and cash equivalents at beginning of the period | | 2,080,971 | 3,658,384 |
| Cash and cash equivalents at end of the period | 10 | 2,459,897 | 2,061,582 |
| Non-cash operating, investing and financing activities: | | | |
| Amortization of transaction costs | | 1,837 | 374 |
| Reduction in share capital of joint ventures adjusted against due from related parties | | - | 702,500 |
| Accrued finance cost on subordinated loan from a related party | | - | 1,709 |

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 period ended 31 March 2021

(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 (“CR”) 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 indirect subsidiaries (together the “Group”):

| | Country of incorporation | Effective ownership percentage at | |
|--|--------------------------|-----------------------------------|------------------|
| | | 31 March 2021 | 31 December 2020 |
| National Petrochemical Company (a Saudi 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 Company 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 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).

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.

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

1 General information (continued)

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

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.

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

2 Accounting policies (continued)

2.2 Basis of consolidation and equity accounting

(a) Subsidiaries

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiary as at 31 March 2021. 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.

(b) Investments in joint ventures

A joint venture is a type of joint arrangement where the Group has a contractual arrangement (rights and obligations) in place, with one or more parties, to undertake activities typically, however not necessarily, through a legal entity that is subject to joint control.

Interests in joint ventures are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the post-acquisition profits or losses of the investee in the profit or loss; and the Group's share of movements in other comprehensive income of the investee in the other comprehensive income, after adjustments to align the accounting policies with those of the Group. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment when the right to receive a dividend is established.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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

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.

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 | 687,762 | - | - | 687,762 |
| Plant, machinery and equipment | 19,508,574 | 12,166 | 1,647 | 19,522,387 |
| Furniture and office equipment | 189,855 | - | - | 189,855 |
| Vehicles | 29,097 | - | - | 29,097 |
| Catalysts | 18,877 | - | - | 18,877 |
| Capital work-in-progress | 56,201 | 3,659 | (1,647) | 58,213 |
| | <u>20,490,366</u> | <u>15,825</u> | <u>-</u> | <u>20,506,191</u> |
| Accumulated depreciation | | | | |
| Office buildings | (226,283) | (6,957) | - | (233,240) |
| Plant, machinery and equipment | (7,119,186) | (202,937) | - | (7,322,123) |
| Furniture and office equipment | (165,287) | (1,526) | - | (166,813) |
| Vehicles | (28,361) | (146) | - | (28,507) |
| | <u>(7,539,117)</u> | <u>(211,566)</u> | <u>-</u> | <u>(7,750,683)</u> |
| Net book value | <u>12,951,249</u> | | | <u>12,755,508</u> |

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

6 Investments in joint ventures accounted for using the equity method

The Group has investments in the following joint venture limited liability companies:

| | Country of incorporation | Effective ownership percentage at | |
|--|-----------------------------|--------------------------------------|---------------------|
| | | 31 March 2021 | 31 December 2020 |
| 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% | 50% |

- a) SCP is principally engaged in the production of liquid fuels, basic organic chemicals, primary gases and gaseous fuels. SCP is a limited liability company registered in Jubail, Kingdom of Saudi Arabia under CR number 2055003839 dated 22 Safar 1417H (corresponding to 8 July 1996) with a branch in Jubail under CR number 2055009584.

During 2018, the shareholders of SCP resolved to decrease the share capital of SCP by Saudi Riyals 411 million through their resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter were completed during 2020. The reduction in share capital has been paid in full, to the shareholders of SCP as of 31 March 2021.

- b) JCP is principally engaged in the production of basic organic chemicals, propylene and liquid fuels. JCP is a limited liability company registered in Jubail, Kingdom of Saudi Arabia under CR number 2055005901 dated 25 Jumada' II 1424H (corresponding to 23 August 2003).

During 2018, the shareholders of JCP resolved to decrease the share capital of JCP by Saudi Riyals 994 million through their resolution dated 4 September 2018 (corresponding to 24 Dhul Hijjah 1439H). The legal formalities in relation to this matter were completed during 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 registered in DAFZA, United Arab Emirates under license number 4105.

7 Inventories

| | 31 March 2021 | 31 December 2020 |
|---|------------------|---------------------|
| Spare parts and consumables | 410,702 | 422,659 |
| Finished goods | 393,439 | 406,316 |
| Catalyst, chemicals and additives | 146,580 | 136,718 |
| Goods-in-transit | 63,698 | 46,099 |
| Raw materials | 2,143 | 1,598 |
| | 1,016,562 | 1,013,390 |
| Less: provision for slow-moving inventories | (4,861) | - |
| | 1,011,701 | 1,013,390 |

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7 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 | - |

8 Prepayments and other current assets

| | 31 March 2021 | 31 December 2020 |
|-------------------------------------|--------------------------|-----------------------------|
| Value added tax receivable - net | 63,865 | 72,829 |
| Prepayments | 55,264 | 37,984 |
| Loans to employees | 13,411 | 13,777 |
| Advances to suppliers | 6,140 | 5,111 |
| Cash margin against bank guarantees | 2,264 | 2,264 |
| Accrued interest income | 1,196 | 2,240 |
| Advance income tax | - | 12,013 |
| Other receivables | 1,436 | 1,403 |
| | 143,576 | 147,621 |

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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 31 March | |
|--|----------------------------|---|-----------|
| | | 2021 | 2020 |
| Associated entities: | | | |
| SCP (Notes i and ii) | Sales | 55,919 | 58,028 |
| | Purchases | (26,699) | (20,026) |
| | Support services | (76,291) | (88,115) |
| | Reduction in share capital | - | 205,625 |
| JCP (Note ii) | Sales | 67,514 | 73,259 |
| | Purchases | (267,557) | (223,762) |
| | Support services | 172 | (121) |
| | Reduction in share capital | - | 496,875 |
| 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.

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9 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 |
|------|--------------------------|-----------------------------|
| JCP | 539,903 | 542,981 |
| SCP | 195,566 | 295,201 |
| ADCO | 54 | 49 |
| | 735,523 | 838,231 |

(ii) Due to related parties

| | 31 March 2021 | 31 December 2020 |
|--------|--------------------------|-----------------------------|
| SCP | 57,960 | 73,088 |
| JCP | 132,423 | 87,188 |
| CPCIS | 47,555 | 37,780 |
| Others | 617 | 828 |
| | 238,555 | 198,884 |

(c) *Key management personnel compensation*

| | For the three-month period ended 31 March | |
|---|--|-------------|
| | 2021 | 2020 |
| Salaries and other short-term employee benefits | 4,444 | 5,493 |
| Employee benefit obligations | 435 | 445 |
| | 4,879 | 5,938 |

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

10 Cash and cash equivalents

| | 31 March 2021 | 31 December 2020 |
|---------------------|--------------------------|-----------------------------|
| Cash at banks | 1,411,358 | 905,030 |
| Cash in hand | 20 | 20 |
| Short-term deposits | 1,048,519 | 1,175,921 |
| | 2,459,897 | 2,080,971 |

Short-term deposits, at 31 March 2021, represent Murabaha and conventional deposits amounting to Saudi Riyals 948.5 million and Saudi Riyals 100.0 million, respectively (31 December 2020: Saudi Riyals 1.1 billion 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 0.80% per annum (31 December 2020: 0.45% to 0.85% per annum).

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11 Share capital

As at 31 March 2021, the authorized, issued and fully paid-up share capital comprised 450 million ordinary shares (31 December 2020: 450 million ordinary shares) of Saudi Riyals 10 per share.

12 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.

13 Accrued and other liabilities

| | 31 March 2021 | 31 December 2020 |
|-------------------------------|--------------------------|-----------------------------|
| Accrued expenses | 320,495 | 283,386 |
| Advances from customers | 70,215 | 51,300 |
| Accrued salaries and benefits | 11,491 | 23,296 |
| Value added tax payable - net | 3,514 | 2,423 |
| Other payables | 35,672 | 31,962 |
| | 441,387 | 392,367 |

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14 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 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. The Company filed an appeal against the additional zakat liability with the GAZT, following which the Company received revised assessments from GAZT reducing the additional zakat liability to Saudi Riyals 17.0 million, which the Company has settled during 2021.

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. Subsequent to the three-month period ended 31 March 2021, Petrochem filed its Zakat and Income Tax return for the year 2020. 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 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 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. Petrochem 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.

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14 Zakat and income tax (continued)

(c) 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.

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.

15 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% |

16 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 31 March | |
|--|--|-------------|
| | 2021 | 2020 |
| Earnings (loss) for the period | 305,413 | (173,914) |
| Weighted average number of ordinary shares used in calculating basic and diluted earnings (loss) per share | 450,000 | 450,000 |
| Earnings (loss) per share | 0.68 | (0.39) |

17 Dividends

During the three-month period ended 31 March 2021, the Company paid dividends amounting to Saudi Riyals 225.0 million (Saudi Riyals 0.5 per share), which were declared and approved in 2020.

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18 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, 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 2019, the shareholders of SPCO (Petrochem 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.

19 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 | (1,268,454) | (57,634) | (1,326,088) |
| Gross profit | <u>246,834</u> | <u>-</u> | <u>246,834</u> |
| Other income - net | 20,736 | (18,659) | 2,077 |
| Finance income | - | 18,659 | 18,659 |