

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

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016



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**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 30 September 2016 and the related statement of income for the three-month and nine-month periods ended 30 September 2016, and the related statements of cash flows and changes in shareholders' equity for the nine-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 Saudi Organization for Certified Public Accountants' Standard on interim financial reporting. 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 for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
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11 Muharram 1438H
12 October 2016

Jeddah



16/02/AMS

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

INTERIM BALANCE SHEET (UNAUDITED)

As at 30 September 2016

		30 September 2016 SR '000	30 September 2015 SR '000
	Note		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	633,195	661,133
Murabaha commodity placements	4	2,928,131	2,844,938
Accounts receivable and prepayments	5	1,974,427	2,105,582
Inventories	6	879,622	1,007,716
TOTAL CURRENT ASSETS		6,415,375	6,619,369
NON-CURRENT ASSETS			
Property, plant and equipment	7	13,770,875	14,498,597
Intangible assets	8	30,462	85,626
Other non-current assets	9	199,257	204,759
TOTAL NON-CURRENT ASSETS		14,000,594	14,788,982
TOTAL ASSETS		20,415,969	21,408,351
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued expenses	10	1,156,518	1,420,847
Current portion of long term loans	11	1,464,011	1,463,230
TOTAL CURRENT LIABILITIES		2,620,529	2,884,077
NON-CURRENT LIABILITIES			
Long term loans	11	1,864,136	3,328,146
Other non-current liabilities	13	288,209	237,198
TOTAL NON-CURRENT LIABILITIES		2,152,345	3,565,344
TOTAL LIABILITIES		4,772,874	6,449,421
SHAREHOLDERS' EQUITY			
Share capital	1	5,625,000	5,625,000
Statutory reserve	14	1,546,222	1,337,041
Retained earnings		8,471,873	7,996,889
TOTAL SHAREHOLDERS' EQUITY		15,643,095	14,958,930
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		20,415,969	21,408,351

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 and nine-month periods ended 30 September 2016

	<i>Note</i>	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
		<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>	<i>2016</i> <i>SR'000</i>	<i>2015</i> <i>SR'000</i>
Sales		1,725,715	1,800,266	5,121,466	5,080,366
Cost of sales		(1,021,393)	(1,365,654)	(3,100,625)	(3,859,963)
GROSS PROFIT		704,322	434,612	2,020,841	1,220,403
Selling, general and administration expenses		(47,854)	(53,184)	(152,645)	(158,560)
INCOME FROM MAIN OPERATIONS		656,468	381,428	1,868,196	1,061,843
Other income, net		23,461	7,743	59,522	20,306
Financial charges		(31,938)	(42,277)	(107,506)	(137,301)
INCOME BEFORE ZAKAT		647,991	346,894	1,820,212	944,848
Zakat		(40,393)	(45,176)	(121,461)	(130,588)
NET INCOME FOR THE PERIOD		607,598	301,718	1,698,751	814,260
EARNINGS PER SHARE					
Weighted average number of outstanding ordinary shares (in thousands)	17	562,500	562,500	562,500	562,500
Earnings per share on income from main operations for the period (in SR per share)	17	1.17	0.68	3.32	1.89
Earnings per share on net income for the period (in SR per share)	17	1.08	0.54	3.02	1.45

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 nine-month period ended 30 September 2016

	<i>Note</i>	30 September 2016 SR '000	30 September 2015 SR '000
OPERATING ACTIVITIES			
Income before zakat		1,820,212	944,848
Adjustments for:			
Depreciation	7	805,762	774,297
Amortisation of intangible assets		50,029	64,748
Provision for employees' end of service benefits		34,383	35,064
Provision for employees' savings plan		6,700	6,170
Loss on disposal of property, plant and equipment		1,404	822
Financial charges		107,506	137,301
		2,825,996	1,963,250
Changes in operating assets and liabilities :			
Receivables		114,923	419,859
Inventories		(54,118)	307,935
Other non-current assets		4,056	10,539
Payables		(169,474)	214,819
Cash from operations		2,721,383	2,916,402
Financial charges paid		(78,709)	(97,979)
Employees' end of service benefits paid		(4,336)	(3,594)
Employees' savings benefits paid		(475)	(140)
Zakat paid		(131,471)	(161,514)
Board of directors' remuneration paid		(1,400)	-
Net cash from operating activities		2,504,992	2,653,175
INVESTING ACTIVITIES			
Murabaha commodity placements, net		(194,456)	(1,881,188)
Purchase of property, plant and equipment	7	(221,141)	(668,213)
Net cash used in investing activities		(415,597)	(2,549,401)
FINANCING ACTIVITIES			
Repayment of long term loans		(732,005)	(731,224)
Dividends paid		(1,403,219)	(1,402,830)
Net cash used in financing activities		(2,135,224)	(2,134,054)
DECREASE IN CASH AND CASHEQUIVALENTS		(45,829)	(2,030,280)
Cash and cash equivalents at the beginning of the period		679,024	2,691,413
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	633,195	661,133

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 (UNAUDITED)
For the nine-month period ended 30 September 2016

	<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 2014 (audited)	5,625,000	1,255,615	8,671,705	15,552,320
Net income for the period	-	-	814,260	814,260
Transfer to statutory reserve	-	81,426	(81,426)	-
Dividends (note 18)	-	-	(1,406,250)	(1,406,250)
Board of directors' remuneration	-	-	(1,400)	(1,400)
Balance at 30 September 2015 (unaudited)	<u>5,625,000</u>	<u>1,337,041</u>	<u>7,996,889</u>	<u>14,958,930</u>
Balance at 31 December 2015 (audited)	5,625,000	1,376,347	8,350,647	15,351,994
Net income for the period	-	-	1,698,751	1,698,751
Transfer to statutory reserve	-	169,875	(169,875)	-
Dividends (note 18)	-	-	(1,406,250)	(1,406,250)
Board of directors' remuneration	-	-	(1,400)	(1,400)
Balance at 30 September 2016 (unaudited)	<u>5,625,000</u>	<u>1,546,222</u>	<u>8,471,873</u>	<u>15,643,095</u>

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 (UNAUDITED)

For the nine-month period ended 30 September 2016

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 the city of 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 and should be read in conjunction with the statutory annual financial statements for the year ended 31 December 2015. 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 2015. 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 interim 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 interim financial statements and the reported amounts of revenues and expenses during the reporting period. 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 and murabaha commodity placements with an original maturity of three months or less. Murabaha commodity placements with an original maturity of three months or less are stated at cost, with accrued income being captioned under prepayments and other receivables. 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.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2016

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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, direct labor and an appropriate portion of indirect 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 property, plant and equipment and are depreciated using the depreciation rate relevant to the corresponding plant and equipment, over the remaining useful life.

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 to the interim financial statements.

Capital work-in-progress represents all costs directly relating 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.

Costs, which are directly attributable to turnarounds and eligible for capitalization, are recognized under property, plant and equipment. Such costs once capitalized are depreciated over the period to the occurrence of next such turn around.

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.

Pre-operating expenses are charged to interim statement of income 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.

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 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 interim 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 interim statement of income.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2016

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 instalments 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.

Provision for obligations

A provision is recognized in the interim 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.

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 interim 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 interim statement of income.

Employees' savings plan

The Company maintains an employees' 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 marketing unit from third parties, and are recorded net of actual selling and distribution costs incurred by the marketing unit and the marketing fees. Adjustments are recorded as they become known to the Company.

Selling, general and administration expenses

Selling, 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 selling, 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 interim statement of income.

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2016

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat

The Company is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat estimate is provided on an accruals basis and charged to the interim 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 interim 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 SABIC, 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 interim statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

Current versus non-current classification

An asset and a liability are classified as current when it is expected to be realized or paid within twelve months after the balance sheet date, except for derivatives designated as a hedge, which are classified consistent with the underlying hedged item.

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 (UNAUDITED) (continued)

For the nine-month period ended 30 September 2016

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>30 September 2016 SR'000</i>	<i>30 September 2015 SR'000</i>
Murabaha commodity placements and time deposits	601,949	594,000
Bank balances	31,246	67,133
	633,195	661,133

Cash and cash equivalents include employees' saving plan deposits held in a separate bank account amounting SR 18.5 million (30 September 2015: SR 13.7 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>30 September 2016 SR'000</i>	<i>30 September 2015 SR'000</i>
Trade accounts receivable:		
Related parties (note 12 (a))	1,727,114	1,814,963
Others	4,782	27
	1,731,896	1,814,990
Amounts due from related parties (note 12 (a))	147,350	207,597
Prepayments	95,181	82,995
	1,974,427	2,105,582

6 INVENTORIES

	<i>30 September 2016 SR'000</i>	<i>30 September 2015 SR'000</i>
Finished goods	524,431	480,088
Spare parts (see note (a) below)	389,235	435,633
Raw materials	135,854	185,436
Goods in transit	12,225	-
	1,061,745	1,101,157
Less:		
Allowance for slow moving spare parts	(182,123)	(93,441)
	879,622	1,007,716

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 (UNAUDITED) (continued)

For the nine-month period ended 30 September 2016

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	3 - 20 years
Tools & equipment	20 years	Furniture	10 years
Vehicles	4 years	Computers & software	5 years
Laboratory & safety equipment	5 years	Catalyst	2 - 5 years

	<i>Buildings & leasehold improvements</i>	<i>Plant, machinery & heavy equipment</i>	<i>Tools & equipment</i>	<i>Furniture</i>	<i>Vehicles</i>	<i>Computers & software</i>	<i>Laboratories & safety equipment</i>	<i>Catalyst</i>	<i>Capital work in progress</i>	<i>Nine- month period ended 30 September 2016</i>	<i>Nine- month period ended 30 September 2015</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Cost:											
At the beginning of the period	176,651	19,318,152	130,255	13,215	441	83,600	48,256	106,256	276,086	20,152,912	19,656,277
Additions	1,146	15,447	47,007	-	-	1,249	-	82	156,210	221,141	668,213
Transfers	549	(5,389)	773	-	-	1,519	-	-	2,548	-	(32,264)
Disposals	-	(2,036)	-	-	-	-	-	-	-	(2,036)	(260,007)
At the end of the period	178,346	19,326,174	178,035	13,215	441	86,368	48,256	106,338	434,844	20,372,017	20,032,219
Depreciation:											
At the beginning of the period	31,117	5,582,230	33,283	7,321	441	74,224	44,724	22,672	-	5,796,012	5,018,510
Charge for the period	4,061	757,234	7,060	991	-	4,727	914	30,775	-	805,762	774,297
Disposals	-	(632)	-	-	-	-	-	-	-	(632)	(259,185)
At the end of the period	35,178	6,338,832	40,343	8,312	441	78,951	45,638	53,447	-	6,601,142	5,533,622
Net book amounts:											
At 30 September 2016	143,168	12,987,342	137,692	4,903	-	7,417	2,618	52,891	434,844	13,770,875	
At 30 September 2015	146,871	13,914,702	98,770	5,855	-	6,657	1,507	86,158	238,077		14,498,597

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the nine-month period ended 30 September 2016

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).
- c) Capital work in progress represents cost being incurred on existing plants regarding ongoing turnaround and equipment maintenance.
- d) Plant includes costs incurred to capture the planned turnaround cost. This cost will be depreciated over the period until the date of next planned turnaround. The net book value of such costs as at 30 September 2016 amounted to SR 281 million (30 September 2015: SR 338 million).

8 INTANGIBLE ASSETS

	<i>30 September 2016 SR'000</i>	<i>30 September 2015 SR'000</i>
Deferred charges (note (a))	30,462	72,370
Pre-operating and start-up costs (note (b))	-	13,256
	30,462	85,626

a) Deferred charges

These include financial legal advisory, arrangement fees and other intangible assets totalling SR 143.2 million (30 September 2015: 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 charged to the interim statement of income has started on 1 March 2010, which represents the date of commencement of the Company's operations.

b) 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. The pre-operating expenses were fully amortized during the last period.

9 OTHER NON-CURRENT ASSETS

	<i>30 September 2016 SR'000</i>	<i>30 September 2015 SR'000</i>
Employees' home ownership program	191,757	197,259
Advances to a related party (note 12 (a))	7,500	7,500
	199,257	204,759

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the nine-month period ended 30 September 2016

10 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	<i>30 September 2016 SR '000</i>	<i>30 September 2015 SR '000</i>
Trade accounts payable:		
Related parties (note 12 (b))	140,462	136,685
Others (see note (a) below)	12,711	141,478
	153,173	278,163
Accrued expenses	604,538	844,894
Amounts due to related parties (note 12 (b))	239,153	176,002
Provision for zakat	145,744	110,091
Dividends payable	13,910	11,697
	1,156,518	1,420,847

a) Includes payables for major suppliers.

11 LONG TERM LOANS

Long term loans comprise of:

	<i>30 September 2016 SR '000</i>	<i>30 September 2015 SR '000</i>
Term loans	2,463,140	3,494,184
Ijara Financing Agreements ("IFAs")	865,007	1,297,192
	3,328,147	4,791,376
Less:		
Current portion of long term loans	(1,464,011)	(1,463,230)
	1,864,136	3,328,146

Term loans

	<i>30 September 2016 SR '000</i>	<i>30 September 2015 SR '000</i>
Public Investment Fund (PIF) (see notes (a) and (c) below)	1,200,375	1,600,500
Commercial and Export Credit Agencies (ECA) (see notes (b) and (c) below)	1,262,765	1,893,684
	2,463,140	3,494,184
Less:		
Current portion (see notes (a), (b) and (c) below)	(1,031,508)	(1,031,044)
	1,431,632	2,463,140

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2016

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, these loans were obtained from a consortium of banks in three loans, of which two loans limited to SR 5,948 million and guaranteed by (ECA), Servizi Assicurativi Del Commercio Estero and Export Credits Guarantee Department (ECGD) to finance the partial construction of plants and working capital. The loans carry commission at commercial rates and are repayable in semi-annual variable instalments with the first instalment paid on 30 June 2009 and the last instalment payable on 30 June 2018.
- c) The term loans are secured against the proceeds of projects. 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 ("IFAs")

In 2009, the Company entered into IFAs pursuant to which the commercial banks will participate in the procurement of 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 (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 30 September, the following balances were outstanding in respect of these facilities:

	30 September 2016 SR '000	30 September 2015 SR '000
Obligations under Ijara Financing Agreements	865,007	1,297,192
Less:		
Current portion	(432,503)	(432,186)
	432,504	865,006

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 the Custodian. In accordance with the Ijara arrangement, the last instalment is repayable on 30 June 2018.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the nine-month period ended 30 September 2016

12 RELATED PARTY TRANSACTIONS AND BALANCES

The following are details of major related party transactions during the nine-month period ended 30 September and the balances thereof at 30 September:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transaction for the nine-month period ended 30 September</i>		<i>Balance At 30 September</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</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	5,121,466	5,080,366	1,726,570	1,810,189
	Advances for purchase of materials, product sales and other transactions	11,559	64,320	147,350	201,434
	Long term advance for logistics	-	-	7,500	7,500
Other affiliates	Exchange of products	5,086	-	-	4,774
	Others	3,519	12,047	544	6,163
		<u>5,141,630</u>	<u>5,156,733</u>	<u>1,881,964</u>	<u>2,030,060</u>
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	997,338	1,249,295	218,721	198,224
	Research and technology fees	102,446	101,647	34,516	36,045
Other affiliates	Tolling, storage services and others	459,300	220,252	126,378	77,018
Board of directors	Remuneration	1,400	1,400	-	1,400
		<u>1,560,484</u>	<u>1,572,594</u>	<u>379,615</u>	<u>312,687</u>

Yanbu National Petrochemical Company (YANSAB) (a Saudi Joint Stock Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2016

13 OTHER NON-CURRENT LIABILITIES

	30 September 2016 SR'000	30 September 2015 SR'000
Employees' end of service benefits	257,203	214,278
Employees' savings plan	31,006	22,920
	288,209	237,198

14 STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income for the year until it has built up a reserve equal to 50% of the share capital. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. This reserve is not available for distribution. The Company has appropriated the required statutory reserve for the period ended 30 September 2016 based on the interim financial statements. The reserve will be adjusted based on the final annual statutory financial statements.

15 NON-CASH TRANSACTIONS

	30 September 2016 SR'000	30 September 2015 SR'000
Dividends	3,031	3,420
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
Employees' end of service benefits transferred from related parties	4,235	-

16 COMMITMENTS AND CONTINGENCIES

	30 September 2016 SR'000	30 September 2015 SR'000
Capital commitments	259,727	277,300
Letters of guarantee	14,798	14,798
	274,525	292,098

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 4 December 2014, the Board of Directors recommended to the General Assembly a distribution of cash dividend amounting SR 843.75 million (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 Saudi Stock Exchange(Tadawul) 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).

On 9 June 2015, the Board of Directors announced the distribution of SR 562.5 million as cash dividends (SR 1 per share) for the first half of the year 2015 which representing 10% of the nominal value of the shares. The date of eligibility for this dividend distribution was to shareholders listed on Tadawul by the end of trading on 25 June 2015 with the payment of cash dividend on 13 July 2015.

On 24 December 2015, the Board of Directors recommended to the General Assembly a distribution of cash dividend amounting SR 562.5 million (SR 1 per share) for the second half of the year 2015 which represents 10% of the nominal value of the shares. The eligibility for this dividend distribution was to shareholders listed on Tadawul by the end of trading day of the General Assembly meeting which was on 31 March 2016. This was approved by the General Assembly in their meeting held on 31 March 2016. The total dividends for the year ended 31 December 2015 were SR 1,125 million (SR 2 per share).

On 30 May 2016, the Board of Directors announced the distribution of SR 843.75 million as cash dividends (SR 1.5 per share) for the first half of the year 2016 which representing 15% of the nominal value of the shares. The date of eligibility for this dividend distribution was to shareholders listed on Tadawul by the end of trading on 15 June 2016 with the payment of cash dividend on 30 June 2016.

19 COMPARATIVE INFORMATION

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