

**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 2020**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 2020, and the related interim condensed statements of income and comprehensive income, for the three-month period and the year ended 31 December 2020, 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 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



Abdullah Ali AlMakrami  
Certified Public Accountant  
License No. 476

8 Jumada II 1442H  
21 January 2021

Jeddah



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

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

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

		<b>31 December 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
	<i>Note</i>		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>11,078,498</b>	11,848,879
Right-of-use assets	4	<b>147,201</b>	170,935
Intangible assets		<b>26,176</b>	27,291
Other non-current assets		<b>149,809</b>	180,599
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,401,684</b>	12,227,704
<b>CURRENT ASSETS</b>			
Inventories		<b>808,412</b>	735,943
Trade receivables		<b>1,792,691</b>	1,753,273
Prepayments and other current assets		<b>302,013</b>	166,417
Short-term investments	5	<b>3,015,200</b>	3,050,800
Cash and cash equivalents		<b>19,758</b>	136,270
<b>TOTAL CURRENT ASSETS</b>		<b>5,938,074</b>	5,842,703
<b>TOTAL ASSETS</b>		<b>17,339,758</b>	18,070,407
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	6	<b>5,625,000</b>	5,625,000
Statutory reserve		<b>1,687,500</b>	1,687,500
Actuarial reserve		<b>(155,423)</b>	(7,994)
Retained earnings		<b>7,828,380</b>	8,838,306
<b>TOTAL EQUITY</b>		<b>14,985,457</b>	16,142,812
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	4	<b>127,153</b>	154,186
Employee benefits	7	<b>887,758</b>	620,651
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,014,911</b>	774,837
<b>CURRENT LIABILITIES</b>			
Lease liabilities – current portion	4	<b>19,295</b>	14,058
Trade payables		<b>589,661</b>	457,346
Accruals and other current liabilities	8	<b>593,973</b>	555,418
Zakat payable	9	<b>136,461</b>	125,936
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,339,390</b>	1,152,758
<b>TOTAL LIABILITIES</b>		<b>2,354,301</b>	1,927,595
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,339,758</b>	18,070,407

The attached notes from 1 to 16 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 2020

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

	<i>Note</i>	<i>Three-month period ended 31 December</i>		<i>Year ended 31 December</i>	
		<i>2020 (Unaudited)</i>	<i>2019 (Unaudited)</i>	<i>2020 (Unaudited)</i>	<i>2019 (Audited)</i>
Revenue from contracts with customers		<b>1,378,578</b>	1,482,084	<b>5,034,940</b>	6,064,834
Cost of revenue		<b>(903,450)</b>	(1,183,963)	<b>(3,946,224)</b>	(4,566,563)
<b>GROSS PROFIT</b>		<b>475,128</b>	298,121	<b>1,088,716</b>	1,498,271
Selling and distribution expenses		<b>(19,813)</b>	(15,355)	<b>(74,031)</b>	(65,971)
General and administrative expenses		<b>(84,031)</b>	(100,460)	<b>(287,085)</b>	(336,150)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>371,284</b>	182,306	<b>727,600</b>	1,096,150
Finance income		<b>7,647</b>	20,467	<b>50,759</b>	90,718
Finance costs, net		<b>(6,413)</b>	(5,399)	<b>(24,775)</b>	(26,082)
Other income, net		<b>18,078</b>	21,855	<b>63,900</b>	64,446
<b>INCOME BEFORE ZAKAT</b>		<b>390,596</b>	219,229	<b>817,484</b>	1,225,232
Zakat	9	<b>(57,942)</b>	(48,281)	<b>(139,910)</b>	(135,460)
<b>NET INCOME FOR THE PERIOD/YEAR</b>		<b>332,654</b>	170,948	<b>677,574</b>	1,089,772
<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>0.59</b>	0.30	<b>1.20</b>	1.94

The attached notes from 1 to 16 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 2020

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

	<i>Note</i>	<i>Three-month period ended 31 December</i>		<i>Year ended 31 December</i>	
		<i>2020 (Unaudited)</i>	<i>2019 (Unaudited)</i>	<i>2020 (Unaudited)</i>	<i>2019 (Audited)</i>
Net income for the period/year		<b>332,654</b>	170,948	<b>677,574</b>	1,089,772
<b>Other comprehensive income</b>					
<i>Items not to be reclassified to statement of income in subsequent periods:</i>					
Re-measurement (loss)/gain on defined benefit plans	7	<b>(102,630)</b>	6,929	<b>(147,429)</b>	(93,280)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>		<b>230,024</b>	177,877	<b>530,145</b>	996,492

The attached notes from 1 to 16 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 2020

(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 2019	5,625,000	1,687,500	85,286	9,857,909	17,255,695
Net income for the year	-	-	-	1,089,772	1,089,772
Other comprehensive loss for the year	-	-	(93,280)	-	(93,280)
Total comprehensive income for the year	-	-	(93,280)	1,089,772	996,492
Dividends (note 15)	-	-	-	(2,109,375)	(2,109,375)
Balance as at 31 December 2019 (Audited)	5,625,000	1,687,500	(7,994)	8,838,306	16,142,812
Net income for the year	-	-	-	677,574	<b>677,574</b>
Other comprehensive loss for the year	-	-	(147,429)	-	<b>(147,429)</b>
Total comprehensive income for the year	-	-	(147,429)	677,574	<b>530,145</b>
Dividends (note 15)	-	-	-	(1,687,500)	<b>(1,687,500)</b>
<b>Balance as at 31 December 2020 (Unaudited)</b>	<b>5,625,000</b>	<b>1,687,500</b>	<b>(155,423)</b>	<b>7,828,380</b>	<b>14,985,457</b>

The attached notes from 1 to 16 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 2020

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

	Note	2020 (Unaudited)	2019 (Audited)
<b>OPERATING ACTIVITIES</b>			
Income before zakat		817,484	1,225,232
<i>Adjustment to reconcile income before zakat to net cash inflow from operating activities:</i>			
Depreciation of property, plant and equipment and right-of-use assets		1,159,040	1,235,067
Amortisation of intangible assets		4,599	4,540
Reversal of provision for slow moving and obsolete inventories		(18,137)	-
Provision for employee benefits		111,750	44,599
Loss on disposal of property, plant and equipment		2,176	-
Finance costs		24,775	26,082
Finance income		(50,759)	(90,718)
		<b>2,050,928</b>	<b>2,444,802</b>
<i>Working capital adjustments:</i>			
(Increase)/decrease in inventories		(54,332)	33,895
(Increase)/decrease in trade receivables		(39,418)	351,866
(Increase)/decrease prepayments and other current assets		(147,886)	63,984
Decrease in other non-current assets		30,790	13,411
Increase in trade payables		132,315	47,200
Increase/(decrease) in accruals and other current liabilities		39,099	(259,712)
Cash from operations		<b>2,011,496</b>	<b>2,695,446</b>
Finance costs paid		(7,095)	(7,971)
Employees' benefits paid	7	(9,752)	(6,351)
Zakat paid	9	(129,385)	(128,795)
Net cash flows from operating activities		<b>1,865,264</b>	<b>2,552,329</b>
<b>INVESTING ACTIVITIES</b>			
Short-term investments made		(6,413,000)	(6,039,100)
Proceeds from maturity of short-term investments		6,448,600	6,078,288
Purchase of property, plant and equipment		(368,477)	(447,521)
Purchase of intangible assets		(1,359)	-
Finance income received		63,049	90,882
Net cash flows used in investing activities		<b>(271,187)</b>	<b>(317,451)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of principal portion of lease liabilities		(22,545)	(12,352)
Dividends paid		(1,688,044)	(2,112,456)
Net cash flows used in financing activities		<b>(1,710,589)</b>	<b>(2,124,808)</b>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(116,512)</b>	<b>110,070</b>
Cash and cash equivalents at the beginning of the year		<b>136,270</b>	<b>26,200</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>19,758</b>	<b>136,270</b>
<b>SUPPLEMENTARY NON-CASH INFORMATION</b>			
Right-of-use assets and lease liabilities		<b>19,619</b>	<b>171,107</b>

The attached notes from 1 to 16 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 2020

(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 of the Company is located at Yanbu, P.O. Box 31396, Yanbu industrial city 41912.

The interim condensed financial statements of the Company for the year ended 31 December 2020 have been approved by the Board of Directors on 8 Jumada II 1442H (corresponding to 21 January 2021).

### 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 2019.

#### 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 judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The significant judgments made by management in applying the Company’s accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2019. However, in the view of the current uncertainty due to COVID-19, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments (see also note 16).

**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 2020  
(All amounts in Saudi Riyals ‘000 unless otherwise stated)

### **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 2019, except for the adoption of new standards effective as of 1 January 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Company. As required by IAS 34, the nature and effect of these changes are disclosed below.

#### **3.1 Amendments to IFRS 3: *Definition of a Business***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

#### **3.2 Amendments to IAS 1 and IAS 8: *Definition of Material***

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed financial statements of, nor is there expected to be any future impact to the Company.

### **4 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 year:

	<b>2020</b>		<b>2019</b>	
	<i><b>Right-of-use assets</b></i>	<i><b>Lease liabilities</b></i>	<i><b>Right-of-use assets</b></i>	<i><b>Lease liabilities</b></i>
At the beginning of the year	<b>170,935</b>	<b>168,244</b>	179,331	171,789
Addition	<b>19,619</b>	<b>19,619</b>	11,179	8,807
Adjustment	<b>(18,870)</b>	<b>(18,870)</b>	-	-
Depreciation	<b>(24,483)</b>	-	(19,575)	-
Interest expense	-	<b>7,623</b>	-	10,014
Payments	-	<b>(30,168)</b>	-	(22,366)
At the end of the year	<b>147,201</b>	<b>146,448</b>	170,935	168,244

### **5 SHORT-TERM INVESTMENTS**

Short-term investments represent Murabaha commodity placements with original maturity exceeding three months but less than one year and maintained with local and foreign banks. These placements yield finance income at prevailing market rates.

### **6 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 SABIC, and 49% owned by others or publicly traded.

**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 2020  
(All amounts in Saudi Riyals ‘000 unless otherwise stated)

**7 EMPLOYEE BENEFITS**

	2020	2019
Defined benefits obligation (note 7.1)	856,354	594,260
Others	31,404	26,391
	<u>887,758</u>	<u>620,651</u>

**7.1 Defined benefits obligation**

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

	2020	2019
Defined benefits obligation at beginning of the year	594,260	451,054
Current service cost	52,965	42,685
Interest cost on defined benefits obligation	17,680	17,306
Actuarial loss on the obligation	147,429	93,280
Payments during the year	(9,752)	(6,351)
Transferred in/(out), net	53,772	(3,714)
Defined benefits obligation at the end of the year	<u>856,354</u>	<u>594,260</u>

Net defined benefit expense:

	<i>Three-month period ended</i> <i>31 December</i>		<i>Year ended</i> <i>31 December</i>	
	2020	2019	2020	2019
Current service cost	13,015	10,695	52,965	42,685
Interest cost on defined benefits obligation	4,420	3,082	17,680	17,306
Net defined benefits expense	<u>17,435</u>	<u>13,777</u>	<u>70,645</u>	<u>59,991</u>

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

	2020	2019
Discount rate	2.4%	3.1%
Salary increase rate – Executives	4.5%	4.5%
Salary increase rate – Non-Executives	6.0%	6.0%
Medical inflation rate	Note (a) below	Note (a) below
Average retirement age	58	58

(a) As at 31 December 2020 and 31 December 2019: 9% per annum in 2021 decreasing to 5% per annum in 2025 and 5% per annum onwards.

**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 2020  
(All amounts in Saudi Riyals ‘000 unless otherwise stated)

**8 ACCRUALS AND OTHER CURRENT LIABILITIES**

	<i>2020</i>	<i>2019</i>
Accrued liabilities	<b>460,645</b>	434,633
Amounts due to related parties	<b>117,990</b>	104,903
Dividend payable	<b>15,338</b>	15,882
	<u><b>593,973</b></u>	<u>555,418</u>

**9 ZAKAT**

	<i>2020</i> <i>SR</i>	<i>2019</i> <i>SR</i>
Zakat relating to current year	<b>119,910</b>	135,460
Zakat relating to prior years	<b>20,000</b>	-
	<u><b>139,910</b></u>	<u>135,460</u>

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

	<i>2020</i>	<i>2019</i>
At the beginning of the year	<b>125,936</b>	119,271
Provided during the year	<b>139,910</b>	135,460
Paid during the year	<b>(129,385)</b>	(128,795)
At the end of the year	<u><b>136,461</b></u>	<u>125,936</u>

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 2019. The Company has settled the zakat dues and cleared its zakat assessments with GAZT up to the year ended 31 December 2015.

During 2020, the Company received assessment for the years 2016 to 2018 claiming additional zakat aggregating to SR 91 million due to certain additions to zakat base made by GAZT. The Company is currently reviewing the GAZT’s assessment and plans to file an appeal against the total amount of assessment for these years. The management believes that the appeal outcome will be in the Company’s favour. Moreover, an additional provision of SR 20 million has been made in these interim condensed financial statements.

Further, during the year, GAZT raised assessment with additional withholding tax liability on dividend paid to non-resident shareholders amounting to SR 10.1 million for the years 2015 to 2019, and the Company paid the amount during the year ended 31 December 2020.

The final assessment for the year 2019 has not yet been raised by the GAZT.

**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 2020  
(All amounts in Saudi Riyals ‘000 unless otherwise stated)

**10 EARNINGS PER SHARE**

The earnings per share calculation is given below:

	<i>Three-month period ended 31 December</i>		<i>Year ended 31 December</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Net income for the period/year (SR ‘000)	<b>332,654</b>	170,948	<b>677,574</b>	1,089,772
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>0.59</b>	0.30	<b>1.20</b>	1.94

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 financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 and trade payables 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)

For the year ended 31 December 2020

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

### 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:

Related party	Nature of transactions	Transactions				Balance as at	
		Three-month period ended		Year ended		31 December 2020	31 December 2019
		31 December 2020	31 December 2019	31 December 2020	31 December 2019		
a) Amounts due from related parties							
Saudi Basic Industries Corporation (SABIC) – (Parent)	Sale of products	1,378,578	1,482,084	5,034,940	6,064,834	1,740,962	1,739,869
	Advances for purchase of materials, product sales and other transactions	7,864	6,259	41,641	25,187	106,825	65,184
	Long term advance for logistics	-	-	-	-	7,500	7,500
Other related parties	Exchange of products	49,998	12,087	70,202	19,871	49,091	11,286
	Others	-	4,845	-	4,845	-	4,845
		1,436,440	1,505,275	5,146,783	6,114,737	1,904,378	1,828,684
b) Amounts due to related parties							
Saudi Basic Industries Corporation (SABIC) – (Parent)	Payments on behalf of the Company and other services rendered by the Parent	432,925	439,260	2,288,843	2,015,848	277,469	282,015
	Research and technology fees	48,222	52,727	121,349	144,382	10,371	69,270
Saudi Aramco (Ultimate Parent) and its subsidiaries (from 16 June 2020)	Procurement of feedstock and others	163,075	-	679,052	-	114,680	-
Arabian Industrial Fibers Company (IBN RUSHD) (a related party)	Propane Tolling Agreement	103,209	67,393	217,447	273,234	103,208	91,754
Other related parties	Storage services and others	3,836	9,507	5,226	166,765	34,814	26,486
Board of directors	Remuneration	1,400	1,400	1,400	1,400	-	-
		752,667	570,287	3,313,317	2,601,629	540,542	469,525

**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 2020  
(All amounts in Saudi Riyals '000 unless otherwise stated)

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

**Key management compensation**

Compensation for key management is as follows:

	<i>Three-month period ended 31 December</i>		<i>Year ended 31 December</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Salaries and other benefits	<b>1,301</b>	1,256	<b>6,580</b>	6,121
Post-employment benefits	<b>217</b>	210	<b>1,445</b>	832
	<b>1,518</b>	1,466	<b>8,025</b>	6,953

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 2020 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 2020, 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 2020, the Company has commitments of SR 317 million (31 December 2019: SR 339 million) relating to capital expenditures.

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 10.6 million in the normal course of business as at 31 December 2020 (31 December 2019: SR 0.5 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.

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.

On 15 March 2020, the General Assembly approved a distribution of cash dividend amounting SR 984.37 million (SR 1.75 per share) for the second half of the year 2019 which represents 17.5% of the nominal value of the shares. The total dividends for the year ended 31 December 2019 was SR 1,968.74 million (SR 3.50 per share).

On 11 May 2020, the Board of Directors announced the distribution of SR 703.13 million as cash dividends (SR 1.25 per share) for the first half of the year 2020 which represents 12.5% 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 9 July 2020.

On 24 December 2020, the Board of Directors proposed a distribution of cash dividends for the second half of the year 2020 amounting to SR 703.13 million (at SR 1.25 per share). The proposed dividends are subject to approval of the shareholders in the Annual General Assembly meeting which is expected in March 2021. The total dividends for the year ended 31 December 2020 would be SR 1,406.25 million (SR 2.50 per share).

## **16 IMPACT OF COVID-19**

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company's management to re-assess the judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019.

During the year ended 31 December 2020, management has assessed the overall impact on the Company's operations and business aspects, and considered factors like effects on supply chain, impact of decreased oil prices, operating rates of its plants and lost volume, and products demand. Based on this assessment, the management concluded that, as at the issuance date of these interim condensed financial statements, the Company did not face significant adverse impact on its operations and business due to COVID-19 pandemic and no significant changes are required to the judgements, assumptions and key estimates in the interim condensed financial statements for the year ended 31 December 2020.

To preserve the health of the employees and support the prevention of contagion in the operational and administrative areas, the Company took measures, in line with the recommendations of the World Health Organisation and Ministry of Health, such as working from home, social distancing at work place, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases, limiting non-essential travel, self-health declarations and measuring body temperature.

The operational and financial impacts of the COVID-19 pandemic to date have been reflected in these interim condensed financial statements. The strong financial position, including access to funds and absence of debt, coupled with the actions the Company has taken to date and the continued activity of its Parent Company ensures that the Company has the capacity to continue through the challenges caused by the COVID-19 pandemic. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.