

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

**INTERIM FINANCIAL STATEMENTS AND INDEPENDENT  
ACCOUNTANTS' REVIEW REPORT  
FOR THE THREE MONTH AND NINE MONTH PERIODS  
ENDED SEPTEMBER 30, 2014**

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

**INTERIM FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS'**  
**REVIEW REPORT**

**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the stockholders  
Yanbu National Petrochemical Company (YANSAB)  
(Saudi Joint Stock Company)  
Yanbu Al-Sinayah, Saudi Arabia

### Scope of Review

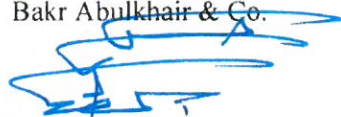
We have reviewed the interim balance sheet of YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB) (a Saudi joint stock company) (the "Company") as of September 30, 2014 and the related interim statement of income for the three month and nine month periods then ended, and the interim statements of stockholders' equity and cash flows for the nine month period then ended, and notes 1 to 20 which form an integral part of these interim financial statements as prepared by the Company and presented to us with all necessary information and explanations which we required. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of a review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

### Review Results

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.

Deloitte & Touche  
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin  
Certified Public Accountant  
License No. 296

25 Dhual Hijjah, 1435  
October 19, 2014

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

**INTERIM BALANCE SHEET (UNAUDITED)**  
**AS OF SEPTEMBER 30, 2014**  
(Expressed in Thousands of Saudi Riyals)

	Note	September 30, 2014	September 30, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	1,234,075	1,260,160
Murabaha commodity placements	4	1,767,150	1,312,500
Accounts receivable	5	2,772,124	3,025,091
Inventories	6	1,315,353	1,257,283
Prepayments and other receivables	7	219,798	306,141
<b>Total current assets</b>		<b>7,308,500</b>	<b>7,161,175</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	14,804,137	15,844,756
Intangible assets	9	209,940	322,749
Other non-current assets	10	191,273	193,926
<b>Total non-current assets</b>		<b>15,205,350</b>	<b>16,361,431</b>
<b>TOTAL ASSETS</b>		<b>22,513,850</b>	<b>23,522,606</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Current portion of long-term loans	11	1,380,431	1,298,413
Accounts payable	12	432,408	382,039
Accrued expenses and other liabilities	13	784,585	916,003
<b>Total current liabilities</b>		<b>2,597,424</b>	<b>2,596,455</b>
<b>Non-current liabilities</b>			
Long-term loans	11	4,791,376	6,171,807
Other non-current liabilities	14	190,483	153,243
<b>Total non-current liabilities</b>		<b>4,981,859</b>	<b>6,325,050</b>
<b>Stockholders' equity</b>			
Share capital	1	5,625,000	5,625,000
Statutory reserve	16	1,193,840	963,618
Retained earnings		8,115,727	8,012,483
<b>Total stockholders' equity</b>		<b>14,934,567</b>	<b>14,601,101</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>22,513,850</b>	<b>23,522,606</b>

The accompanying notes form an integral part of these unaudited interim financial statements

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

**INTERIM STATEMENT OF INCOME (UNAUDITED)**

**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**

(Expressed in Thousands of Saudi Riyals)

		<b>Three month period ended</b>		<b>Nine month period ended</b>	
	<b>Note</b>	<b>September 30, 2014</b>	<b>September 30, 2013</b>	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Sales	15c	2,493,733	2,888,722	7,220,931	7,270,077
Cost of sales		(1,648,973)	(1,860,977)	(4,907,109)	(4,634,890)
<b>Gross profit</b>		<b>844,760</b>	<b>1,027,745</b>	<b>2,313,822</b>	<b>2,635,187</b>
Distribution, general and administrative expenses		(60,307)	(70,627)	(183,416)	(177,432)
<b>Operating income</b>		<b>784,453</b>	<b>957,118</b>	<b>2,130,406</b>	<b>2,457,755</b>
Finance charges, net		(53,181)	(62,703)	(165,906)	(196,403)
Other (expenses)/income, net		(3,684)	4,419	6,487	23,069
<b>Income before zakat</b>		<b>727,588</b>	<b>898,834</b>	<b>1,970,987</b>	<b>2,284,421</b>
Zakat		(36,311)	(34,000)	(111,001)	(82,000)
<b>NET INCOME</b>		<b>691,277</b>	<b>864,834</b>	<b>1,859,986</b>	<b>2,202,421</b>
Weighted average number of shares outstanding		<b>562,500</b>	<b>562,500</b>	<b>562,500</b>	<b>562,500</b>
<b>Earnings per share</b>	17				
Earnings per share from net income for the period		1.23	1.54	3.31	3.92
Earnings per share from main continuing activities		1.39	1.70	3.79	4.37

The accompanying notes form an integral part of these unaudited interim financial statements

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

**INTERIM STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014**  
(Expressed in Thousands of Saudi Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2013		5,625,000	743,376	6,592,804	12,961,180
Net income for the period		-	-	2,202,421	2,202,421
Transfer to statutory reserve	16	-	220,242	(220,242)	-
Dividends declared	20	-	-	(562,500)	(562,500)
September 30, 2013		5,625,000	963,618	8,012,483	14,601,101
January 1, 2014		5,625,000	1,007,841	8,410,490	15,043,331
Net income for the period		-	-	1,859,986	1,859,986
Transfer to statutory reserve	16	-	185,999	(185,999)	-
Dividends declared	20	-	-	(1,968,750)	(1,968,750)
September 30, 2014		5,625,000	1,193,840	8,115,727	14,934,567

The accompanying notes form an integral part of these unaudited interim financial statements

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

**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014**  
(Expressed in Thousands of Saudi Riyals)

	Nine month period ended September 30, 2014	Nine month period ended September 30, 2013
<b>OPERATING ACTIVITIES</b>		
Income before zakat	1,970,987	2,284,421
Adjustments for:		
Depreciation	863,313	733,372
Amortization on intangible assets	102,794	76,513
Finance charges, net	165,906	196,403
Other non-current liabilities	33,894	28,741
Changes in operating asset and liabilities:		
Accounts receivable	(392,327)	(463,334)
Inventories	(196,212)	(145,662)
Prepayments and other receivables	42,035	(47,506)
Accounts payable	180,280	20,689
Accrued expenses and other liabilities	121,931	33,218
Other non-current assets	(691)	13,929
Cash from operations	2,891,910	2,730,784
Other non-current liabilities paid	(4,211)	(10,389)
Zakat paid	(133,971)	(99,048)
Finance charges paid	(114,194)	(133,592)
<b>Net cash from operating activities</b>	<b>2,639,534</b>	<b>2,487,755</b>
<b>INVESTING ACTIVITIES</b>		
Murabaha commodity placements, net	(852,150)	(421,500)
Property, plant and equipment, net	(44,075)	(80,372)
Intangible assets, net	(7,855)	(69,197)
<b>Net cash used in investing activities</b>	<b>(904,080)</b>	<b>(571,069)</b>
<b>FINANCING ACTIVITIES</b>		
Movement in long-term loans, net	(649,206)	(629,678)
Dividends paid	(1,958,328)	(556,615)
<b>Net cash used in financing activities</b>	<b>(2,607,534)</b>	<b>(1,186,293)</b>
<b>Net change in cash and cash equivalents</b>	<b>(872,080)</b>	<b>730,393</b>
Cash and cash equivalents, January 1	2,106,155	529,767
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>1,234,075</b>	<b>1,260,160</b>

The accompanying notes form an integral part of these unaudited interim financial statements



**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**  
(Expressed in Thousands of Saudi Riyals)

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**1. ORGANIZATION AND 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 February 13, 2006) in accordance with the Ministerial Resolution No. 49 dated 12 Muharram 1427H (corresponding to February 11, 2006) for the incorporation of the Company. The Company obtained its Industrial License number S/1367 on 18 Rajab 1426H (corresponding to August 23, 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 stockholder), 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 March 1, 2010.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying interim financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). These interim financial statements have been prepared according to the accounting policies annually adopted by the Company in preparing the annual financial statements. 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 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.

**Revenue recognition**

The majority of product sales are made to the marketing unit of SABIC, the majority stockholder 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.



**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**  
(Expressed in Thousands of Saudi Riyals)

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**Distribution, general and administrative expenses**

Distribution, general and administrative 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 distribution, general and administrative expenses and cost of sales, when required, are made on a consistent basis.

**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.

**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 as follows:

Buildings & leasehold improvements	3.03%
Plant, machinery & heavy equipment	5%
Tools & equipment	5%
Furniture	10%
Motor vehicles	25%
Computers & software	20%
Laboratories & safety equipment	20%
Catalyst	20%

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**  
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Construction work-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.

*Deferred charges*

Deferred charges relate to financial, legal consultancy and arrangement fees for obtaining long term financing being used to partially finance the construction of the Company's plants. These fees are amortized over the period of long term financing arrangements. The amortization portion that falls within the construction period is capitalized as part of construction work-in-progress and since the commencement of operations of the Company, the amortization expense is charged to the statement of income.

*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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**  
**(Expressed in Thousands of Saudi Riyals)**

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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.

**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 Labor 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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**  
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**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.

**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.

**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 provides its products to one customer, the majority stockholder. Accordingly, segmental analysis by operating and geographic segments has not been presented.

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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**  
(Expressed in Thousands of Saudi Riyals)

**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.

	September 30, 2014	September 30, 2013
Murabaha commodity placements and time deposits	1,076,351	1,231,422
Current accounts	157,724	28,738
	<u>1,234,075</u>	<u>1,260,160</u>

Cash and cash equivalents include employees' saving plan deposits held in a separate bank account of SR 9.5 million (2013: SR 7.0 million), which are not available to the Company.

**4. MURABAHA COMMODITY PLACEMENTS**

Murabaha commodity placements represent placements with original maturity exceeding three months and not more than twelve months and maintained with local and foreign banks.

**5. ACCOUNTS RECEIVABLE**

	September 30, 2014	September 30, 2013
Due from related parties (note 15a)	2,772,089	3,025,014
Others	35	77
	<u>2,772,124</u>	<u>3,025,091</u>

**6. INVENTORIES**

	September 30, 2014	September 30, 2013
Finished goods	667,548	662,626
Raw materials	224,610	225,433
Spare parts, net	423,195	369,224
	<u>1,315,353</u>	<u>1,257,283</u>

The spare parts inventory is primarily used in the upkeep of plant and machinery, net of allowances.

**7. PREPAYMENTS AND OTHER RECEIVABLES**

	September 30, 2014	September 30, 2013
Due from related parties (note 15a)	137,210	216,951
Other prepayments	82,588	89,190
	<u>219,798</u>	<u>306,141</u>

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**  
(Expressed in Thousands of Saudi Riyals)

**8. PROPERTY, PLANT AND EQUIPMENT**

	January 1	Additions	Transfer	September 30, 2014	September 30, 2013
<b>Cost:</b>					
Buildings & leasehold improvements	176,582	-	-	176,582	176,582
Plant, machinery & heavy equipment	18,770,821	210	3,272	18,774,303	18,768,086
Tools & equipment	79,320	2,556	-	81,876	68,765
Furniture	12,852	-	-	12,852	12,852
Motor vehicles	441	-	-	441	441
Computers & software	72,203	2,686	4,001	78,890	72,203
Laboratories & safety equipment	45,197	-	154	45,351	45,197
Catalyst	24,070	4,824	-	28,894	24,070
Construction work-in-progress	169,744	52,338	(25,966)	196,116	157,338
<b>Total Cost</b>	<b>19,351,230</b>	<b>62,614</b>	<b>(18,539)</b>	<b>19,395,305</b>	<b>19,325,534</b>
<b>Depreciation:</b>					
Buildings & leasehold improvements	20,415	4,013	-	24,428	19,077
Plant, machinery & heavy equipment	3,589,416	831,358	-	4,420,774	3,352,506
Tools & equipment	17,994	4,875	-	22,869	16,712
Furniture	4,748	964	-	5,712	4,426
Motor vehicles	418	23	-	441	391
Computers & software	52,219	11,265	-	63,484	48,609
Laboratories & safety equipment	33,418	6,803	-	40,221	31,159
Catalyst	9,227	4,012	-	13,239	7,898
<b>Total Depreciation</b>	<b>3,727,855</b>	<b>863,313</b>	<b>-</b>	<b>4,591,168</b>	<b>3,480,778</b>
<b>Net Book Value at January 1</b>	<b>15,623,375</b>				
<b>Net Book Value at September 30</b>				<b>14,804,137</b>	<b>15,844,756</b>

- The Company has leased land for plant, equipment and buildings from the Royal Commission, Yanbu, at a nominal rent. The lease is for a period of 35 years commencing from 1 Dhual Hijjah 1426H (corresponding to January 1, 2006) and is renewable for a similar period under mutual agreed terms and conditions.
- 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.
- The construction work-in-progress mainly represents phase II of the employee housing project.

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2014**  
(Expressed in Thousands of Saudi Riyals)

**9. INTANGIBLE ASSETS**

	<b>September 30, 2014</b>	September 30, 2013
Pre-operating and start-up costs	<b>69,048</b>	97,619
Deferred charges	<b>87,122</b>	100,557
Turnaround maintenance costs	<b>53,770</b>	124,573
	<b>209,940</b>	322,749

*Pre-operating and start-up costs*

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 and was conditional for the Company to secure the gas and feedstock required to manufacture its products. Pre-operating expenses will be 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 March 1, 2010.

*Deferred charges*

These include financial legal advisory and arrangement fees totaling 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 over the period of the long-term financing agreements. The amortized portion relating to the construction period amounting to SR 35.6 million as of February 28, 2010 was capitalized in property, plant and equipment. Amortization has started on March 1, 2010, the date of commencement of operations.

*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.

**10. OTHER NON-CURRENT ASSETS**

	<b>September 30, 2014</b>	September 30, 2013
Advances to a related party (note 15a)	<b>7,500</b>	7,500
Employees' home ownership program	<b>183,773</b>	181,567
Advances to contractors	<b>-</b>	4,859
	<b>191,273</b>	193,926



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**11. LONG-TERM LOANS**

The following are the aggregate of loan utilization in respect of the loan facilities:

	<b>September 30, 2014</b>	September 30, 2013
Term loans	<b>4,476,090</b>	5,409,321
Ijara financing agreements ("IFA")	<b>1,695,717</b>	2,060,899
Less: Current portion	<b>(1,380,431)</b>	(1,298,413)
	<b>4,791,376</b>	6,171,807

*TERM LOANS*

During 2007, the Company entered into the following long-term loan facilities with various lenders and the amounts due as of September 30 are as follows:

	<b>September 30, 2014</b>	September 30, 2013
Public Investment Fund (PIF) (a)	<b>2,000,625</b>	2,400,750
Commercial and Export Credit Agencies (ECA) loans (b)	<b>2,475,465</b>	3,008,571
	<b>4,476,090</b>	5,409,321
Less: Current portion	<b>(981,906)</b>	(933,231)
	<b>3,494,184</b>	4,476,090

- a) The PIF term loan which was 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 December 31, 2009, and the last instalment is payable on June 30, 2019.
- b) During 2007, the above loans were obtained from a consortium of banks in the form of three loans, of which two loans were 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 being paid on June 30, 2009 and the last instalment is payable on June 30, 2018.
- c) The term loans are secured against the sales of the project. In addition, the Company has signed an Equity Support, Subordination and Retention Agreement ("ESSRA") with the majority stockholder, SABIC under which SABIC shall maintain its ownership in Yansab at 51% during the duration of the loans.

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*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 June 18, 2006. Commission on obligation under these arrangements is based on the commercial rate.

As of September 30, the following balances were outstanding in respect of these facilities:

	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Obligation under Ijara financing agreements	<b>1,695,717</b>	2,060,899
Less: Current portion	<b>(398,525)</b>	(365,182)
	<b>1,297,192</b>	1,695,717

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 November 22, 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 June 30, 2018.

**12. ACCOUNTS PAYABLE**

	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Accounts payable-trade	<b>308,680</b>	300,861
Due to related parties (note 15b)	<b>123,728</b>	81,178
	<b>432,408</b>	382,039

**13. ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Provision for zakat	<b>99,692</b>	87,098
Due to related parties (note 15b)	<b>180,370</b>	322,037
Dividends payable (note 20)	<b>12,015</b>	5,885
Other	<b>492,508</b>	500,983
	<b>784,585</b>	916,003

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**14. OTHER NON-CURRENT LIABILITIES**

	September 30, 2014	September 30, 2013
End-of-service indemnities	174,676	142,796
Employees' savings plan	15,807	10,447
	<b>190,483</b>	<b>153,243</b>

**15. RELATED PARTY TRANSACTIONS**

SABIC and its subsidiaries provide the Company required technical, research and technology, administrative, and purchasing services in accordance with executed agreements. The following are the details of major related party balances and transactions:

	September 30, 2014	September 30, 2013
<b>a) Due from related parties:</b>		
<b>Accounts receivable</b>		
SABIC (sale of goods)	2,772,015	3,013,248
Other affiliates	74	11,766
	<b>2,772,089</b>	<b>3,025,014</b>
<b>Prepayments and other receivables</b>		
SABIC (advance payments for purchase of materials and others)	130,642	176,906
Other affiliates (advance payments for purchase of materials and others)	6,568	40,045
	<b>137,210</b>	<b>216,951</b>
<b>Non-current assets</b>		
SABIC (advance payments for purchase of materials and others)	7,500	7,500
<b>b) Due to related parties:</b>		
<b>Accounts payable</b>		
SABIC (purchase of materials and others)	106,992	65,583
Other affiliates	16,736	15,595
	<b>123,728</b>	<b>81,178</b>
<b>Accrued expenses and other liabilities</b>		
SABIC (purchase of materials and others)	142,329	211,061
Other affiliates	38,041	110,976
	<b>180,370</b>	<b>322,037</b>

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	September 30, 2014	September 30, 2013
<b>c) Related party transactions:</b>		
<b>SABIC</b>		
Advance payment for purchase of materials and others	40,115	8,920
Sale of goods	7,220,931	7,266,476
Payments on behalf of the Company and other services	1,171,050	1,506,499
Research & technology fees	143,839	146,069
<b>Other affiliates</b>		
Sale of goods	-	3,601
Other	163,274	224,364

**16. STATUTORY RESERVE**

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-Laws, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution. The Company has appropriated the required statutory reserve for the period ended September 30, 2014 based on the interim financial statements. Such reserve will be adjusted based on the final annual statutory financial statements.

**17. EARNINGS PER SHARE**

Earnings per share are computed by dividing net income for the periods by the weighted average number of shares outstanding during the period.

Earnings per share from the continuing main operations are computed by dividing operating income for the period by the weighted average number of shares outstanding during the period.

**18. COMMITMENTS AND CONTINGENCIES**

	September 30, 2014	September 30, 2013
Letters of guarantee	14,798	14,798
Capital commitments	174,300	60,600

**19. RESULTS OF INTERIM PERIOD**

The Company has made all necessary adjustments which are important to present fairly in all material respects the interim financial position and interim results of operations. The interim financial statements may not be considered indicative of the actual results for the whole year.

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**20. DIVIDENDS**

On June 19, 2013 the Board of Directors recommended the distribution of SR 562.5 million as cash dividend (SR 1 per share) for the first half of 2013 representing 10% of the nominal share value. The date of eligibility for this dividend distribution was to shareholders listed in Tadawul (Saudi Stock Exchange) by end of trading on July 3, 2013 with payment of cash dividend on July 28, 2013.

On December 9, 2013, the Board of Directors recommended to the General Assembly a distribution in the amount of SR 1,125 million as cash dividends (SR 2 per share) for the second half of the year 2013. 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 March 16, 2014. The total dividends for the year ended December 31, 2013 was SR 1,687.5 million (SR 3 per share). This was approved by the General Assembly in their meeting held on March 16, 2014.

On June 25, 2014 the Board of Directors recommended the distribution of SR 843.75 million as cash dividend (SR 1.5 per share) for the first half of 2014 representing 15% of the nominal share value. The date of eligibility for this dividend distribution was to shareholders listed in Tadawul (Saudi Stock Exchange) by the end of trading on July 3, 2014 with the payment of cash dividend on July 20, 2014.