

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

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

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

**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 June 2019 and the related interim condensed statements of income and comprehensive income, for the three-month and six-month periods ended 30 June 2019, and the related interim condensed statements of changes in equity and cash flows for the six-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") 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 endorsed in the Kingdom of Saudi Arabia

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356

15 Dhul-Qi'dah 1440H
18 July 2019

Jeddah

19/38/AS



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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

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

	<i>Note</i>	30 June 2019 (Unaudited)	31 December 2018 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		12,270,080	12,617,436
Right-of-use assets	4	170,945	-
Intangible assets		30,847	33,088
Other non-current assets		190,651	194,010
TOTAL NON-CURRENT ASSETS		12,662,523	12,844,534
CURRENT ASSETS			
Inventories		806,644	769,838
Trade receivables		2,011,082	2,105,139
Prepayments and other current assets		211,662	236,360
Short-term investments	5	2,851,600	3,089,988
Cash and cash equivalents		33,524	26,200
TOTAL CURRENT ASSETS		5,914,512	6,227,525
TOTAL ASSETS		18,577,035	19,072,059
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	5,625,000	5,625,000
Statutory reserve		1,687,500	1,687,500
Actuarial reserve		52,048	85,286
Retained earnings		8,455,303	9,857,909
TOTAL EQUITY		15,819,851	17,255,695
NON-CURRENT LIABILITIES			
Lease liabilities	4	146,624	-
Employee benefits	7	527,189	471,817
Other non-current liabilities		791	682
TOTAL NON-CURRENT LIABILITIES		674,604	472,499
CURRENT LIABILITIES			
Lease liabilities – current portion	4	13,798	-
Trade payables		270,244	410,146
Accruals and other current liabilities		1,748,160	814,448
Zakat payable	8	50,378	119,271
TOTAL CURRENT LIABILITIES		2,082,580	1,343,865
TOTAL LIABILITIES		2,757,184	1,816,364
TOTAL EQUITY AND LIABILITIES		18,577,035	19,072,059

The attached notes from 1 to 14 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 six month periods ended 30 June 2019

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

	Note	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Revenue from contracts with customers		1,637,959	2,111,470	3,160,006	3,898,684
Cost of revenue		(1,206,351)	(1,173,903)	(2,255,910)	(2,221,278)
GROSS PROFIT		431,608	937,567	904,096	1,677,406
Selling and distribution expenses		(22,116)	(12,497)	(39,153)	(22,795)
General and administrative expenses		(80,023)	(108,877)	(156,481)	(203,609)
INCOME FROM MAIN OPERATIONS		329,469	816,193	708,462	1,451,002
Finance income		25,353	22,512	53,210	38,956
Finance costs, net		(7,747)	(7,502)	(13,836)	(22,673)
Other income, net		565	23,414	18,835	53,005
INCOME BEFORE ZAKAT		347,640	854,617	766,671	1,520,290
Zakat	8	(31,508)	(33,726)	(59,902)	(68,806)
NET INCOME FOR THE PERIOD		316,132	820,891	706,769	1,451,484
Earnings per share (EPS)					
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	0.56	1.46	1.26	2.58

The attached notes from 1 to 14 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 six month periods ended 30 June 2019
(All amounts in Saudi Riyals ‘000 unless otherwise stated)

		<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June</i>		<i>30 June</i>	
	<i>Note</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Net income for the period		316,132	820,891	706,769	1,451,484
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	7	(16,257)	624	(33,238)	19,912
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		299,875	821,515	673,531	1,471,396

The attached notes from 1 to 14 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 six-month period ended 30 June 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 period	-	-	-	1,451,484	1,451,484
Other comprehensive income for the period	-	-	19,912	-	19,912
Total comprehensive income for the period	-	-	19,912	1,451,484	1,471,396
Dividends (note 14)	-	-	-	(1,968,750)	(1,968,750)
Balance as at 30 June 2018	<u>5,625,000</u>	<u>1,687,500</u>	<u>32,161</u>	<u>8,895,415</u>	<u>16,240,076</u>
Balance as at 1 January 2019	5,625,000	1,687,500	85,286	9,857,909	17,255,695
Net income for the period	-	-	-	706,769	706,769
Other comprehensive loss for the period	-	-	(33,238)	-	(33,238)
Total comprehensive income for the period	-	-	(33,238)	706,769	673,531
Dividends (note 14)	-	-	-	(2,109,375)	(2,109,375)
Balance as at 30 June 2019	<u>5,625,000</u>	<u>1,687,500</u>	<u>52,048</u>	<u>8,455,303</u>	<u>15,819,851</u>

The attached notes from 1 to 14 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 six-month period ended 30 June 2019

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

	<i>Six-month period ended 30 June 2019</i>	<i>Six-month period ended 30 June 2018</i>
OPERATING ACTIVITIES		
Income before zakat	766,671	1,520,290
<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	751,901	533,818
Amortisation of intangible assets	2,241	2,666
Provision for employee benefits	24,356	32,845
Fair value adjustment of derivatives	-	(12,176)
Loss on disposal of property, plant and equipment	-	1,859
Finance costs	13,836	34,849
Finance income	(53,210)	(38,956)
	1,505,795	2,075,195
<i>Working capital adjustments:</i>		
Inventories	(36,806)	(86,028)
Trade receivables	94,057	78,707
Prepayments and other current assets	24,698	90,909
Other non-current assets	3,359	5,630
Trade payables	(139,902)	(284,951)
Accruals and other current liabilities	(59,621)	205,476
Cash from operations	1,391,580	2,084,938
Finance costs paid	(4,364)	(24,487)
Employees' benefits paid	(3,524)	(13,308)
Zakat paid	(128,795)	(141,182)
Net cash flows from operating activities	1,254,897	1,905,961
INVESTING ACTIVITIES		
Short-term investments	(2,851,600)	(1,565,518)
Proceeds from maturity of short-term investments	3,089,988	2,314,898
Purchase of property, plant and equipment	(396,159)	(223,110)
Finance income received	50,640	38,956
Net cash flows (used in)/from investing activities	(107,131)	565,226
FINANCING ACTIVITIES		
Repayment of long term loans	-	(1,130,177)
Payment of lease liabilities	(16,305)	-
Dividends paid	(1,124,137)	(981,216)
Net cash flows used in financing activities	(1,140,442)	(2,111,393)
INCREASE IN CASH AND CASH EQUIVALENTS	7,324	359,794
Cash and cash equivalents at the beginning of the period	26,200	1,052,254
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	33,524	1,412,048
SUPPLEMENTARY NON-CASH INFORMATION		
Right-of-use assets and lease liabilities	171,107	-

The attached notes from 1 to 14 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 six-month period ended 30 June 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 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") 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. In addition, results for the interim period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 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 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 standards 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 six-month period ended 30 June 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>
Assets	
Right-of-use assets	179,331
Property, plant and equipment	(586)
Prepayments	(7,638)
	<hr/>
Total assets	171,107
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Liabilities	
Lease liabilities	(171,789)
Other non-current liabilities	682
	<hr/>
	171,107
	<hr/>
Total adjustments on equity	-
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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%.

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the six-month period ended 30 June 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	258,664
Weighted average incremental borrowing rate as at 1 January 2019	4.04%
Discounted operating lease commitments as at 1 January 2019	180,571
Less: Commitments relating to short term leases	(9,464)
Lease liabilities as at 1 January 2019	171,107

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 six-month period ended 30 June 2019
(All amounts in Saudi Riyals ‘000 unless otherwise stated)

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 period:

	<i>Right-of-use assets</i>	<i>Lease liabilities</i>
As at 1 January 2019	179,331	171,789
Depreciation	(8,386)	-
Interest expense	-	4,938
Payments	-	(16,305)
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As at 30 June 2019	170,945	160,422
	<hr/> <hr/>	<hr/> <hr/>

5 SHORT-TERM INVESTMENTS

	<i>30 June 2019</i>	<i>31 December 2018</i>
Short-term investments	2,851,600	3,089,988
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Short-terms investments represent Murabaha commodity placements with original maturity exceeding three months and maintained with local and foreign banks.

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 Saudi Basic Industries Corporation (“SABIC”) (the “Parent”), and 49% owned by others or publicly traded.

7 EMPLOYEE BENEFITS

	<i>30 June 2019</i>	<i>31 December 2018</i>
Defined benefits obligation (note 7.1)	503,524	451,054
Others	23,665	20,763
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	527,189	471,817
	<hr/> <hr/>	<hr/> <hr/>

7.1 Defined benefits obligation

The following table represents the movement of the defined benefits obligation as at 30 June 2019 and 31 December 2018:

	<i>Six-month period ended 30 June 2019</i>	<i>Year ended 31 December 2018</i>
Defined benefits obligation at beginning of the period/year	451,054	482,460
Current service cost	21,454	49,067
Interest cost on defined benefits obligation	9,506	17,078
Actuarial loss/(gain) on the obligation	33,238	(73,037)
Payments during the period/year	(3,524)	(20,079)
Transferred out, net	(8,204)	(4,435)
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Defined benefits obligation at the end of the period/year	503,524	451,054
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Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the six-month period ended 30 June 2019
(All amounts in Saudi Riyals ‘000 unless otherwise stated)

7 EMPLOYEE BENEFITS (continued)

7.1 Defined benefits obligation (continued)

Net defined benefit expense:

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Current service cost	10,692	12,197	21,454	23,923
Interest cost on defined benefits obligation	4,750	4,270	9,506	8,539
Net defined benefits expense	15,442	16,467	30,960	32,462

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

	<i>30 June 2019</i>	<i>31 December 2018</i>
Discount rate	3.6%	4.4%
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 30 June 2019 and 31 December 2018: 9% in 2019 decreasing to 5% for 2023+

8 ZAKAT

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

	<i>Six-month period ended 30 June 2019</i>	<i>Year ended 31 December 2018</i>
At the beginning of the period/year	119,271	170,523
Provided during the period/year	59,902	98,270
Paid during the period/year	(128,795)	(149,522)
At the end of the period/year	50,378	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.

9 EARNINGS PER SHARE

The earnings per share calculation is given below:

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Net income for the period (SR ‘000)	316,132	820,891	706,769	1,451,484
Weighted average number of ordinary shares (‘000)	562,500	562,500	562,500	562,500
Earnings per share (Saudi Riyals) – Basic and diluted	0.56	1.46	1.26	2.58

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

10 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 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.

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

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

For the six-month period ended 30 June 2019

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

11 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>Six-month period ended</i>		<i>30 June</i>	<i>31 December</i>
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>2019</i>	<i>2018</i>
		2019	2018	2019	2018	2019	2018
a) Amounts due from related parties							
Saudi Basic Industries Corporation (SABIC) – (Parent)	Sale of products	1,637,958	2,111,470	3,160,006	3,898,684	2,002,930	2,095,851
	Advances for purchase of materials, product sales and other transactions	(21,466)	164,302	5,849	85,629	123,535	90,371
	Long term advance for logistics	-	-	-	-	7,500	7,500
Other affiliates	Exchange of products	(2,029)	6,992	71	8,968	5,069	8,189
	Others	5,167	10,294	5,167	5,147	5,167	-
		1,619,630	2,293,058	3,171,093	3,998,428	2,144,201	2,201,911
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	148,402	425,748	608,314	865,169	292,993	449,452
	Research and technology fees	26,553	42,229	63,200	77,974	38,464	38,163
Arabian Industrial Fibers Company (IBN RUSHD) (an affiliate)	Propane Tolling Agreement	13,788	89,600	70,071	214,733	70,071	19,929
Other affiliates	Storage services, purchase of gases and others	137,030	135,077	153,999	158,628	68,620	28,771
		325,773	692,654	895,584	1,316,504	470,148	536,315

Yanbu National Petrochemical Company (YANSAB) - A Saudi Joint Stock Company
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)
For the six-month period ended 30 June 2019
(All amounts in Saudi Riyals '000 unless otherwise stated)

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management compensation

Compensation for key management is as follows:

	<i>Three-month period ended 30 June</i>		<i>Six-month period ended 30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Salaries and other benefits	1,296	1,210	4,022	4,894
Post-employment benefits	-	-	-	449
	<u>1,296</u>	<u>1,210</u>	<u>4,022</u>	<u>5,343</u>

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 period ended 30 June 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 period ended 30 June 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.

12 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.

13 COMMITMENTS AND CONTINGENCIES

As at 30 June 2019, the Company has commitments of SR 276.9 million (31 December 2018: SR 303 million) relating to capital expenditures.

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 1.1 million in the normal course of business as at 30 June 2019 (31 December 2018: SR 1.3 million).

14 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 will be to shareholders listed on the Tadawul (Saudi Stock Exchange) by the end of trading on 2 July 2019.