

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON  
THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF  
YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB) - (A SAUDI JOINT STOCK COMPANY)**

**Introduction**

We have reviewed the accompanying interim condensed statement of financial position of Yanbu National Petrochemical Company (YANSAB) - (a Saudi Joint Stock Company) (the "Company") as at 31 December 2019, and the related interim condensed statements of income and comprehensive income, for the three-month period and the year ended 31 December 2019, and the related interim condensed statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

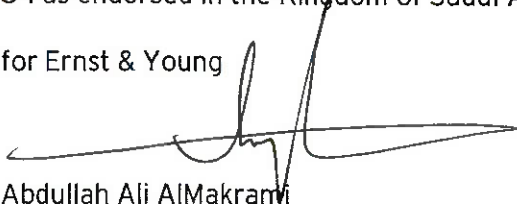
**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

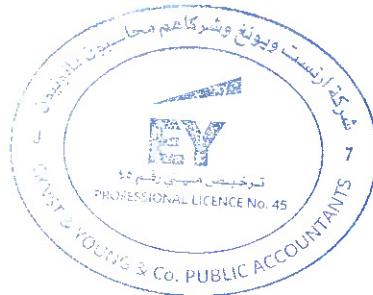
for Ernst & Young

  
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22 January 2020

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# Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(All amounts in Saudi Riyals '000 unless otherwise stated)

	<i>Note</i>	<b>2019</b> <i>(Unaudited)</i>	<b>2018</b> <i>(Audited)</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	<b>11,848,879</b>	12,617,436
Right-of-use assets	5	<b>170,935</b>	-
Intangible assets		<b>27,291</b>	33,088
Other non-current assets		<b>180,599</b>	194,010
<b>TOTAL NON-CURRENT ASSETS</b>		<b>12,227,704</b>	12,844,534
<b>CURRENT ASSETS</b>			
Inventories		<b>735,943</b>	769,838
Trade receivables		<b>1,753,273</b>	2,105,139
Prepayments and other current assets		<b>166,417</b>	236,360
Short-term investments	6	<b>3,050,800</b>	3,089,988
Cash and cash equivalents		<b>136,270</b>	26,200
<b>TOTAL CURRENT ASSETS</b>		<b>5,842,703</b>	6,227,525
<b>TOTAL ASSETS</b>		<b>18,070,407</b>	19,072,059
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	7	<b>5,625,000</b>	5,625,000
Statutory reserve		<b>1,687,500</b>	1,687,500
Actuarial reserve		<b>(7,994)</b>	85,286
Retained earnings		<b>8,838,306</b>	9,857,909
<b>TOTAL EQUITY</b>		<b>16,142,812</b>	17,255,695
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	5	<b>154,186</b>	-
Employee benefits	8	<b>620,651</b>	471,817
Other non-current liabilities		<b>-</b>	682
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>774,837</b>	472,499
<b>CURRENT LIABILITIES</b>			
Lease liabilities – current portion	5	<b>14,058</b>	-
Trade payables		<b>457,346</b>	410,146
Accruals and other current liabilities		<b>555,418</b>	814,448
Zakat payable	9	<b>125,936</b>	119,271
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,152,758</b>	1,343,865
<b>TOTAL LIABILITIES</b>		<b>1,927,595</b>	1,816,364
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>18,070,407</b>	19,072,059

The attached notes from 1 to 15 form an integral part of these interim condensed financial statements.

# Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company

## INTERIM CONDENSED STATEMENT OF INCOME

For the three-month period and year ended 31 December 2019

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Note	<i>Three-month period ended</i>		<i>Year ended</i>	
		<i>31 December</i>		<i>31 December</i>	
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Revenue from contracts with customers		<b>1,482,084</b>	1,619,361	<b>6,064,834</b>	7,628,470
Cost of revenue		<b>(1,183,963)</b>	(1,270,577)	<b>(4,566,563)</b>	(4,763,033)
<b>GROSS PROFIT</b>		<b>298,121</b>	348,784	<b>1,498,271</b>	2,865,437
Selling and distribution expenses		<b>(15,355)</b>	(24,430)	<b>(65,971)</b>	(66,105)
General and administrative expenses		<b>(100,460)</b>	(124,777)	<b>(336,150)</b>	(437,794)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>182,306</b>	199,577	<b>1,096,150</b>	2,361,538
Finance income		<b>20,467</b>	23,868	<b>90,718</b>	78,339
Finance costs, net		<b>(5,399)</b>	(4,044)	<b>(26,082)</b>	(30,806)
Other income, net		<b>21,855</b>	19,681	<b>64,446</b>	103,177
<b>INCOME BEFORE ZAKAT</b>		<b>219,229</b>	239,082	<b>1,225,232</b>	2,512,248
Zakat	9	<b>(48,281)</b>	(5,606)	<b>(135,460)</b>	(98,270)
<b>NET INCOME FOR THE PERIOD/YEAR</b>		<b>170,948</b>	233,476	<b>1,089,772</b>	2,413,978
<b>Earnings per share (EPS)</b>					
Weighted average number of ordinary shares ('000)	10	<b>562,500</b>	562,500	<b>562,500</b>	562,500
Basic and diluted earnings per share attributable to ordinary equity holders of the Company (Saudi Riyals)	10	<b>0.30</b>	0.42	<b>1.94</b>	4.29

The attached notes from 1 to 15 form an integral part of these interim condensed financial statements.

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period and year ended 31 December 2019

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Note	<i>Three-month period ended</i>		<i>Year ended</i>	
		<i>31 December</i>		<i>31 December</i>	
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Net income for the period/year		<b>170,948</b>	233,476	<b>1,089,772</b>	2,413,978
<b>Other comprehensive income</b>					
<i>Items not to be reclassified to statement of income in subsequent periods:</i>					
Re-measurement gain/(loss) on defined benefit plans	8	<b>6,929</b>	53,415	<b>(93,280)</b>	73,037
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>		<b>177,877</b>	286,891	<b>996,492</b>	2,487,015

The attached notes from 1 to 15 form an integral part of these interim condensed financial statements.

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(All amounts in Saudi Riyals '000 unless otherwise stated)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Actuarial reserve</i>	<i>Retained earnings</i>	<i>Total</i>
Balance as at 1 January 2018	5,625,000	1,687,500	12,249	9,412,681	16,737,430
Net income for the year	-	-	-	2,413,978	2,413,978
Other comprehensive income for the year	-	-	73,037	-	73,037
Total comprehensive income for the year	-	-	73,037	2,413,978	2,487,015
Dividends (note 15)	-	-	-	(1,968,750)	(1,968,750)
Balance as at 31 December 2018 (Audited)	5,625,000	1,687,500	85,286	9,857,909	17,255,695
Net income for the year	-	-	-	1,089,772	<b>1,089,772</b>
Other comprehensive income for the year	-	-	(93,280)	-	<b>(93,280)</b>
Total comprehensive income for the year	-	-	(93,280)	1,089,772	<b>996,492</b>
Dividends (note 15)	-	-	-	(2,109,375)	<b>(2,109,375)</b>
<b>Balance as at 31 December 2019 (Unaudited)</b>	<b>5,625,000</b>	<b>1,687,500</b>	<b>(7,994)</b>	<b>8,838,306</b>	<b>16,142,812</b>

The attached notes from 1 to 15 form an integral part of these interim condensed financial statements.

# Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(All amounts in Saudi Riyals '000 unless otherwise stated)

	Note	2019 (Unaudited)	2018 (Audited)
<b>OPERATING ACTIVITIES</b>			
Income for the year before zakat		1,225,232	2,512,248
<i>Adjustment to reconcile income before zakat to net cash inflow from operating activities:</i>			
Depreciation and impairment of property, plant and equipment		1,361,774	1,085,394
Depreciation of right-of-use assets		19,575	-
Amortisation of intangible assets		4,540	5,133
Reversal of provision for slow moving inventories		-	(43,323)
Provision for employee benefits		48,313	51,005
Fair value adjustment of derivatives		-	16,236
Loss on disposal of property, plant and equipment		-	1,859
Finance costs		26,082	30,806
Finance income		(90,718)	(78,339)
		<b>2,594,798</b>	<b>3,581,019</b>
<i>Working capital adjustments:</i>			
Inventories		33,895	(50,764)
Trade receivables		351,866	517,282
Prepayments and other current assets		69,943	8,705
Other non-current assets		13,411	(155)
Trade payables		47,200	(170,840)
Accruals and other current liabilities		(259,712)	164,140
Cash from operations		<b>2,851,401</b>	<b>4,049,387</b>
Finance costs paid		(19,323)	(29,964)
Employees' benefits paid	8	(6,351)	(20,079)
Zakat paid	9	(128,795)	(149,522)
Net cash flows from operating activities		<b>2,696,932</b>	<b>3,849,822</b>
<b>INVESTING ACTIVITIES</b>			
Short-term investments		(6,039,100)	(5,880,337)
Proceeds from maturity of short-term investments		6,078,288	4,777,849
Purchase of property, plant and equipment		(591,960)	(750,758)
Purchase of intangible assets		-	(4,468)
Finance income received		90,718	78,339
Net cash flows used in investing activities		<b>(462,054)</b>	<b>(1,779,375)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of long term loans		-	(1,130,177)
Payment of principal portion of lease liabilities	5	(12,352)	-
Dividends paid		(2,112,456)	(1,966,324)
Net cash flows used in financing activities		<b>(2,124,808)</b>	<b>(3,096,501)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>110,070</b>	<b>(1,026,054)</b>
Cash and cash equivalents at the beginning of the year		<b>26,200</b>	<b>1,052,254</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>136,270</b>	<b>26,200</b>
<b>SUPPLEMENTARY NON-CASH INFORMATION</b>			
Right-of-use assets and lease liabilities	3.2	<b>171,107</b>	-

The attached notes from 1 to 15 form an integral part of these interim condensed financial statements.



# Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended 31 December 2019

(All amounts in Saudi Riyals '000 unless otherwise stated)

### 1 COMPANY INFORMATION

Yanbu National Petrochemical Company (YANSAB) (the "Company") is a Saudi Joint Stock Company registered in Yanbu, 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 Licence number S/1367 on 18 Rajab 1426H (corresponding to 23 August 2005) and 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 registered office is located at Yanbu, P.O. Box 31396, Yanbu industrial city 41912.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in Kingdom of Saudi Arabia ("KSA").

These interim condensed financial statements do not include all the information and disclosures required in full set of annual financial statements and should therefore be read in conjunction with the Company's annual financial statements for the year ended 31 December 2018.

Certain prior periods' figures have been reclassified to conform to the current period's presentation.

#### 2.2 Basis of measurement

These interim condensed financial statements are prepared under the historical cost convention. For employee and other post-employment benefits, actuarial present value calculations are used.

#### 2.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Company. All figures are rounded off to nearest thousands (SR '000) unless when otherwise indicated.

#### 2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. The significant judgments made by management in applying the Company's accounting policies and the methods of computation and the key sources of estimation are consistent with those that applied to the annual financial statements for the year ended 31 December 2018 except as mentioned below:

##### *Leases - extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

### 3 CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

The accounting policies and methods of calculation adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standard effective as of 1 January 2019. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

As required by IAS 34, the nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed financial statements of the Company.

**Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 2019  
(All amounts in Saudi Riyals ‘000 unless otherwise stated)

**3 CHANGES TO THE COMPANY’S ACCOUNTING POLICIES (continued)**

**3.1 IFRS 16 Leases**

The Company applies, for the first time, IFRS 16 Leases. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

**3.2 Effect of adoption of IFRS 16**

The Company has adopted IFRS 16 from its mandatory adoption date 1 January 2019 using the modified retrospective approach as permitted under the specific transition provisions in the standard. As a result, comparatives of the year ended 31 December 2018 are not restated.

The effect of adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	<i>1 January 2019</i>
<b>Assets</b>	
Right-of-use assets	<b>179,331</b>
Property, plant and equipment	<b>(586)</b>
Prepayments	<b>(7,638)</b>
	<hr/>
<b>Total assets</b>	<b>171,107</b>
	<hr/>
<b>Liabilities</b>	
Lease liabilities	<b>(171,789)</b>
Other non-current liabilities	<b>682</b>
	<hr/>
	<b>171,107</b>
	<hr/>
<b>Total adjustments on equity</b>	<b>-</b>
	<hr/> <hr/>

The Company has not used the practical expedient of applying IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4. In adopting IFRS 16, the Company has applied the following practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases in accordance with IAS 17 as short-term leases with a remaining lease term of less than 12 months as at 1 January 2019;
- exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the election, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

On adoption of IFRS 16, the Company has recognised lease liabilities and associated right-of-use assets in relation to contracts that have been concluded as leases under the principles of IFRS 16. The liabilities were measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate as of 1 January 2019. The associated right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of prepayments relating to that lease recognised in the statement of financial position as at 31 December 2018. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities as at 1 January 2019 was 4.04% per annum.

**Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 2019  
(All amounts in Saudi Riyals ‘000 unless otherwise stated)

**3 CHANGES TO THE COMPANY’S ACCOUNTING POLICIES (continued)**

**3.2 Effect of adoption of IFRS 16 (continued)**

The following table shows reconciliation of operating lease commitments under IAS 17 to lease liability under IFRS 16 as on 1 January 2019:

	<i>1 January 2019</i>
Operating lease commitments as at 31 December 2018	<b>258,664</b>
Weighted average incremental borrowing rate as at 1 January 2019	<b>4.04%</b>
<b>Discounted operating lease commitments as at 1 January 2019</b>	<b>180,571</b>
Less: Commitments relating to short term leases	<b>(9,464)</b>
<b>Lease liabilities as at 1 January 2019</b>	<b>171,107</b>

**3.3 Summary of new accounting policies**

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

***Right-of-use assets***

Leases are recognised as right-of-use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is recognized in the interim condensed statement of income over the lease term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs, if applicable.

***Lease liabilities***

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. The lease payments are discounted using the interest rate implicit to the lease or the Company's incremental borrowing rate.

***Short-term leases and leases of low-value assets***

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company’s capitalisation threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in the interim condensed statement of income.

***Variable lease payments***

Some leases contain variable payments that are linked to the usage/performance of the leased asset. Such payments are recognised in interim condensed statement of income.

**Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**  
For the year ended 31 December 2019  
(All amounts in Saudi Riyals '000 unless otherwise stated)

**4 PROPERTY, PLANT AND EQUIPMENT**

During the year ended 31 December 2019, the management recorded an impairment against capital work in progress due to uncertainty of using certain costs with an amount of SR 71.4 million.

**5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	<i>Right-of-use assets</i>	<i>Lease liabilities</i>
As at 1 January 2019	<b>179,331</b>	<b>171,789</b>
Addition	<b>11,179</b>	<b>8,807</b>
Depreciation	<b>(19,575)</b>	<b>-</b>
Interest expense	<b>-</b>	<b>10,014</b>
Payments	<b>-</b>	<b>(22,366)</b>
As at 31 December 2019	<b>170,935</b>	<b>168,244</b>

**6 SHORT-TERM INVESTMENTS**

Short-terms investments represent Murabaha commodity placements with original maturity exceeding three month and maintained with local and foreign banks.

**7 SHARE CAPITAL**

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 "Parent"), and 49% owned by others or publicly traded.

**8 EMPLOYEE BENEFITS**

	<i>2019</i>	<i>2018</i>
Defined benefits obligation (note 8.1)	<b>594,260</b>	451,054
Others	<b>26,391</b>	20,763
	<b>620,651</b>	471,817

**8.1 Defined benefits obligation**

The following table represents the movement of the defined benefits obligation:

	<i>2019</i>	<i>2018</i>
Defined benefits obligation at beginning of the year	<b>451,054</b>	482,460
Current service cost	<b>42,685</b>	49,067
Interest cost on defined benefits obligation	<b>17,306</b>	17,078
Actuarial loss/(gain) on the obligation	<b>93,280</b>	(73,037)
Payments during the year	<b>(6,351)</b>	(20,079)
Transferred out, net	<b>(3,714)</b>	(4,435)
Defined benefits obligation at the end of the year	<b>594,260</b>	451,054

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**8 EMPLOYEE BENEFITS (continued)**

**8.1 Defined benefits obligation (continued)**

Net defined benefit expense:

	<i>Three-month period ended</i>		<i>Year ended</i>	
	<i>31 December</i>		<i>31 December</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Current service cost	<b>10,695</b>	12,192	<b>42,685</b>	49,067
Interest cost on defined benefits obligation	<b>3,082</b>	4,270	<b>17,306</b>	17,078
Net defined benefits expense	<b>13,777</b>	16,462	<b>59,991</b>	66,145

Significant assumptions used in determining defined benefits obligation for the Company are shown below:

	<i>2019</i>	<i>2018</i>
Discount rate	<b>3.1%</b>	4.4%
Salary increase rate – Executives	<b>4.5%</b>	4.5%
Salary increase rate – Non-Executives	<b>6.0%</b>	6.0%
Medical inflation rate	<b>Note (a) below</b>	Note (a) below
Average retirement age	<b>58</b>	58

a) As at 31 December 2019 and 31 December 2018: 9% in 2019 decreasing to 5% in 2023 and 5% per annum onwards.

**9 ZAKAT**

The movement in the zakat provision during the year is as follows:

	<i>2019</i>	<i>2018</i>
At the beginning of the year	<b>119,271</b>	170,523
Provided during the year	<b>135,460</b>	98,270
Paid during the year	<b>(128,795)</b>	(149,522)
At the end of the year	<b>125,936</b>	119,271

The Company has filed its zakat returns with the General Authority of Zakat and Tax (“GAZT”) and received the zakat certificates up to 31 December 2018. The Company has settled the zakat dues and cleared its zakat assessments with GAZT up to the year ended 31 December 2015. The final assessments of 2016 to 2018 have not yet been raised by the GAZT.

**10 EARNINGS PER SHARE**

The earnings per share calculation is given below:

	<i>Three-month period ended</i>		<i>Year ended</i>	
	<i>31 December</i>		<i>31 December</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Net income for the period (SR ‘000)	<b>170,948</b>	233,476	<b>1,089,772</b>	2,413,978
Weighted average number of ordinary shares (‘000)	<b>562,500</b>	562,500	<b>562,500</b>	562,500
Earnings per share (Saudi Riyals) – Basic and diluted	<b>0.30</b>	0.42	<b>1.94</b>	4.29

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

## **11 FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the year.

The management assessed that the fair value of cash and cash equivalents, short-term investments, trade and other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

# Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company

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

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### 12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Following is the list of related party transactions and balances of the Company:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Transactions</i>				<i>Balance as at</i>	
		<i>Three-month period ended</i>		<i>Year ended</i>		<i>31 December</i>	<i>31 December</i>
		<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>2019</i>	<i>2018</i>
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>		
<b>a) Amounts due from related parties</b>							
Saudi Basic Industries Corporation (SABIC) – (Parent)	Sale of products	2,636,337	1,619,379	7,219,087	7,614,338	1,739,869	2,095,851
	Advances for purchase of materials, product sales and other transactions	6,259	7,741	25,187	81,088	65,184	90,371
	Long term advance for logistics	-	-	-	-	7,500	7,500
Other related parties	Exchange of products	12,087	855	19,871	17,396	11,286	8,189
	Others	4,845	14,132	4,845	19,279	4,845	-
		<u>2,659,528</u>	<u>1,642,107</u>	<u>7,268,990</u>	<u>7,732,101</u>	<u>1,828,684</u>	<u>2,201,911</u>
<b>b) Amounts due to related parties</b>							
Saudi Basic Industries Corporation (SABIC) – (Parent)	Payments on behalf of the Company and other services rendered by the Parent	439,260	694,042	2,015,848	2,112,121	282,015	449,452
	Research and technology fees	52,727	32,105	144,382	152,287	69,270	38,163
Arabian Industrial Fibers Company (IBN RUSHD) (a related party)	Propane Tolling Agreement	67,393	19,929	273,234	320,019	91,754	19,929
Other related parties	Storage services and others	9,507	5,612	166,765	176,181	26,486	28,771
Board of directors	Remuneration	1,400	1,400	1,400	1,400	-	-
		<u>570,287</u>	<u>753,088</u>	<u>2,601,629</u>	<u>2,762,008</u>	<u>469,525</u>	<u>536,315</u>

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**12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**Key management compensation**

Compensation for key management is as follows:

	<i>Three-month period ended</i>		<i>Year ended</i>	
	<i>31 December</i>		<i>31 December</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Salaries and other benefits	<b>1,466</b>	1,288	<b>6,953</b>	7,481
Post-employment benefits	-	-	-	449
	<b>1,466</b>	1,288	<b>6,953</b>	7,930

Significant transactions with related parties were as follows:

- The Company has a service level agreement with SABIC (Shared Services Organization – SSO) for the provision of accounting, warehousing, human resources, information technology (ERP/SAP), transporting and arranging for delivery of materials related to the Company's spare parts, engineering, procurement and related services and other general services to the Company. The Company has also logistic service agreement with SABIC.
- Advances to SABIC represent the amounts paid by the Company according to shared service agreement to finance the purchase of the Company's materials and services.
- Almost all the Company's products are sold to SABIC ("the Marketer") under marketing and off-take agreements.

**Terms and conditions of transactions with related parties**

Outstanding balances at the year ended 31 December 2019 are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related party operates.

**13 SEGMENT INFORMATION**

The Company's President and Board of Directors monitor the results of the Company's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers (CODM) for the Company. The CODM review the results of the Company as a whole, as they believe that decision making cannot be done effectively in isolation for single products of the Company due to complex nature of the business, integrated facility where multiple products including downstream product movement are simultaneous and the nature of the products market. Hence, the whole Company is treated as a single operating segment, the results and financial position of which has been presented already.

The key evaluation criteria for segment performance is the net profit and this is evaluated and measured consistently throughout the accounting period. The non-current assets of the Company are based in Kingdom of Saudi Arabia and petrochemical products sales by the Company are made primarily to its parent company which is also based in Kingdom of Saudi Arabia.

**14 COMMITMENTS AND CONTINGENCIES**

As at 31 December 2019, the Company has commitments of SR 339 million (2018: SR 303 million) relating to capital expenditures.

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 1 million in the normal course of business as at 31 December 2019 (2018: SR 1.3 million).



**15 APPROPRIATION OF NET INCOME**

On 4 April 2019, the General Assembly approved a distribution of cash dividend amounting SR 1,125 million (SR 2 per share) for the second half of the year 2018 which represents 20% of the nominal value of the shares. The total dividends for the year ended 31 December 2018 was SR 2,109.38 million (SR 3.75 per share).

On 12 May 2019, the Board of Directors announced the distribution of SR 984.37 million as cash dividends (SR 1.75 per share) for the first half of the year 2019 which represents 17.5% of the nominal value of the shares. The date of eligibility for this dividend distribution was to shareholders listed on the Tadawul (Saudi Stock Exchange) by the end of trading on 2 July 2019.

On 25 December 2019, the Board of Directors recommended to the General Assembly a distribution of SR 984.37 million as cash dividends (SR 1.75 per share) for the second half of the year 2019 which represents 17.5% of the nominal value of the shares. Subject to the approval of the General Assembly, the eligibility for this dividend distribution will be to shareholders listed on the Tadawul by the end of trading day of the General Assembly meeting which is expected in March 2019. The total dividends for the year ended 31 December 2019 would be SR 1,968.74 million (SR 3.50 per share).