

YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2015

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF
YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB) (A SAUDI JOINT STOCK
COMPANY)
ON THE INTERIM FINANCIAL STATEMENTS**

Scope of review

We have reviewed the accompanying balance sheet of Yanbu National Petrochemical Company (YANSAB) (the "Company") - a Saudi Joint Stock Company as at 31 March 2015 and the related statements of income, cash flows and changes in shareholders' equity for the three-month period then ended. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the standard on interim financial information issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim financial statements in order for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young



Husam Faisal Bawared
Certified Public Accountant
Licence No. 393



24 Jumad Thani 1436H
13 April 2015

Jeddah

15/138/AIR

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
INTERIM BALANCE SHEET (UNAUDITED)
As at 31 March 2015

	<i>Note</i>	31 March 2015 SR'000	31 March 2014 SR'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	2,050,630	1,601,326
Murabaha commodity placements	4	2,491,433	1,297,500
Accounts receivable and prepayments	5	2,157,031	2,761,642
Inventories	6	1,115,634	1,222,649
TOTAL CURRENT ASSETS		7,814,728	6,883,117
NON-CURRENT ASSETS			
Property, plant and equipment	7	14,452,517	15,344,640
Intangible assets	8	212,187	269,045
Other non-current assets	9	212,951	185,751
TOTAL NON-CURRENT ASSETS		14,877,655	15,799,436
TOTAL ASSETS		22,692,383	22,682,553
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	10	1,969,449	1,220,752
Current portion of long-term loans	11	1,462,448	1,298,413
TOTAL CURRENT LIABILITIES		3,431,897	2,519,165
NON-CURRENT LIABILITIES			
Long-term loans	11	4,060,152	5,522,600
Other non-current liabilities	13	208,021	166,779
TOTAL NON-CURRENT LIABILITIES		4,268,173	5,689,379
TOTAL LIABILITIES		7,700,070	8,208,544
SHAREHOLDERS' EQUITY			
Share capital		5,625,000	5,625,000
Statutory reserve	14	1,284,129	1,063,409
Retained earnings		8,083,184	7,785,600
TOTAL SHAREHOLDERS' EQUITY		14,992,313	14,474,009
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		22,692,383	22,682,553

The attached notes 1 to 19 form part of these unaudited interim financial statements.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
INTERIM STATEMENT OF INCOME (UNAUDITED)
For the three-month period ended 31 March 2015

	<i>Note</i>	Three-month period ended 31 March 2015 SR'000	Three-month period ended 31 March 2014 SR'000
Sales		1,716,777	2,317,888
Cost of sales		(1,304,029)	(1,609,603)
GROSS PROFIT		412,748	708,285
EXPENSES			
General and administration		(48,756)	(63,041)
INCOME FROM MAIN OPERATIONS		363,992	645,244
Other income, net		8,984	5,621
Financial charges		(47,621)	(55,277)
INCOME BEFORE ZAKAT		325,355	595,588
Zakat		(40,212)	(39,910)
NET INCOME FOR THE PERIOD		285,143	555,678
EARNINGS PER SHARE			
Weighted average number of ordinary shares outstanding (in thousands)	17	562,500	562,500
Earnings per share on income from main operations (in SR per share)	17	0.68	1.15
Earnings per share on net income for the period (in SR per share)	17	0.51	0.99

The attached notes 1 to 19 form part of these unaudited interim financial statements.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2015

	<i>Note</i>	Three-month period ended 31 March 2015 SR'000	Three-month period ended 31 March 2014 SR'000
OPERATING ACTIVITIES			
Income before zakat		325,355	595,588
Adjustments for:			
Depreciation	7	266,517	287,277
Amortisation of intangible assets		33,168	36,796
Provision for employees' end of service benefits		7,419	8,015
Provision for employees' savings plan		1,967	-
Financial charges		47,621	55,277
		682,047	982,953
Changes in operating assets and liabilities:			
Receivables		368,410	(120,012)
Inventories		200,017	(103,508)
Payables		(150,421)	228,601
Other non-current assets		2,347	4,831
Cash from operations		1,102,400	992,865
Financial charges paid		(5,018)	(1,692)
Employees' end of service benefits paid		(1,016)	(2,036)
Employees' savings benefits paid		(47)	-
Net cash from operating activities		1,096,319	989,137
INVESTING ACTIVITIES			
Murabaha commodity placements, net		(1,527,683)	(382,500)
Purchase of property, plant and equipment	7	(161,564)	(8,542)
Additions to intangible assets		(46,948)	(962)
Net cash used in investing activities		(1,736,195)	(392,004)
FINANCING ACTIVITY			
Dividends paid		(907)	(1,101,962)
Net cash used in financing activity		(907)	(1,101,962)
DECREASE IN CASH AND CASH EQUIVALENTS		(640,783)	(504,829)
Cash and cash equivalents at the beginning of the period	3	2,691,413	2,106,155
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	2,050,630	1,601,326

The attached notes 1 to 19 form part of these unaudited interim financial statements.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2015

	<i>Share capital SR '000</i>	<i>Statutory reserve SR '000</i>	<i>Retained earnings SR '000</i>	<i>Total SR '000</i>
Balance at 31 December 2013 (audited)	5,625,000	1,007,841	8,410,490	15,043,331
Net income for the period	-	-	555,678	555,678
Transfer to statutory reserve	-	55,568	(55,568)	-
Dividends	-	-	(1,125,000)	(1,125,000)
Balance at 31 March 2014 (unaudited)	5,625,000	1,063,409	7,785,600	14,474,009
Balance at 31 December 2014 (audited)	5,625,000	1,255,615	8,671,705	15,552,320
Net income for the period	-	-	285,143	285,143
Transfer to statutory reserve	-	28,514	(28,514)	-
Dividends	-	-	(843,750)	(843,750)
Board of directors' remuneration	-	-	(1,400)	(1,400)
Balance at 31 March 2015 (unaudited)	5,625,000	1,284,129	8,083,184	14,992,313

The attached notes 1 to 19 form part of these unaudited interim financial statements.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2015

1 ACTIVITIES

Yanbu National Petrochemical Company (YANSAB) (the "Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4700009432 dated 14 Muharram 1427H (corresponding to 13 February 2006) in accordance with the Ministerial Resolution No. 49 dated 12 Muharram 1427H (corresponding to 11 February 2006) for the incorporation of the Company. The Company obtained its Industrial License number S/1367 on 18 Rajab 1426H (corresponding to 23 August 2005).

The Company's authorized, issued and fully paid share capital is SR 5,625 million which is divided into 562.5 million shares of SR 10 par value each. The Company is 51% owned by Saudi Basic Industries Corporation ("SABIC") (the majority shareholder), and 49% owned by others or publicly traded.

The Company is engaged in the manufacturing of petrochemical products in accordance with the Company's By-laws and other Saudi Arabian applicable regulations. The Company commenced commercial operations on 1 March 2010.

The Company's principal place of business is in Yanbu, Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim financial statements have been prepared in accordance with Saudi Accounting Standard for interim financial information issued by Saudi Organization for Certified Public Accountants ("SOCPA"). The interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The interim financial statements are expressed in Saudi Riyals, being the functional currency of the Company and have been rounded off to the nearest thousand, unless otherwise specified.

The results presented in the interim financial statements may not be an accurate indicator of the annual financial results.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim financial statements are in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and are consistent with those used for the preparation of the annual financial statements for the year ended 31 December 2014. The following is a summary of significant accounting policies applied by the Company.

Accounting convention

The interim financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents comprise of bank balances, cash on hand, Murabaha commodity placements with an original maturity of three months or less. Murabaha commodity placements with original maturity of three months or less are stated at cost, with accrued income being captioned under prepayments and other receivables until realized. Income from Murabaha is accrued on time apportionment basis over the period from disbursement of funds to the redemption date.

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. Adjustments are recorded as they become known to the Company. An estimate for doubtful debts is made when the collection of the accounts receivable amount is considered doubtful. Bad debts are written-off as incurred.

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Finished goods, chemicals and raw materials are stated at the lower of cost or net realizable value. The cost of finished goods, chemicals, spare parts and supplies is determined on a weighted average cost basis. Inventories of finished goods include cost of materials, labor and an appropriate portion of direct overheads.

Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale.

Inventory items that are considered as essential to ensure continuous plant operations are treated as capital spare parts and are classified as plant and equipment and are depreciated using the depreciation rate relevant to the corresponding plant and equipment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method.

Depreciation on additions or extensions forming an integral part of existing plants is provided over the remaining estimated useful life of the respective plants. The estimated rates of depreciation of the principal classes of assets are stated in note 7.

Construction-in-progress represents all costs relating directly to the ongoing projects in progress and will be capitalized as property, plant and equipment when the project is completed.

The carrying amount of all property, plant and equipment is reduced to recognize other than temporary diminution in value, if any.

Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets, and are amortized using the straight-line method over their estimated useful lives. Such intangible assets and their expected amortization periods are as follows:

Pre-operating expenses

Pre-operating expenses are charged to income statement unless attributable future benefits are determined in which case these will be amortized using the straight line method over the shorter of seven years or the estimated useful lives.

Turnaround maintenance costs

Turnaround maintenance costs are deferred and amortized over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround related to the same activity, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are amortized over the period likely to benefit from such costs.

Impairment of non-current assets

At each balance sheet date, the Company assesses whether there are any indications, whether internal or external, of impairment in the value of non-current assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of an asset is the higher of its value in use and fair value less cost to sell.

A non-current asset is considered impaired if its carrying amount is higher than its recoverable amount. To determine impairment, the Company compares the non-current asset's carrying amount with the undiscounted estimated cash flow from the asset's use. If the carrying amount exceeds the undiscounted cash flow from the asset, the Company estimates the present value of the estimated future cash flows from the asset. The excess of the carrying amount over the present value of the estimated future cash flows from the assets is considered as an impairment loss.

An impairment loss is recognized immediately in the statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' home ownership program

The Company has a home ownership program that offers eligible Saudi employees home ownership opportunities.

Unallocated housing units constructed/bought for eligible employees are included under buildings and depreciated over 33 years.

When the houses are allocated to the employees, the cost of houses constructed and sold to the employees under the program is transferred from property, plant and equipment to other non-current assets. Down payments and installments of purchase price received from employees are set-off against the other non-current assets.

The cost of the houses and the related purchase price is removed from other non-current assets when the title of the houses is transferred to the employees, at which time, no significant gain or loss is expected to result to the Company.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for the goods or services received, whether billed by the supplier or not.

Dividends

Final dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Employees' end-of-service benefits and early retirement costs

End-of-service indemnities, required by Saudi Arabian Labour Law and the Company's policy, are provided in the financial statements based on the employees' length of service.

Employees' early retirement costs are provided for in accordance with the Company's policies and are charged to the statement of income.

Employees' savings plan

The Company maintains an employee savings plan. The contributions from the participants are deposited in a separate bank account and provision is established for the Company's contribution.

Revenue recognition

The majority of product sales are made to the marketing unit of SABIC, the majority shareholder under a marketing agreement. Upon delivery to the marketing unit, sales are recorded at provisional prices. These prices are later adjusted based upon actual selling prices received by the marketer from third parties, and are recorded net of actual selling and distribution costs incurred by the marketer and the marketing fees. Adjustments are recorded as they become known to the Company.

General and administration expenses

General and administration expenses include direct and indirect costs not specifically part of cost of sales as required under accounting standards generally accepted in the Kingdom of Saudi Arabia. Allocations between general and administration expenses and cost of sales, when required, are made on a consistent basis.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

Provision for obligations

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the statement of income. The zakat charge is computed at 2.5% on the zakat base or adjusted net income, whichever is higher. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of income on a straight line basis over the term of the operating lease.

Segmental analysis

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

All of the Company's operations are related to one operating segment which is petrochemicals and sell its products to one customer, the majority shareholder. Accordingly, segmental analysis by operating and geographic segment has not been presented.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

Derivative financial instruments

The Company uses derivative financial instruments, namely interest rate swap to hedge its interest rate risk on term loans obtained from banks. This arrangement is done for strategic hedging purposes and does not qualify for special hedge accounting rules. The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the interim statement of income as other income or other expenses.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2015

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances and Murabaha investments with original maturities of three months or less.

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Murabaha commodity placements and time deposits	1,006,553	1,520,516
Bank balances	1,044,077	80,810
	<u>2,050,630</u>	<u>1,601,326</u>

Cash and cash equivalents include employees' saving plan deposits held in a separate bank account of SR 11.8 million (2014: SR 8.5 million), which are not available for the Company use.

4 MURABAHA COMMODITY PLACEMENTS

Murabaha commodity placements represent placements with original maturity exceeding three months and maintained with local and foreign banks.

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Trade accounts receivable:		
Related parties (note 12 (a))	1,906,241	2,514,342
Others	-	32
	<u>1,906,241</u>	<u>2,514,374</u>
Prepayments	82,293	76,708
Amounts due from related parties (note 12 (a))	168,497	170,560
	<u>2,157,031</u>	<u>2,761,642</u>

6 INVENTORIES

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Finished goods	529,718	586,151
Raw materials	199,994	247,483
Spare parts (see note (a) below)	437,264	413,443
	<u>1,166,976</u>	<u>1,247,077</u>
Less:		
Allowance for slow moving spare parts	(51,342)	(24,428)
	<u>1,115,634</u>	<u>1,222,649</u>

a) The spare parts inventory is primarily used in the upkeep of plant and machinery.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2015

7 PROPERTY, PLANT AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Building & leasehold improvements	33 years	Plant, machinery & heavy equipment	20 years
Tools & equipment	20 years	Furniture	10 years
Vehicles	4 years	Computers & software	5 years
Laboratory & safety equipment	5 years	Catalyst	5 years

	<i>Buildings & leasehold improvements</i> SR '000	<i>Plant, machinery & heavy equipment</i> SR '000	<i>Tools & equipment</i> SR '000	<i>Furniture</i> SR '000	<i>Vehicles</i> SR '000	<i>Computers & software</i> SR '000	<i>Laboratories & safety equipment</i> SR '000	<i>Catalyst</i> SR '000	<i>Capital work in progress</i> SR '000	<i>Three-month period ended 31 March 2015</i> SR '000	<i>Three-month period ended 31 March 2014</i> SR '000
Cost:											
At the beginning of the period	176,582	18,774,888	130,035	12,852	441	78,890	45,351	28,895	221,942	19,469,876	19,351,230
Additions	-	-	-	-	-	-	-	-	161,564	161,564	8,542
Transfers	-	1,647	-	-	-	-	-	-	(33,911)	(32,264)	-
At the end of the period	176,582	18,776,535	130,035	12,852	441	78,890	45,351	28,895	349,595	19,599,176	19,359,772
Depreciation:											
At the beginning of the period	25,766	4,697,926	25,214	6,033	441	67,429	42,488	14,845	-	4,880,142	3,727,855
Charge for the period	1,338	255,716	2,017	321	-	3,945	1,574	1,606	-	266,517	287,277
At the end of the period	27,104	4,953,642	27,231	6,354	441	71,374	44,062	16,451	-	5,146,659	4,015,132
Net book amounts:											
At 31 March 2015	149,478	13,822,893	102,804	6,498	-	7,516	1,289	12,444	349,595	14,452,517	
At 31 March 2014	154,829	14,904,307	60,867	7,784	3	19,553	9,519	18,464	169,314		15,344,640

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2015

7 PROPERTY, PLANT AND EQUIPMENT (continued)

- a) The plants are situated on land leased from the Royal Commission, Yanbu, for 35 Hijra years commencing 1 Dhul Al-Hija 1426 H (corresponding to 1 January 2006). The lease is renewable for further similar periods at the option of the parties.
- b) The Company's property, plant and equipment with original cost amounting to SR 3,175 million are leased under Ijara financing arrangement with certain banks (note 11).

8 INTANGIBLE ASSETS

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Pre-operating and start-up costs (note (a))	54,762	95,797
Deferred charges (note (b))	83,200	60,566
Turnaround maintenance costs (note (c))	74,225	112,682
	<u>212,187</u>	<u>269,045</u>

a) Pre-operating expenses

These represent a contribution of SR 200 million to the Centennial Fund and Higher Plastic Institute that will financially support small and medium sized projects in the related industry. Pre-operating expenses are amortized using the straight line method over the shorter of 7 years or their estimated useful life, from the commencement of commercial operations. The amortization of pre-operating expenses started on 1 March 2010.

b) Deferred charges

These include financial legal advisory and arrangement fees totalling SR 143.2 million, relating to long term financing arrangements to finance the partial construction of the company's plant. These fees were included in the initial recognition of the related financing arrangements and are being amortized, using the effective interest rate, over the period of long term financing agreements. The amortized portion relating to the construction period amounting to SR 35.6 million as at 28 February 2010 is capitalized. Amortization for the period from 1 March 2010, date of commencement of operations.

c) Turnaround maintenance costs

These represent cost incurred to capture the planned turnaround cost. This cost will be amortized over the period until the date of the next planned turnaround.

9 OTHER NON-CURRENT ASSETS

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Advances to a related party (note 12 (a))	7,500	7,500
Employees' home ownership program	205,451	178,251
	<u>212,951</u>	<u>185,751</u>

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2015

10 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Trade accounts payable:		
Related parties (note 12 (b))	168,452	97,971
Others (see note (a) below)	148,651	5,572
	<u>317,103</u>	<u>103,543</u>
Accrued expenses	419,929	757,350
Amounts due to related parties (note 12 (b))	200,070	172,656
Dividends payable	851,119	24,631
Provision for zakat	181,228	162,572
	<u>1,969,449</u>	<u>1,220,752</u>

a) Includes payables for major suppliers.

11 LONG-TERM LOANS

Long-term loans comprise of:

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Term loans	4,009,474	4,942,705
Ijara financing agreements ("IFA")	1,513,126	1,878,308
	<u>5,522,600</u>	<u>6,821,013</u>
Less:		
Current portion of long term loans	(1,462,448)	(1,298,413)
	<u>4,060,152</u>	<u>5,522,600</u>

Term loans

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Public Investment Fund (PIF) (see note (a) below)	1,800,563	2,200,687
Commercial and Export Credit Agencies (ECA) loans (see note (b) below)	2,208,911	2,742,018
	<u>4,009,474</u>	<u>4,942,705</u>
Less:		
Current portion (see notes (a), (b) and (c) below)	(1,030,580)	(933,231)
	<u>2,978,984</u>	<u>4,009,474</u>

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2015

11 LONG-TERM LOANS (continued)

Term loans (continued)

- a) The PIF term loan obtained in 2007 to finance the partial construction of the plants is limited to SR 4,001 million. The term loan carries charges at commercial rates and is repayable in equal semi-annual instalments of SR 200 million. The first instalment was paid on 31 December 2009, and the last instalment is payable on 30 June 2019.
- b) During 2007, the above loans obtained were from a consortium of banks in three loans, of which two loans limited to SR 5,948 million and guaranteed by Export Credit Agencies (ECA), Servizi Assicurativi Del Commercio Estero and Export Credits Guarantee Department (ECGD) to finance the partial construction of plants and working capital. The loans which carry commission at commercial rates are repayable in semi-annual variable instalments with the first instalment payable on 30 June 2009 and the last instalment payable on 30 June 2018.
- c) The term loans are secured against the proceeds of project. In addition, the Company has signed an Equity Support, Subordination and Retention Agreement with the majority Shareholder (SABIC) under which SABIC shall maintain its ownership in Yansab at 51% for the life of the loans.

Ijara Financing Agreements ("IFA")

In 2009, the Company entered into the IFAs pursuant to which the commercial banks will participate in the procurement of a portion of the project assets on the basis of a co-ownership structure.

On the completion of the project, the co-owned assets will be leased to the Company at an annual rental as agreed plus margin.

A special purpose vehicle, Yanbu Asset Leasing Company Limited (YALC) (the "Custodian"), incorporated in the Kingdom of Saudi Arabia, holds, as agent, the financiers' interest in the co-owned assets.

Under the Forward Lease Agreement and the other IFAs, the Company will purchase from the custodian, the financiers' ownership interest in the above assets over a period of twelve years commencing from 18 June 2006. Commission on obligation under these arrangements is based on the commercial rate.

As of 31 March, the following balances were outstanding in respect of these facilities:

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Obligations under Ijara financing agreements	1,513,126	1,878,308
Less:		
Current portion	(431,868)	(365,182)
	<u>1,081,258</u>	<u>1,513,126</u>

In accordance with supply agreement a portion of the project equivalent in amount to the share of Original Facility Participants in Financing Facility as at completion of withdrawal date of 22 November 2010 amounting to SR 2,775 million has been transferred to Yanbu Asset Leasing Company Limited (Company owned by Original Participants). In accordance with the Ijara arrangements the last installment is repayable on 30 June 2018.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2015

12 RELATED PARTY TRANSACTIONS AND BALANCES

The following are details of major related party transactions during the three-months period ended 31 March and the balances thereof at 31 March:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transaction For the three-month period ended</i>		<i>Balance At 31 March</i>	
		<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
		<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
a) Amounts due from related parties					
Saudi Basic Industries Corporation (SABIC) – (majority shareholder)	Sale of products	1,716,777	2,317,888	1,906,184	2,513,794
	Advances for purchase of materials, product sales and other transactions	16,603	3,571	161,217	174,686
Other affiliates	Sale of products	-	-	57	548
	Others	14,880	3,470	14,780	3,374
				2,082,238	2,692,402
b) Amounts due to related parties					
Saudi Basic Industries Corporation (SABIC) – (majority shareholder)	Payments on behalf of the company and other services rendered by the majority shareholder	469,229	373,102	302,514	225,528
	Research and technology fees	34,336	45,778	-	-
Other affiliates	Others	46,192	-	66,008	45,099
Board of directors	Remuneration	1,400	-	1,400	-
				369,922	270,627

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the three-month period ended 31 March 2015

13 OTHER NON-CURRENT LIABILITIES

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Employees' end of service benefits	189,211	153,815
Employees' savings plan	18,810	12,964
	208,021	166,779

14 STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies, the company must set aside 10% of net income for the year until it has built up a reserve equal to 50% of the capital. The company may resolve to discontinue such transfers when the reserve totals 50% of the capital. This reserve is not available for distribution. The Company has appropriated the required statutory reserve for the period ended 31 March 2015 based on the interim financial statements. The reserve will be adjusted based on the final annual statutory financial statements.

15 NON-CASH TRANSACTIONS

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Dividends	843,750	-
Board of directors' remuneration	1,400	-
Capital work in progress transferred to other non-current assets	26,118	-
Capital work in progress transferred to deferred charges	6,146	-

16 COMMITMENTS AND CONTINGENCIES

	<i>31 March 2015 SR'000</i>	<i>31 March 2014 SR'000</i>
Letters of guarantee	14,798	14,798
Capital commitments	167,800	54,500
	182,598	69,298

17 EARNINGS PER SHARE

Earnings per share on income from main operations is calculated by dividing income from main operations by weighted average number of shares in issue during the period.

Earnings per share on net income is calculated by dividing the net income by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is not applicable on the Company.

18 DIVIDENDS

On 9 December 2013, the Board of Directors recommended to the General Assembly a distribution of the amount of SR 1,125 million as cash dividends (SR 2 per share) for the second half of the year 2013 which represents 20% of the nominal value of the shares. The eligibility for this dividend distribution was to shareholders listed on the Tadawul (Saudi Stock Exchange) by the end of trading day of the General Assembly meeting which was on 16 March 2014. This was approved by the General Assembly in their meeting held on 16 March 2014. The total dividends for the year ended 31 December 2013 were SR 1,687.5 million (SR 3 per share).

On 4 December 2014, the Board of Directors recommended to the General Assembly a distribution of the amount of SR 843.75 million as cash dividends (SR 1.5 per share) for the second half of the year 2014 which represents 15% of the nominal value of the shares. The eligibility for this dividend distribution was to shareholders listed on the Tadawul (Saudi Stock Exchange) by the end of trading day of the General Assembly meeting which was on 19 March 2015. This was approved by the General Assembly in their meeting held on 19 March 2015. The total dividends for the year ended 31 December 2014 were SR 1,687.5 million (SR 3 per share).

19 COMPARATIVE INFORMATION

Certain of the prior period amounts have been reclassified to conform with the presentation in the current period.