

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

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

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

**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 30 September 2018 and the related interim condensed statements of income and comprehensive income, for the three-month and nine-month periods ended 30 September 2018, and the related interim condensed statements of changes in equity and cash flows for the nine-month period 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") 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 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

12 Safar 1440H
21 October 2018

Jeddah

18/001/AS



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

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

	Note	30 September 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		12,601,146	12,953,931
Intangible assets		34,215	33,753
Other non-current assets		188,780	193,855
TOTAL NON-CURRENT ASSETS		12,824,141	13,181,539
CURRENT ASSETS			
Inventories		774,263	675,751
Trade receivables		2,576,441	2,622,421
Prepayments and other current assets		135,311	245,065
Short-term investments		2,428,370	1,987,500
Cash and cash equivalents	4	200,024	1,052,254
TOTAL CURRENT ASSETS		6,114,409	6,582,991
TOTAL ASSETS		18,938,550	19,764,530
EQUITY AND LIABILITIES			
EQUITY			
Share capital	5	5,625,000	5,625,000
Statutory reserve		1,687,500	1,687,500
Actuarial reserve		31,871	12,249
Retained earnings		9,624,433	9,412,681
TOTAL EQUITY		16,968,804	16,737,430
NON-CURRENT LIABILITIES			
Long term loans	6	-	199,831
Employee benefits	7	510,512	501,285
Other non-current liabilities		727	2,837
TOTAL NON-CURRENT LIABILITIES		511,239	703,953
CURRENT LIABILITIES			
Current portion of long term loans	6	-	930,346
Trade payables		377,415	580,986
Accrued and other current liabilities		959,087	641,292
Zakat payable	8	122,005	170,523
TOTAL CURRENT LIABILITIES		1,458,507	2,323,147
TOTAL LIABILITIES		1,969,746	3,027,100
TOTAL EQUITY AND LIABILITIES		18,938,550	19,764,530

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 (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2018
(All amounts in Saudi Riyals '000 unless otherwise stated)

	Note	<i>Three-month period ended</i> <i>30 September</i>		<i>Nine-month period ended</i> <i>30 September</i>	
		2018	2017	2018	2017
Sales		2,110,425	1,933,436	6,009,109	5,054,060
Cost of sales		(1,271,178)	(1,153,102)	(3,492,456)	(3,080,307)
GROSS PROFIT		839,247	780,334	2,516,653	1,973,753
Selling and distribution expenses		(18,880)	(18,303)	(41,675)	(44,484)
General and administrative expenses		(109,558)	(108,411)	(313,167)	(294,734)
INCOME FROM MAIN OPERATIONS		710,809	653,620	2,161,811	1,634,535
Finance income		15,515	18,724	54,471	49,115
Finance costs, net		(4,089)	(15,527)	(26,762)	(50,006)
Other income, net		30,641	21,834	83,646	62,179
INCOME BEFORE ZAKAT		752,876	678,651	2,273,166	1,695,823
Zakat	8	(23,858)	(34,065)	(92,664)	(97,360)
NET INCOME FOR THE PERIOD		729,018	644,586	2,180,502	1,598,463
Earnings per share					
Weighted average number of ordinary shares ('000)	9	562,500	562,500	562,500	562,500
Basic and diluted earnings per share attributable to ordinary equity holders of the Company (Saudi Riyals)	9	1.30	1.15	3.88	2.84

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 (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2018
(All amounts in Saudi Riyals '000 unless otherwise stated)

	<i>Three-month period ended</i> <i>30 September</i>		<i>Nine-month period ended</i> <i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net income for the period	729,018	644,586	2,180,502	1,598,463
Other comprehensive income				
<i>Items not to be reclassified to statement of income in subsequent periods:</i>				
Re-measurement (loss)/ gain on defined benefit plans	(290)	(8,832)	19,622	(8,832)
Total comprehensive income for the period	728,728	635,754	2,200,124	1,589,631

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 (UNAUDITED)

For the nine-month period ended 30 September 2018

(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 2017	5,625,000	1,606,507	19,227	8,804,809	16,055,543
Net income for the period	-	-	-	1,598,463	1,598,463
Other comprehensive income for the period	-	-	(8,832)	-	(8,832)
Total comprehensive income for the period	-	-	(8,832)	1,598,463	1,589,631
Transfers to statutory reserve	-	159,846	-	(159,846)	-
Dividends (note 15)	-	-	-	(1,687,500)	(1,687,500)
Board of directors' remuneration	-	-	-	(1,400)	(1,400)
Balance as at 30 September 2017	<u>5,625,000</u>	<u>1,766,353</u>	<u>10,395</u>	<u>8,554,526</u>	<u>15,956,274</u>
Balance as at 1 January 2018	5,625,000	1,687,500	12,249	9,412,681	16,737,430
Net income for the period	-	-	-	2,180,502	2,180,502
Other comprehensive income for the period	-	-	19,622	-	19,622
Total comprehensive income for the period	-	-	19,622	2,180,502	2,200,124
Dividends (note 15)	-	-	-	(1,968,750)	(1,968,750)
Balance as at 30 September 2018	<u>5,625,000</u>	<u>1,687,500</u>	<u>31,871</u>	<u>9,624,433</u>	<u>16,968,804</u>

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 (UNAUDITED)

For the nine-month period ended 30 September 2018

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

	<i>Nine-month period ended 30 September 2018</i>	<i>Nine-month period ended 30 September 2017</i>
OPERATING ACTIVITIES		
Income for the period before zakat	2,273,166	1,695,823
<i>Adjustments to reconcile income to net cash provided by operating activities:</i>		
Depreciation of property, plant and equipment	807,433	803,690
Amortisation of intangible assets	4,006	2,697
Reversal of allowance for slow moving inventories	-	(33,000)
Provision for employee benefits expense	51,464	43,276
Fair value adjustment of derivatives	(16,236)	(36,945)
Loss on disposal of property, plant and equipment	1,859	11,261
Finance costs	42,998	86,951
	3,164,690	2,573,753
<i>Working capital adjustments:</i>		
Inventories	(98,512)	83,008
Trade receivables	45,980	(369,014)
Prepayments and other current assets	109,754	(59,296)
Other non-current assets	5,075	23,394
Trade payables	(203,571)	115,284
Accrued and other current liabilities	320,336	203,830
Cash from operations	3,343,752	2,570,959
Finance costs paid	(39,448)	(32,206)
Employees' benefits paid	(17,142)	(7,413)
Zakat paid	(141,182)	(143,271)
Board of directors' remuneration	-	(1,400)
Net cash flows from operating activities	3,145,980	2,386,669
INVESTING ACTIVITIES		
Short-term investments	(4,034,224)	(2,749,125)
Proceeds from maturity of short-term investments	3,593,354	2,406,673
Purchase of property, plant and equipment	(456,507)	(351,319)
Purchase of intangible assets	(4,468)	-
Net cash flows used in investing activities	(901,845)	(693,771)
FINANCING ACTIVITIES		
Repayment of long-term loans	(1,130,177)	(729,809)
Dividends paid	(1,966,188)	(1,684,604)
Net cash flows used in financing activities	(3,096,365)	(2,414,413)
DECREASE IN CASH AND CASH EQUIVALENTS	(852,230)	(721,515)
Cash and cash equivalents at the beginning of the period	1,052,254	1,676,233
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	200,024	954,718

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 nine-month period ended 30 September 2018
(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 bye-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") as endorsed in Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These interim condensed financial statements do not include all the information and disclosures required in full set of annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2017. In addition, results for the interim period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

2.2 Basis of measurement

These interim condensed financial statements are prepared under the historical cost convention, except for the measurement at fair value of derivative financial instruments. 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 2017 except for as disclosed below in note 3.2.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation 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 2017, except for the adoption of new standards effective as of 1 January 2018.

The Company applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. 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 2018, but do not have an impact on the interim condensed financial statements of the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2018
(All amounts in Saudi Riyals '000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company performed a detailed impact assessment of all aspects of IFRS 15 as applicable. This assessment is based on currently available information and expert judgement of the management. The Company's contract with customers for the sale of petrochemical products include only one performance obligation. Overall, adoption of IFRS 15 does not have any impact on the Company's interim condensed financial statements.

(a) Sale of goods

The Company is in business of manufacturing and sale of petrochemical products. The Company has concluded that revenue from sale of petrochemical products should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the petrochemical products. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amount of revenue recognition.

(b) Principal versus agent considerations

The Company enters into tolling arrangement where feedstock or other semi-finished inventory (work in progress) owned by related party is provided for further processing. Under this arrangement, the Company receive feedstock from the related party and after processing the feedstock, these are provided to the customer. In this arrangement, the Company is not primarily responsible for fulfilling the promise to provide the specified petrochemical products. These arrangements are accounted for as sales and purchase transactions depending on which party retains the ownership and risks of loss associated with the feedstock and the resulting finished goods. Where the tollee retains such risks and rewards, it is treated as a service agreement whereby the inventory as well as related sales and cost of manufacturing is recorded at the tollee books. In addition, the Company has no discretion in establishing the price for the specified petrochemical products. However, the Company's consideration in these contracts is toll service charges only based on agreed formula as per the tolling agreement as 'other income' in its interim condensed statement of income. The adoption of IFRS 15 does not have any impact on this transaction.

3.2 IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Under IFRS 9, except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Classification and measurement

Except for trade receivables, under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through income statement, transaction costs. Under IFRS 9, debt financial instruments are subsequently measured at fair value through income statement, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Debt financial instruments (short term investments) as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2018
(All amounts in Saudi Riyals '000 unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 IFRS 9 Financial Instruments (continued)

Classification and measurement (continued)

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39. The accounting for derivatives embedded in financial liabilities has not changed from that required by IAS 39. Therefore, adoption of IFRS 9 has no impact on the financial liabilities.

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all loans and receivables not held at fair value through statement of income.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

However, the adoption of the ECL requirements of IFRS 9 did not result in any impairment allowance of the Company's trade receivables and debt financial assets because of no historical credit loss experience of the Company.

4 CASH AND CASH EQUIVALENTS

	<i>30 September 2018</i>	<i>31 December 2017</i>
Time deposits	134,625	927,575
Bank balances	65,399	124,679
	200,024	1,052,254

5 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.

6 LONG TERM LOANS

Long term loans comprised of conventional term loans and Ijara financing.

Conventional term loans

Term loans represents loans availed from Public Investment Fund (PIF) and Commercial and Export Credit Agencies (ECA) respectively. Details of which are as under:

- a) The term loan obtained from Public Investment Fund (PIF) in 2007 to finance partial construction of the plants, is limited to SR 4,001 million. The term loan carried charges at commercial rates and was repayable in equal semi-annual instalments of SR 200 million. The first instalment was paid on 31 December 2009, and the last instalment was payable on 30 June 2019. However, during the nine month period ended 30 September 2018, the Company has fully repaid the loan.

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2018
(All amounts in Saudi Riyals '000 unless otherwise stated)

6 LONG TERM LOANS (continued)

Conventional term loans(continued)

- b) The term loans were obtained in 2007 from a consortium of banks in three loans, of which two loans limited to SR 5,948 million and guaranteed by ECA, Servizi Assicurativi Del Commercio Estero and Export Credits Guarantee Department (ECGD) to finance partial construction of plants and working capital. The loans carried commissions at commercial rates and were repayable in semi-annual variable instalments with the first instalment paid on 30 June 2009. In accordance with the term loans agreement, the last instalment of loan was fully repaid during the nine month period ended 30 September 2018.

These term loans were secured against the proceeds of projects. In addition, the Company had signed an Equity Support, Subordination and Retention Agreement with SABIC under which SABIC shall maintain its ownership in YANSAB at 51% for the life of the loans.

Ijara financing

In 2009, the Company entered into the Ijara Financing Agreements ("IFAs") pursuant to which the commercial banks participated 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 had been leased to the Company at an annual rental as agreed plus margin.

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

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

In accordance with supply agreement a portion of the project equivalent in amount to the share of Original Facility Participants in Financing Facility as at completion of withdrawal date of 22 November 2010 amounting to SR 2,775 million has been transferred to the name of the Custodian (Company owned by Original Participants). In accordance with the Ijara arrangements, the last instalment was fully repaid during the nine month period ended 30 September 2018.

7 EMPLOYEE BENEFITS

	<i>30 September 2018</i>	<i>31 December 2017</i>
Defined benefits obligation (note 7.1)	489,906	482,460
Others	20,606	18,825
	<u>510,512</u>	<u>501,285</u>

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2018
(All amounts in Saudi Riyals '000 unless otherwise stated)

7 EMPLOYEE BENEFITS (continued)

7.1 Defined benefits obligation

The following table represents the movement of the defined benefits obligation as at 30 September 2018 and 31 December 2017:

	30 September 2018	31 December 2017
Defined benefits obligation at beginning of the period/year	482,460	426,199
Current service cost	36,875	45,763
Interest cost on defined benefits obligation	12,808	16,542
Actuarial (gain)/loss on the obligation	(19,622)	6,978
Payments during the period/year	(17,142)	(8,568)
Transferred out, net	(5,473)	(4,454)
Defined benefits obligation at the end of the period/year	489,906	482,460

Net defined benefit expense:-

	30 September 2018	30 September 2017
Current service cost	36,875	36,641
Interest cost on defined benefits obligation	12,808	12,439
Net defined benefits expense	49,683	49,080

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

	30 September 2018	31 December 2017
Discount rate	3.6%	3.6%
Salary increase rate – Executives	5%	5%
Salary increase rate – Non-Executives	6.5%	6.5%
Medical inflation rate	Note (a) below	Note (a) below
Average retirement age	58	58

a) As at 30 September 2018 and 31 December 2017: 10% in 2017 decreasing to 5% for 2022+.

8 ZAKAT

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

	30 September 2018	31 December 2017
At beginning of the period/year	170,523	169,879
Provided during the period/year	92,664	143,915
Paid during the period/year	(141,182)	(143,271)
At the end of the period/year	122,005	170,523

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2018
(All amounts in Saudi Riyals '000 unless otherwise stated)

8 ZAKAT (continued)

The Company has filed its zakat returns with the General Authority of Zakat and Tax ("GAZT"), received the zakat certificates up to 31 December 2017, settled the zakat dues and cleared its zakat assessments with GAZT up to the year ended 31 December 2012. During 2017, the GAZT raised assessments for the years ended 31 December 2013 through 31 December 2015. The Company has filed an appeal against these assessments. Management is confident that the Company has adequate zakat liability to meet any additional liability arising from these assessments. The Company has submitted the zakat return for the year 31 December 2017. However, the final assessments of 2016 and 2017 have not yet been raised by the GAZT.

9 EARNINGS PER SHARE

The earnings per share calculation is given below:

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net income for the period (SR '000)	729,018	644,586	2,180,502	1,598,463
Weighted average number of ordinary shares ('000)	562,500	562,500	562,500	562,500
Earnings per share (Saudi Riyals) – Basic and diluted	1.30	1.15	3.88	2.84

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

10 DERIVATIVE LIABILITY

	<i>30 September 2018</i>	<i>31 December 2017</i>
<i>Held for trading:</i>		
Interest rate swap agreements – current	-	14,258
Interest rate swap agreements – non-current	-	1,978
	-	16,236
Notional amount	-	716,645

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included 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).

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2018
(All amounts in Saudi Riyals '000 unless otherwise stated)

11 FAIR VALUE MEASUREMENT (continued)

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.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	<i>Carrying amount</i>	<i>Fair value</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
30 September 2018					
Liabilities measured at fair value					
Derivative financial instruments	-	-	-	-	-
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
31 December 2017					
Liabilities measured at fair value					
Derivative financial instruments	16,236	16,236	-	16,236	-

There were no transfers between Level 1 and Level 2 during the period.

The management assessed that 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.

The following methods and assumptions were used to estimate the fair values:

Long-term fixed-rate and variable-rate receivables are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.

The Company enters into derivative financial instrument principally with financial institutions having investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs is interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity. During the nine-month period ended 30 September 2018, all derivative contracts are settled and there is no liability in this regard.

Fair values of the Company's long term loans are determined by using DCF method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2017, the carrying amounts of long term loans were not materially different from their calculated fair values. During the nine-month period ended 30 September 2018, the Company has fully repaid the long term loans.

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

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

For the nine-month period ended 30 September 2018

(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 for the nine-month period ended		Balance as at	
		30 September 2018	30 September 2017	30 September 2018	31 December 2017
a) Amounts due from related parties					
Saudi Basic Industries Corporation (SABIC) – (Parent)	Sale of products	5,994,959	5,054,060	2,558,832	2,616,571
	Advances for purchase of materials, product sales and other transactions	88,829	11,878	82,629	171,458
	Long term advance for logistics	-	-	7,500	7,500
Other affiliates	Exchange of products	18,251	8,079	9,724	5,735
	Others	5,147	3,252	-	5,147
		<u>6,107,186</u>	<u>5,077,269</u>	<u>2,658,685</u>	<u>2,806,411</u>
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	1,418,079	1,100,518	387,274	287,705
	Research and technology fees	120,182	101,229	49,859	51,214
Arabian Industrial Fibers Company (IBN RUSHD) - (an affiliate)	Propane Tolling Agreement	300,090	287,915	110,466	103,283
Other affiliates	Storage services, purchase of gases and others	181,793	263,636	73,437	73,783
Board of directors	Remuneration	-	1,400	-	-
		<u>2,020,144</u>	<u>1,754,698</u>	<u>621,036</u>	<u>515,985</u>

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2018
(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>30 September 2018</i>	<i>30 September 2017</i>
Salaries and other benefits	6,193	10,794
Post-employment benefits	449	1,032
	6,642	11,826

Significant transactions with related parties were as follows:

- a) 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.
- b) 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.
- c) The majority of Company's products is sold to SABIC ("the Marketer") under marketing and off-take agreements.

Terms and conditions of transactions with related parties

Outstanding balances at the period ended 30 September 2018 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 period ended 30 September 2018, 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 30 September 2018, the Company has commitments of SAR 434 million (31 December 2017: SR 156.8 million) relating to capital expenditures.

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 1.3 million in the normal course of business as at 30 September 2018 (31 December 2017: SR 10.3 million).

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the nine-month period ended 30 September 2018
(All amounts in Saudi Riyals '000 unless otherwise stated)

15 APPROPRIATION OF NET INCOME

On 14 March 2017, the General Assembly approved a distribution of interim cash dividend amounting SR 843.75 million (SR 1.5 per share) for the second half of the year 2016 which represents 15% of the nominal value of the shares. The total dividends for the year ended 31 December 2016 were SR 1,687.5 million (SR 3 per share).

On 7 June 2017, the Board of Directors declared the distribution of SR 843.75 million as interim cash dividends (SR 1.5 per share) for the first half of the year 2017 which represents 15% 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 2017 with the payment of interim cash dividend on 13 July 2017.

On 2 April 2018, the General Assembly approved a distribution of interim cash dividend amounting SR 984.37 million (SR 1.75 per share) for the second half of the year 2017 which represents 17.5% of the nominal value of the shares. The total dividends for the year ended 31 December 2017 would be SR 1,828.12 million (SR 3.25 per share).

On 27 May 2018, the Board of Directors declared the distribution of SR 984.37 million as interim cash dividends (SR 1.75 per share) for the first half of the year 2018 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 2018 with the payment of interim cash dividend on 16 July 2018.