

**ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES**  
(A SAUDI JOINT STOCK COMPANY)



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**1. CORPORATE INFORMATION**

Advanced Petrochemical Company (the "Company") is a Saudi joint stock company registered in Dammam, Kingdom of Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban, 1426H (corresponding to 1 October 2005). The paid-up share capital of the Company is SR 2,164,734,000 divided into 216,473,400 shares of SR 10 each. During the Company's extraordinary General Assembly meeting held on 18 Muharram, 1441H (corresponding to 17 September 2019), an increase in share capital by 10% was approved by the shareholders by way of issuance of bonus shares. The increase in share capital was funded from the retained earnings account through the distribution of one share for every ten shares held by the existing shareholders. The number of shares increased from One Hundred Ninety Six Million Seven Hundred Ninety Four Thousand (196,794,000) shares to Two Hundred Sixteen Million Four Hundred Seventy Three Thousand Four Hundred (216,473,400) shares. Legal formalities relating to the above were also completed in 2019.

The interim condensed consolidated financial statements as at 31 March 2021 include the financial statements of the Company and the following subsidiaries (collectively referred to as the "Group"):

	Effective ownership
Advanced Renewable Energy Company ("AREC") - note (a)	100%
Advanced Global Investment Company ("AGIC") - note (b)	100%

Notes:

- a- Advanced Renewable Energy Company ("AREC"), is a single shareholder limited liability company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055015327 dated 27 Rabi'I 1433H (corresponding to 19 February 2012) and is 100% owned by the Company.
- b- Advanced Global Investment Company ("AGIC") is a single shareholder limited liability company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055017024 dated 12 Ramadan 1433H (corresponding to 1 August 2012) and is 100% owned by the Company.

During 2014, AGIC made 100% investment in Advanced Global Holding Limited ("AGHL"), a limited liability company incorporated in Luxembourg. AGHL has not been consolidated in these interim condensed consolidated financial statements due to immaterial financial position.

The Group is licensed to engaged in production and selling Polypropylene, Polysilicon and Polysilicon downstream products which includes Photovoltaic cells and Photovoltaic, and establishing, operating and investing in industrial projects including petrochemical, chemical, basic and conversion industries and industries relating to renewable energy both within and outside the Kingdom of Saudi Arabia.

**2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

These interim condensed consolidated financial statements have been prepared using historical cost convention except for equity investments at fair value through other comprehensive income ("FVOCI") and investments at fair value through profit or loss which are measured at fair value. For employees' defined benefit liabilities, actuarial present value calculation is used. These interim condensed consolidated financial statements are prepared in Saudi Riyals, which is both the functional and presentation currency of the Group. These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed by Saudi Organization for Chartered and Professional Accountant ("SOCPA") in the Kingdom of Saudi Arabia. These interim condensed consolidated financial statements include all the disclosures required for interim condensed consolidated financial statements but do not include all of the disclosures required for the consolidated annual financial statements.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (Continued)**

These interim condensed consolidated financial statements of the Group were approved on 27 April 2021.

***Basis of consolidation***

These interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. Control is achieved 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:

- 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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the Group to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

**ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES**  
(A SAUDI JOINT STOCK COMPANY)



المتقدمة  
Advanced

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

**5. OTHER COMPONENTS OF EQUITY**

	<b>31 March 2021</b>	31 December 2020
	<i>(Unaudited)</i>	<i>(Audited)</i>
Fair value reserve	<b>143,445</b>	82,928
Foreign currency translation reserve	<b>12,602</b>	39,491
	<b>156,047</b>	122,419

**6. INVESTMENT IN AN ASSOCIATE**

	<b>31 March 2021</b>	31 December 2020
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period/year	<b>692,935</b>	637,483
Share in results of an associate	<b>15,798</b>	34,360
Exchange differences on translation of investment in an associate	<b>(26,889)</b>	38,916
Dividend received from an associate	-	(17,874)
Prior year adjustment/reclassification	-	50
<b>At the end of the period/year</b>	<b>681,844</b>	692,935

The Group has an investment in SK Advanced Co. Limited through its subsidiary AGIC, in which AGIC owns 30% shareholding, and is classified as investment in an associate in these interim condensed consolidated financial statements. It was incorporated in South Korea in accordance with the Commercial Act of the Republic of Korea. The ownership of the associated Company is divided between AGIC with 30%, SK Gas Co. Limited with 45% and Petrochemical Industries Company K.S.C with 25%. It operates a PDH Plant with nameplate capacity of 600,000 MT per annum.

**7. OTHER NON-CURRENT ASSETS**

	<b>31 March 2021</b>	31 December 2020
	<i>(Unaudited)</i>	<i>(Audited)</i>
Employees' home ownership program (note a)	<b>251,099</b>	255,768
Others	<b>2,751</b>	5,501
	<b>253,850</b>	261,269

- a) It represents balances related to employees' Home Ownership Program (HOP). The Group started building residential houses for its employees in 2013. In May 2016, completed housing units were distributed to direct hire Saudi employees under a long term repayment agreement in Phase-I. Further, in July 2019, additional completed housing units were distributed in Phase-II. During 2020, remaining completed housing units were also distributed to employees related to Phase-II. The employees pay 17% of their monthly basic salary in addition to their housing allowance which is being applied as loan repayment/installment until the total HOP loan is fully repaid. As at reporting date, SR 251.1 million represents non-current portion and SR 19.01 million represents current portion.

**Classification: Internal Use**



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**8. MURABAHA LOAN**

In 2020, the Group entered into a Murabaha Facility Agreement on 9 July 2020 for a period of 5.5 years, with a consortium of local commercial banks amounting to SR 1.5 billion, bearing a commission rate of SIBOR plus a specified margin. This facility is intended to finance the equity for new PDH & PP Project. During the period, the Group has withdrawn SR 375 million and paid back SR 50 million, resulting in outstanding balance of SR 325 million as at 31 March 2021.

In 2019, the Group entered into a Murabaha Facility Agreement on 20 October 2019 for a period of 5 years, with a local commercial bank amounting to SR 250 million, bearing a commission rate of SIBOR plus a specified margin. This facility is intended to finance the working capital requirements of the Group.

**9. RELATED PARTY TRANSACTION AND BALANCES**

Related parties represent major shareholders, associated company, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

During the period, no significant transactions with the related parties resulting in the balances.

**Key management personnel compensation**

	<b>For the three-month period ended 31 March 2021 (Unaudited)</b>	<b>For the three-month period ended 31 March 2020 (Unaudited)</b>
Short-term employee benefits	<b>8,671</b>	6,653
End of service termination benefits	<b>509</b>	398
	<b>9,180</b>	7,051

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

**10. DIVIDENDS**

On 30 March 2021, the Board of Directors resolved to distribute interim cash dividend for the first quarter of 2021 of SR 0.65 per share (totaling SR 141 million).

On 21 December 2020, the Board of Directors proposed to distribute final cash dividend of SR 0.65 per share (totaling SR 141 million) for the fourth quarter of 2020. This has been approved by the General Assembly in their meeting held on 30 March 2021.

**11. COMMITMENTS AND CONTINGENCIES**

At 31 March 2021, Capital commitments contracted but not yet incurred amounted to SR 200.75 million in respect of the new PDH and PP project (2020: SR 222.5 million).

The Group has signed a five years agreement for the purchase of 80,000 MT per annum of propylene (an intermediate product) which have been used in the production of polypropylene since 1 October 2014. In 2017, this agreement is extended up to 31 July 2023 with increase in the quantity to 100,000 MT per annum.

**Contingencies**

The Group's banker has given payment guarantees on behalf of the Group in favor of Saudi Aramco for the propane and sales gas supply agreements and others amounting to SR 301.95 million (2020: SR 301.95 million).



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

**12. SEGMENT INFORMATION**

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

The Group's management is of the view that all activities and operations of the Group comprise of a single operating segment for the purpose of decision making with respect to performance appraisal and resources allocation.

Substantial portion of the Group's sales are made to the marketers and Group's operations are related to one operating segment. Accordingly, segmental analysis by geographical and operating segment has not been presented.

Operating assets of the Group are located in the KSA. The sales are geographically distributed between domestic sales in the Kingdom representing 6% of the total sales and overseas sales representing 94% of the total sales.

**13. EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<b>For the three-month period ended 31 March 2021 (Unaudited)</b>	<b>For the three-month period ended 31 March 2020 (Unaudited)</b>
Net profit attributable to equity holders of the Group	<b>171,361</b>	104,331
Weighted average number of ordinary shares ('000)	<b>216,473</b>	216,473
Earnings Per Share (SR)	<b>0.792</b>	0.482

There has been no item of dilution affecting the weighted average number of ordinary shares.

**14. SUBSEQUENT EVENT**

In the opinion of management, there have been no significant subsequent events since the period ended 31 March 2021 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.