SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the three months period ended 31 March 2018

With Independent Auditors' Report

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018

INDEX	**PAGE**

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Independent Auditors' Report On Review Of Interim Financial Statements

To: The Shareholders
Saudi International Petrochemical Company
(A Saudi Joint Stock Company)
Al Khobar
Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 31 March 2018 condensed consolidated interim financial statements of Saudi International Petrochemical Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2018;
- the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2018;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2018;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2018;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2018; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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.

KPMG

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2018 condensed consolidated interim financial statements of **Saudi International Petrochemical Company** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdulaziz Abdullah Alnaim
License No: 394

Al Khobar
Date: 23 April 2018G
Corresponding to: 7 Shaban 1439H

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Certified Public Accountants
KPMG Al Fozan & Partners

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018
EXPRESSED IN SAUDI RIYALS

	Notes	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	5	**11,174,375,126**	11,207,724,480
Intangible assets		**376,086,450**	386,244,686
Employees' home ownership program		**700,379,348**	709,123,201
Goodwill		**29,543,923**	29,543,923
Total non-current assets		**12,280,384,847**	12,332,636,290
Current assets			
Inventories	6	**711,848,710**	668,354,907
Trade receivables	9,11	**773,512,921**	876,778,008
Prepayments and other current assets		**121,089,846**	116,530,260
Short term investments		**253,674,104**	253,532,643
Cash and cash equivalents		**2,193,419,530**	1,722,754,310
Total current assets		**4,053,545,111**	3,637,950,128
Total assets		**16,333,929,958**	15,970,586,418
Equity			
Equity attributable to the shareholders' of the Company:			
Share capital		**3,666,666,660**	3,666,666,660
Share premium		**35,943,190**	35,222,266
Treasury shares		**(7,808,980)**	(7,831,990)
Statutory reserve		**1,205,397,395**	1,205,397,395
Reserve for results of sale / purchase of shares in subsidiaries		**12,949,042**	12,949,042
Foreign currency translation reserve		**(7,690,595)**	(7,761,813)
Share based payment transactions reserve		**2,556,683**	2,259,635
Retained earnings		**947,196,787**	795,805,766
Total Shareholders' equity		**5,855,210,182**	5,702,706,961
Non-controlling interests		**1,586,137,092**	1,508,257,603
Total equity		**7,441,347,274**	7,210,964,564
Liabilities			
Non-current liabilities			
Long term bank loans and borrowings	7	**5,638,389,605**	5,439,699,614
Sukuk	7	**998,272,647**	998,136,277
Long term advances from partners	7	**75,435,196**	87,920,236
Deferred revenue		**32,891,625**	35,421,750
Employees' benefits		**250,154,138**	242,411,799
Decommissioning liability		**88,082,805**	86,995,363
Other non-current liabilities		**8,556,088**	8,556,088
Total non-current liabilities		**7,091,782,104**	6,899,141,127

EXPRESSED IN SAUDI RIYALS

	Notes	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Current liabilities			
Current portion of long term bank loans and borrowings	7	**843,082,515**	833,714,534
Trade and other payables		**142,072,417**	196,924,708
Accrued expenses and other liabilities		**640,209,814**	647,088,939
Zakat and income tax payable	4	**175,376,667**	149,546,758
Short term advances from partners	7	**59,167**	33,205,788
Total current liabilities		**1,800,800,580**	1,860,480,727
Total liabilities		**8,892,582,684**	8,759,621,854
Total liabilities and equity		**16,333,929,958**	15,970,586,418

The condensed consolidated interim financial statements were approved by the management on behalf of Board of Directors of the Company on 23 April 2018, and have been signed on their behalf by:

Ahmad Al-Ohali
Chief Executive Officer & Member of Board

Paul Jacobs
Vice President Corporate Finance

The accompanying notes 1 through 13 appearing on pages 7 to 22 form an integral part of these condensed consolidated interim financial statements.

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
EXPRESSED IN SAUDI RIYALS

	Note	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
Revenue	3	**1,170,941,064**	1,199,012,575
Cost of sales		**(756,175,052)**	(846,732,765)
Gross profit		**414,766,012**	352,279,810
Selling and distribution expenses		**(52,197,044)**	(52,696,081)
General and administrative expenses		**(78,991,233)**	(68,865,734)
Operating profit		**283,577,735**	230,717,995
Finance income		**6,821,372**	5,992,102
Finance cost	7	**(34,645,883)**	(62,275,108)
Other income / (expenses), net	12	**2,863,822**	(482,827)
Profit before zakat and income tax		**258,617,046**	173,952,162
Zakat and income tax expense		**(29,346,536)**	(37,899,618)
Profit for the period		**229,270,510**	136,052,544
Profit attributable to:			
Shareholders of the Company		**151,391,021**	91,652,130
Non-controlling interests		**77,879,489**	44,400,414
Total profit for the period		**229,270,510**	136,052,544
Earnings per share:			
Basic and diluted earnings per share attributable to the shareholders of the Company		**0.41**	0.25

Ahmad Al-Ohali
Chief Executive Officer & Member of Board

Paul Jacobs
Vice President Corporate Finance

The accompanying notes 1 through 13 appearing on pages 7 to 22 form an integral part of these condensed consolidated interim financial statements.

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
EXPRESSED IN SAUDI RIYALS

	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
Profit for the period	**229,270,510**	136,052,544
Other comprehensive income items that will be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	**71,218**	1,377,412
Net total other comprehensive income items that will be reclassified to profit or loss in subsequent periods:	**71,218**	1,377,412
Total comprehensive income for the period	**229,341,728**	137,429,956
Total comprehensive income attributable to:		
Shareholders of the Company	**151,462,239**	93,029,542
Non-controlling interests	**77,879,489**	44,400,414
Total comprehensive income for the period	**229,341,728**	137,429,956
Earnings per share:		
Basic and diluted earnings per share attributable to the shareholders of the Company	**0.41**	0.25

Ahmad Al-Ohali
Chief Executive Officer & Member of Board

Paul Jacobs
Vice President Corporate Finance

The accompanying notes 1 through 13 appearing on pages 7 to 22 form an integral part of these condensed consolidated interim financial statements.

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
EXPRESSED IN SAUDI RIYALS

	Attributable to the shareholders' of the Company										
	Share capital	Share premium	Treasury shares	Statutory reserve	Reserve for results of sale / purchase of shares in subsidiaries	Retained earnings	Foreign currency translation reserve	Shares based payment transaction reserve	Total	Non-controlling interest	Total
As at 1 January 2017 (Audited)	**3,666,666,660**	**34,656,309**	**(7,590,000)**	**1,205,397,395**	**12,949,042**	**358,405,725**	**(7,914,949)**	**1,468,159**	**5,264,038,341**	**1,421,156,653**	**6,685,194,994**
Profit for the period (Unaudited)	-	-	-	-	-	91,652,130	-	-	91,652,130	44,400,414	136,052,544
Other comprehensive income (Unaudited)	-	-	-	-	-	-	1,377,412	-	1,377,412	-	1,377,412
Total comprehensive income (Unaudited)	-	-	-	-	-	**91,652,130**	**1,377,412**	-	**93,029,542**	**44,400,414**	**137,429,956**
Additional capital contributed (Unaudited)	-	-	-	-	-	-	-	-	-	24,000,000	24,000,000
Net change in share premium account (Unaudited)	-	79,666	-	-	-	-	-	348,083	427,749	-	427,749
Dividends (Unaudited)	-	-	-	-	-	-	-	-	-	(51,015,284)	(51,015,284)
As at 31 March 2017 (Unaudited)	**3,666,666,660**	**34,735,975**	**(7,590,000)**	**1,205,397,395**	**12,949,042**	**450,057,855**	**(6,537,537)**	**1,816,242**	**5,357,495,632**	**1,438,541,783**	**6,796,037,415**

	Attributable to the shareholders' of the Company										
	Share Capital	Share premium	Treasury shares	Statutory reserve	Reserve for results of sale / purchase of shares in subsidiaries	Retained earnings	Foreign currency translation reserve	Shares based payment transaction reserve	Total	Non-controlling interest	Total
As at 1 January 2018 (Audited)	**3,666,666,660**	**35,222,266**	**(7,831,990)**	**1,205,397,395**	**12,949,042**	**795,805,766**	**(7,761,813)**	**2,259,635**	**5,702,706,961**	**1,508,257,603**	**7,210,964,564**
Profit for the period (Unaudited)	-	-	-	-	-	151,391,021	-	-	151,391,021	77,879,489	229,270,510
Other comprehensive income (Unaudited)	-	-	-	-	-	-	71,218	-	71,218	-	71,218
Total comprehensive income (Unaudited)	-	-	-	-	-	**151,391,021**	**71,218**	-	**151,462,239**	**77,879,489**	**229,341,728**
Net change in share premium account (Unaudited)	-	720,924	-	-	-	-	-	297,048	1,017,972	-	1,017,972
Repurchase of treasury shares (Unaudited)	-	-	23,010	-	-	-	-	-	23,010	-	23,010
As at 31 March 2018 (Unaudited)	**3,666,666,660**	**35,943,190**	**(7,808,980)**	**1,205,397,395**	**12,949,042**	**947,196,787**	**(7,690,595)**	**2,556,683**	**5,855,210,182**	**1,586,137,092**	**7,441,347,274**

Ahmad Al-Ohali
Chief Executive Officer & Member of Board

Paul Jacobs
Vice President Corporate Finance

The accompanying notes 1 through 13 appearing on pages 7 to 22 form an integral part of these condensed consolidated interim financial statements.

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
A SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2018
EXPRESSED IN SAUDI RIYALS

	Note	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
Cash flow from operating activities			
Profit before zakat and income tax for the period		**258,617,046**	173,952,162
Non-cash adjustments to reconcile profit before zakat and income tax to net cash flow:			
Depreciation of property, plant and equipment		**201,495,787**	167,277,887
Amortization of intangible assets and deferred costs		**18,531,235**	9,635,588
Provision for employees' benefits		**9,609,404**	13,974,838
Loss on write off property, plant and equipment		**3,341,786**	-
Equity settled share based payments		**297,048**	348,083
Net foreign exchange difference		**(1,560,611)**	734,755
Finance income		**(6,821,372)**	(5,992,102)
Finance cost		**34,645,883**	62,275,108
		518,156,206	422,206,319
Changes in:			
Trade receivables		**103,265,087**	(181,004,455)
Inventories		**(43,493,803)**	160,891,520
Prepayments and other assets		**(1,026,183)**	(15,089,605)
Accrued expenses, trade and other payables		**(53,735,513)**	139,909,513
Employee benefits paid		**(3,745,621)**	(3,363,075)
Interest paid		**(35,406,104)**	(134,281,395)
Proceeds from Employees' home ownership programs		**7,414,692**	-
Zakat and income tax paid		**(3,516,629)**	(868,520)
Net cash generated from operating activities		**487,912,132**	388,400,302
Cash flow from investing activities			
Additions to property, plant & equipment and employee's home ownership program	5	**(178,532,056)**	(158,974,251)
(Addition) / disposal of short term investments, net		**(141,461)**	(24,009,680)
Finance income received		**3,287,969**	7,985,678
Net cash used in investing activities		**(175,385,548)**	(174,998,253)
Cash flow from financing activities			
Proceeds from long term loans and borrowings		**300,000,000**	300,000,000
Repayment of long term loans and borrowings		**(98,605,466)**	(278,673,147)
Repayments of short term loans		**-**	(200,000,000)
Net change in advances from partners		**(45,631,661)**	2,500,000
Net change in share premium account		**720,924**	79,666
Repurchase of treasury shares		**23,010**	-
Net cash generated from / (used) in financing activities		**156,506,807**	(176,093,481)
Net change in cash and cash equivalents		**469,033,391**	37,308,568
Cash and cash equivalents at 1 January		**1,722,754,310**	1,822,689,059
Effect of exchange rate fluctuations		**1,631,829**	642,657
Cash and cash equivalents at 31 March		**2,193,419,530**	1,860,640,284

Ahmad Al-Ohali
Chief Executive Officer & Member of Board

Paul Jacobs
Vice President Corporate Finance

The accompanying notes 1 through 13 appearing on pages 7 to 22 form an integral part of these condensed consolidated interim financial statements.

EXPRESSED IN SAUDI RIYALS

1. CORPORATE INFORMATION

Saudi International Petrochemical Company “Sipchem” or “the Company” is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010156910 dated 14 Ramadan, 1420, corresponding to 22 December 1999. The Company's head office is in the city of Riyadh with one branch in Al-Khobar, where the headquarters for the executive management is located, which is registered under commercial registration number 2051023922 dated 30 Shawwal, 1420, corresponding to 6 February 2000, and a branch in Jubail Industrial City which is registered under commercial registration number 2055007570 dated 4 Jumada I, 1427, corresponding to 1 June 2006.

The principal activities of the Company are to own, establish, operate and manage industrial projects especially those related to chemical and petrochemical industries. The Company incurs costs on projects under development and subsequently establishes a separate Company for each project that has its own commercial registration. Costs incurred by the Company are transferred to the separate companies when they are established.

As of 31 March, the Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as “the Group”):

Subsidiaries	**Ownership percentage at 31 March**	
	2018	2017
International Methanol Company ("IMC")	**65%**	65%
International Diol Company ("IDC")	**53.91%**	53.91%
International Acetyl Company ("IAC") (1.1)	**87%**	87%
International Vinyl Acetate Company (“IVC”) (1.1)	**87%**	87%
International Gases Company (" IGC")	**72%**	72%
Sipchem Marketing Company ("SMC')	**100%**	100%
International Utility Company ("IUC")	**68.58%**	68.58%
International Polymers Company ("IPC")	**75%**	75%
Sipchem Chemical Company ("SCC")	**100%**	100%
Sipchem Europe Cooperative U.A and its subsidiaries	**100%**	100%
Gulf Advance Cable Insulation Company (GACI) (1.2)	**50%**	50%
Saudi Specialized products Company (SSPC)	**75%**	75%
Sipchem Asia PTE Ltd. (1.3)	**100%**	100%

The principal activity of IMC is the manufacturing and sale of methanol. IMC commenced its commercial operations in 2004.

The principal activity of IDC is the manufacturing and sale of maleic anhydride, butanediol and tetra hydro furan. IDC commenced its commercial operations in 2006.

The principal activities of IAC and IVC are the manufacturing and sale of acetic acid and vinyl acetate monomer respectively. IAC and IVC commenced their commercial activities in 2010.

The principal activity of IGC is the manufacturing and sale of carbon monoxide. IGC commenced its commercial operations in 2010.

The principal activities of SMC and its subsidiary Sipchem Europe Cooperative U.A are to provide marketing services for the products manufactured by the group companies and other petrochemical products. Other services provided by Sipchem, SMC and SMC's affiliates include purchasing and trading of petrochemical products with Sipchem affiliates and third party entities.

The principal activity of IUC is to provide industrial utilities to the group companies.

1. CORPORATE INFORMATION (continued)

The principal activity of IPC is to manufacture and sell low-density polyethylene (LDPE), polyvinyl acetate (PVAC) and polyvinyl alcohol (PVA). IPC commenced its commercial operations from 1 April 2015 after successful commissioning, testing and completion of acceptance formalities with the main contractors.

The principal activity of SCC is the manufacture and sale of ethyl acetate, butyl acetate and polybutylene terephthalate. The ethyl acetate plant commenced its commercial operations in 2013 while Polybutylene Terephthalate Plant (PBT) is under trial production and is expected to commence its commercial production in Q2, 2018.

The principal activity of GACI is the manufacture and sale of cross linked polyethylene and electrical connecting wire products. GACI commenced its commercial operations from 1 June 2015 after the successful commissioning, testing and completion of acceptance formalities with the main contractors.

The principal activities of SSPC which was established in 2014, is the manufacture and sale of moulds and dies and related services as well as production of EVA films. The Tool Manufacturing Factory ("TMF") plant has started commercial operation from 1 November 2016. The Ethylene-vinyl acetate EVA film plant still is under development stage and expects to commence its commercial production in Q3, 2018.

1.1 During February 2016, the Group acquired an additional 11% shares from a minority shareholder (Ikarus Petroleum Industries Company) in each of IAC and IVC, increasing its ownership from 76% to 87% for a consideration of SR 375.3 million. The Group recognized a reduction in non-controlling interests of SR 339.4 million and a reduction of SR 35.9 million in the equity attributable to the shareholders. Moreover, on 22 June 2009, one of the shareholders agreed to contribute less than required contribution towards shareholders advances and Sipchem has agreed to contribute more than its required level to support the project. As a result, the Group's effective percentage of interest in both the companies became 89.52%.

1.2. The Group has only a 50% share in GACI. However, pursuant to the shareholders agreement, the control over the relevant activities and the operations of Gulf Advanced Cable Insulation Company are with the Group. Accordingly, the investee company is treated as a subsidiary of the Group.

1.3. The investee company was incorporated in 2013 in Singapore. Its Article of Association is dated 13 Jumada I, 1434H, corresponding to 25 March 2013.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

These Condensed Consolidated Interim Financial Statements ("Interim Financial Statements") have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for certified Public Accountants ("SOCPA"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017 ("Last Annual Financial Statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, changes in accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last financial statements.

This is the first set of Condensed Consolidated Interim Financial Statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.5.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2. Basis of preparation

These Condensed Consolidated Interim Financial Statements have been prepared on the historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Investment in equity securities measured at fair value.
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

2.3. Use of judgements and estimates

In preparing these Condensed Consolidated Interim Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 2.5.

2.4. Basis of consolidation

The interim financial statements comprise the consolidated interim financial statements of the Group and its subsidiaries as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group 's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions among members of the Group are eliminated in full on consolidation.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4. Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the group’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-Controlling Interests (NCI) are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.5. Significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group’s consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see B) from 1 January 2018. A number of other new standards are effective from 1 January 2018, however, they do not have a material effect on the Group’s financial statements.

A. IFRS – 15 Revenue from contract with customers

The International Accounting Standard Board (IASB) published the new standard on revenue recognition, IFRS 15 “Revenue from contracts with customer” on 28 May 2014. The rules and definitions of IFRS 15 supersede the contents of IAS 11 “Construction Contracts”, IAS 18 “Revenue”, IFRIC 13 “Customer Loyality Programs”. The revised standard particularly aims to standardize existing regulations and thus improve transparency and the comparability of financial information. The change become effective to the Group from 1 January 2018. The Group has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5. Significant accounting policies (continued)

A. IFRS 15 Revenue from contract with customers (continued)

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customer. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized when the entity satisfies a performance obligation by transferring promised goods or services to a customer. An asset is transferred when control is transferred that is either over time or at a point in time. The Group uses the output method to measure progress towards complete satisfaction of performance obligation in each contract and by using the practical expedient available under IFRS 15 for the output method, the Group recognizes revenue in respect of amounts to which it has a right to invoice.

Sale of goods

Revenue is recognized upon delivery or shipment of products, depending upon the contractually agreed terms, by which the control of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods.

Sales are made directly to final customers and also to the marketers' distribution platforms. Sipchem, SMC and SMC affiliates provide trading activities of petrochemical products for Sipchem affiliates and third party entities. For all such arrangements, the Group reviews whether it acts as a principal or agent. Based on this review, the Group when acting as principal, records the sale on a gross basis, while net accounting is followed where it acts as an agent.

The portion of sales made through the Group distribution platforms are recorded at provisional prices agreed with such marketers at the time of shipment of goods, which are later adjusted based on actual selling prices received by the marketers from their final customers, after deducting the costs of shipping and distribution (settlement price). The group estimates the variable consideration as the most likely amount based on available market information and recently published prices of petrochemical products. The Group includes in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the associated variable consideration is subsequently resolved.

Rendering of services

Revenue from providing services is recognised over a period of time as the related services are performed. For fixed-price contracts, revenue is recognised based on the 'percentage of completion' method which measures actual service provided to the end of the reporting period as a proportion of the total services to be provided. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The Group was already recognizing the revenue on the same basis as envisaged in IFRS 15. Consequently, there are no material and reportable changes due to its transition to IFRS 15.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5. Significant accounting policies (continued)

B. Financial instruments

On 24 July 2014, the IASB issued the final version of IFRS 9, concluding the multi-year project to replace IAS 39 – Financial Instruments "Recognition and Measurement". IFRS 9 contains new requirements for the classification and measurement of financial instruments, fundamental changes regarding the accounting treatment of financial assets impairments, and a reformed approach to hedge accounting. The changes became effective to the Group from 1 January 2018.

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group applies the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the period ended 31 March 2018.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial asset

i. Classification and subsequent measurement

The group classifies its financial assets as those to be measured subsequently at amortized cost if they meet the following criteria:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows.

The Group initially measures the accounts receivable at the transaction price as the accounts receivable do not contain a significant financing component.

The Group classifies investments in equity securities or funds under fair value through profit or loss (FVTPL). No financial asset is classified under fair value through other comprehensive income (FVOCI).

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group recognizes a loss allowance for expected credit losses ("ECL") for financial assets measured at amortized cost. The ECL is recognized either for lifetime or for 12 months. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of based on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5. Significant accounting policies (continued)

B. Financial instruments (Continued)

ii. Impairment of financial assets (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer’s ability to meet its obligations
- Actual or expected significant changes in the operating results of the customer
- Significant increases in credit risk on other financial instruments of the same customer
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of customers and changes in the operating results of the customer
- Macroeconomic information (such as market interest rates or growth rates)
- Past due information adjusted for future information

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has adopted the simplified approach as allowed by IFRS 9 and measures the loss allowance at an amount equal to lifetime expected credit losses for all accounts receivable that result from contracts with the customers. The Group determines the expected credit losses on accounts receivable by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

Objective evidence that financial assets are impaired can include significant financial difficulty, default or delinquency of the counterparty, restructuring of amounts due on terms that the Group would not otherwise consider, indications that a customer will enter bankruptcy, or other observable data relating to customers such as adverse changes in the economic conditions that correlate with defaults by the customers.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively (with similar risk characteristics) assessed for any impairment that has been incurred but not yet identified.

Impairment losses for a financial instrument are recognized in the consolidated income statement and reflected in impairment for credit losses. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of profit or loss.

When an asset is uncollectible, it is written-off against the related provision. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the consolidated income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the provision. The amount of the reversal is recognized in the consolidated income statement.

EXPRESSED IN SAUDI RIYALS

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5. Significant accounting policies (continued)

B. Financial instruments (continued)

iii. Derecognition

The Group derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. A financial liability is derecognized from the statement of financial position when the Group has discharged its obligation or the contract is cancelled or expires.

Financial liabilities

i. Classification and subsequent measurement of financial liabilities

The group classifies its financial liabilities as those to be measured subsequently at amortized cost using the effective interest method, if they are not:

- contingent consideration of an acquirer in a business combination,
- held-for-trading, or
- designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The Group does not qualify any of its financial liabilities under ‘fair value through profit or loss (FVTPL)’.

ii. **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

iii. Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The effect of adopting IFRS 9 on the carrying amounts of financial assets and financial liabilities at 1 January 2018 relates solely to the new impairment requirements, as described further below. The following table below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Group’s financial assets as at 1 January 2018.

Financial instruments	Original classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Employees’ home ownership program receivable	Loans and Receivables measured at amortized cost	Amortized cost	393,876,790	393,876,790
Trade receivables*	Loans and Receivables measured at amortized cost	Amortized cost	876,778,008	876,778,008
Short term investments	Available for sale	FVTPL	253,532,643	253,532,643
Cash and bank balances	Loans and Receivables measured at amortized cost	Amortized cost	1,722,754,310	1,722,754,310
Loans and borrowings	Financial liabilities measured at amortized cost	Amortized cost	7,392,676,449	7,392,676,449

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5. Significant accounting policies (continued)

B. Financial instruments (continued)

*Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of SR 303,732 in the allowance for impairment over these receivables was not recognised in the opening retained earnings at 1 January 2018 on transition to IFRS 9 as the amount was not material.

2.6. Accounting standards not yet effective

IFRS 16 – 'Leases'

The IASB published the new standard on leasing, IFRS 16, on 13 January 2016. The rules and definitions of IFRS -16 will replace:

- IAS 17 - 'Leases'
- IFRIC 4 - 'Whether an arrangement contains a lease'
- SIC 15 - 'Operating leases – Incentives'
- SIC 27 - 'Evaluating the substance of transactions involving the legal form of a lease'

The standard requires an accounting model for a lessee that recognizes all assets and liabilities from leasing agreements in the balance sheet, unless the term is twelve months or lessor and the underlying asset is of low value. As for the lessor, the new standard substantially carries forward the lessor accounting requirement of IAS 17 Leases.

The new standard will be effective for annual periods beginning on or after 1 January 2019, early application is permitted and must be disclosed. The Group will adopt the new standard on the effective date. The Group is currently assessing the impact on the Group's consolidated financial statements.

Annual improvements to IFRSs 2015-2017 cycle

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

- If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
- If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

IAS 12 Income Taxes - clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

IAS 23 Borrowing Costs - clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any nonqualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

Other amendments

The following amendment to standards are not yet effective and neither expected to have a significant impact on the Group's condensed consolidated interim Financial Statements:

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- Uncertainty over Income Tax Treatments (IFRIC 23)

EXPRESSED IN SAUDI RIYALS

3. SEGMENT INFORMATION

The Group has the following operating segments:

- Basic Chemicals, which includes Methanol, Butane products and Carbon monoxide.
- Intermediate chemicals, which includes Acetic acid, Vinyl acetate monomer, Ethyl acetate, Butyl acetate, and utilities.
- Polymers, which includes Low density polyethylene, polyvinyl acetate, polyvinyl alcohol, Polybutylene terephthalate, and electrical connecting wire products.
- Marketing, which include Sipchem Marketing Company and its foreign subsidiaries as defined in note 1.
- Corporate and others, which includes Sipchem, EVA films and Tool manufacturing plant.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the condensed consolidated interim financial statements.

	For the period ended 31 March 2018					
	Basic chemicals	**Intermediate chemicals**	**Polymers**	**Marketing**	**Corporate and others**	**Total**
Revenue:						
External customers	**480,112,914**	**325,986,627**	**281,532,359**	**84,868,842**	**4,299,686**	**1,176,800,428**
Inter-segment	**66,995,725**	**238,499,517**	**15,204,317**	**646,145,863**	**37,517,911**	**1,004,363,333**
Total revenue	**547,108,639**	**564,486,144**	**296,736,676**	**731,014,705**	**41,817,597**	**2,181,163,761**
Gross Profit	**264,533,841**	**41,746,666**	**90,219,298**	**19,027,811**	**1,037,905**	**416,565,521**
Operating Profit	**205,924,192**	**13,605,822**	**65,388,386**	**6,773,045**	**(10,808,638)**	**280,882,807**
Segment profit	**229,641,464**	**78,356,738**	**78,923,806**	**10,547,371**	**(136,382,992)**	**261,086,387**
Total assets	**5,022,063,895**	**5,933,123,689**	**4,055,400,323**	**878,605,492**	**9,674,988,133**	**25,564,181,532**
Total liabilities	**2,229,888,593**	**2,641,183,514**	**2,287,329,116**	**565,263,054**	**3,619,391,472**	**11,343,055,749**
Capital expenditure	**150,142,203**	**6,390,089**	**6,863,861**	**187,500**	**14,948,403**	**178,532,056**

3.1 Reconciliation of segment information to results reported in the condensed consolidated interim financial statements

	For the period ended 31 March 2018				As at 31 March 2018	
	Total revenue	**Gross profit**	**Operating profit**	**Profit (before zakat and tax)**	**Total assets**	**Total liabilities**
As reported by segment	**2,181,163,761**	**416,565,521**	**280,882,807**	**261,086,387**	**25,564,181,532**	**11,343,055,749**
Reconciliation / Eliminations						
Elimination of Inter Segment revenue	**(1,004,363,333)**	**-**	**-**	**-**	**-**	**-**
Consolidation adjustments	**(5,859,364)**	**(1,799,509)**	**2,694,928**	**(2,469,341)**	**(9,230,251,574)**	**(2,450,473,065)**
As per financial statements	**1,170,941,064**	**414,766,012**	**283,577,735**	**258,617,046**	**16,333,929,958**	**8,892,582,684**

EXPRESSED IN SAUDI RIYALS

3. SEGMENT INFORMATION (CONTINUED)

	For the period ended 31 March 2017					
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Total
Revenue:						
External customers	406,738,936	374,261,651	302,028,270	112,754,421	2,545,179	1,198,328,457
Inter-segment	102,016,595	232,383,731	16,060,055	786,340,049	-	1,136,800,430
Total revenue	508,755,531	606,645,382	318,088,325	899,094,470	2,545,179	2,335,128,887
Gross Profit	229,346,812	(3,477,806)	93,412,691	32,312,485	(3,861,386)	347,732,796
Operating Profit	180,271,045	(32,641,180)	60,565,675	24,674,274	(12,415,718)	220,454,096
Segment profit	167,551,619	(54,557,172)	45,583,368	24,586,024	(14,476,093)	168,687,746
Total assets	4,524,264,530	5,991,189,045	4,161,943,506	896,150,085	8,814,187,134	24,387,734,300
Total liabilities	2,120,822,847	2,824,856,286	2,578,955,078	630,796,766	3,236,329,831	11,391,760,808
Capital expenditure	74,788,142	8,683,997	37,533,076	936,757	37,032,279	158,974,251

3.2 Reconciliation of segment information to results reported in the condensed consolidated interim financial statements

	For the period ended 31 March 2017				As at 31 March 2017	
	Total revenue	Gross profit	Operating profit	Segment profit (before zakat and tax)	Total assets	Total liabilities
As reported by segment	2,335,128,887	347,732,796	220,454,096	168,687,746	24,387,734,300	11,391,760,808
Reconciliation / Eliminations						
Elimination of Inter Segment revenue	(1,136,800,430)	-	-	-	-	-
Consolidation adjustments	684,118	4,547,014	10,263,899	5,264,416	(8,507,047,937)	(2,307,111,856)
As per financial statements	1,199,012,575	352,279,810	230,717,995	173,952,162	15,880,686,363	9,084,648,952

Disaggregation of revenue based on geographical information

	Saudi Arabia	Foreign countries	Total
Revenue from external customers			
31 March 2018	**66,371,626**	**1,104,569,438**	**1,170,941,064**
31 March 2017	60,281,556	1,138,731,019	1,199,012,575

Reconciliation of revenue disaggregated geographically to segment revenue

	For the period ended 31 March 2018						
	Basic chemicals	**Intermediate chemicals**	**Polymers**	**Marketing**	**Corporate and others**	**Elimination**	**Total**
Revenue:							
Foreign countries	**454,448,941**	**325,986,627**	**247,074,189**	**82,919,044**	**-**	**(5,859,363)**	**1,104,569,438**
Saudi Arabia	**25,663,974**	**-**	**34,458,170**	**1,949,796**	**4,299,686**	**-**	**66,371,626**
Total revenue	**480,112,915**	**325,986,627**	**281,532,359**	**84,868,840**	**4,299,686**	**(5,859,363)**	**1,170,941,064**

EXPRESSED IN SAUDI RIYALS

3. SEGMENT INFORMATION (CONTINUED)

	For the period ended 31 March 2017						
	Basic chemicals	Intermediate chemicals	Polymers	Marketing	Corporate and others	Elimination	Total
Revenue:							
Foreign countries	406,738,936	374,261,651	277,284,762	79,761,552	-	684,118	1,138,731,019
Saudi Arabia	-	-	24,743,507	32,992,870	2,545,179	-	60,281,556
Total revenue	406,738,936	374,261,651	302,028,269	112,754,422	2,545,179	684,118	1,199,012,575

There is no seasonality or cyclicality of interim operations for the three-month period ended 31 March 2018 and 31 March 2017.

4. ZAKAT AND INCOME TAX

Saudi International Petrochemical Company (Sipchem)

Sipchem received zakat assessments for the years 2009 to 2010 with additional zakat liability of SR 81 million, Sipchem filed an appeal with Preliminary Appeal Committee (PAC) against General Authority of Zakat and Income Tax (GAZT's) assessment which resulted in reduction of liability to SR 71 million. Thereafter, Sipchem has filed appeal against the SR 71 million liability at Higher Appeal Committee (HAC). The HAC conducted appeal hearing session on 26 September 2017 and requested certain additional information which is duly submitted to them. HAC ruling is awaited.

International Methanol Company (IMC)

IMC received tax and zakat assessments for the years 2003 through 2010 with a tax, zakat and delay fine liability of SR 60.6 million. IMC accepted and settled SR 0.17 million under protest and has filed appeal on remaining liability. Further, IMC received withholding tax assessment for the years 2007 to 2012 for the delay fines of SR 18 million. IMC initially disagreed with GAZT's contentions and filed an appeal at both PAC and HAC. HAC decided the case in favour of GAZT. During the three months period ended 31 March 2018, IMC accepted HAC's decision and consequently recorded and settled a provision for delay fines of SR 18 million.

International Acetyl Company (IAC)

IAC received an assessment for the year 2006 to 2008 with an additional tax, withholding tax and zakat liability of SR 0.6 million, SR 2.8 million and SR 3.9 million respectively. IAC paid SR 1.1 million out of SR 7.3 million and has appealed against these assessments.

Saudi Specialized Products Company (SSPC)

SSPC received an assessment for the years 2014 and 2015 with an additional zakat and withholding tax liability of SR 4.7 million. SSPC accepted and settled SR 0.94 million under protest and has filed appeal on remaining liability.

5. PROPERTY, PLANT AND EQUIPMENT

a. Acquisitions and disposals

During the three months ended 31 March 2018, the Group acquired assets with a cost of SR 178.53 million (three months ended 31 March 2017: SR 158.97 million). Moreover, assets with a carrying amount of SR 3.3 million (three months ended 31 March 2017: SR nil) were written off.

b. Capital work in progress

The Group's capital work-in-progress as at 31 March 2018 is SR 1,152 million (three months ended 31 March 2017: SR 1,821 million) and comprises mainly of construction costs related to Polybutylene terephthalate plant, Ethylene-vinyl acetate (EVA) Film plant, Debottlenecking (DBN), Environmental Efficiency Centre (SEEC) and costs related to several projects for improvements and enhancements of operating plants.

EXPRESSED IN SAUDI RIYALS

6. INVENTORIES

During the three months period ended 31 March 2018, the Group wrote down its finished goods inventory by SR 1.01 million on account of an increase in the cost of production of certain finished goods exceeding the selling prices. The write-down is included in 'cost of sales' in the condensed consolidated statement of profit or loss.

Moreover, during the three months period ended 31 March 2018, provision of SR 8.1 million (three months ended 31 March 2017: SR nil), for slow moving stores and spares was reversed.

7. LOANS AND BORROWINGS

	Effective interest rate %	**Maturity**	**31 March 2018 (Unaudited)**	31 December 2017 (Audited)
Current loans and borrowings				
Saudi industrial development fund	1.41% - 2.52%	2019 – 2022	**283,850,000**	283,850,000
Shari'a compliant bank loans	2.87% - 3.80%	2021 – 2027	**296,476,766**	296,476,766
Public investment fund loans	3.80% - 4.68%	2020 – 2026	**189,208,000**	189,208,000
Islamic Tawwaruq facility	3.42% - 4.75%	2021 – 2023	**41,047,749**	34,929,768
Murabaha Facility	2.89%	2023	**32,500,000**	29,250,000
			843,082,515	833,714,534
Other current loans				
Advances from partners	4.5%	2019	**59,167**	33,205,788
Total current loans and borrowings			**843,141,682**	866,920,322

	Effective interest rate %	**Maturity**	**31 March 2018 (Unaudited)**	31 December 2017 (Audited)
Non-current loans and borrowings				
Saudi industrial development fund	1.41% - 2.52%	2019 – 2022	**1,023,892,169**	1,021,861,206
Shari'a compliant bank loans	2.87% - 3.80%	2021 – 2027	**2,094,119,369**	1,903,153,178
Public investment fund loans	3.80% - 4.68%	2020 – 2026	**648,768,219**	648,086,991
Islamic Tawwaruq facility	3.42% - 4.75%	2021 – 2023	**1,653,859,848**	1,646,252,413
Murabaha Facility	2.89%	2023	**217,750,000**	220,345,826
			5,638,389,605	5,439,699,614
Other non-current loans				
Advances from partners	4.5%	2019	**75,435,196**	87,920,236
Islamic Murabaha bonds (SUKUK)	4.63%	2021	**998,272,647**	998,136,277
Total non-current loans and borrowings			**6,712,097,448**	6,525,756,127
Total loans and borrowings			**7,555,239,130**	7,392,676,449

During the three month period ended 31 March 2018, repayment of certain advances from partners were rescheduled resulting in a decrease in finance cost amounting to SR 19.4 million (three months ended 31 March 2017: SR nil).

8. DIVIDENDS

The Board of Directors in their meetings held on 19 December 2017 decided to recommend to the General Assembly to distribute a cash dividends amounting to SR 183.3 million (i.e, SR 0.50) per share, equivalent to 5% of the share capital. The distribution is limited to the shareholders who are registered in Tadawul at end of second trading day following the General Assembly Meeting. Subsequent to the period ended 31 March 2018, the General Assembly held on 1 April 2018, approved the distribution of cash dividend of SR 0.50 per share.

EXPRESSED IN SAUDI RIYALS

9. FINANCIAL INSTRUMENTS

The Group's principal financial assets include cash and cash equivalents, trade receivable and certain other receivables that arise directly from its operations. The Group's principal financial liabilities comprise short and long term loans and borrowings, advances from partners and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and its associates.

Fair value hierarchy

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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 consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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.

The following table shows the carrying amounts and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value:

	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	As at 31 March 2018				
Short term investments					
Equity securities	**253,674,104**	**253,674,104**	**253,674,104**	-	-
Total	**253,674,104**	**253,674,104**	**253,674,104**	-	-

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	As at 31 March 2017				
Short term investments					
Equity securities	23, 805,478	23, 805,478	23, 805,478	-	-
Total	23, 805,478	23, 805,478	23, 805,478	-	-

The financial assets and liabilities of the Group are recognised in the consolidated interim statement of financial position in accordance with the accounting policies. The carrying value of the financial assets and financial liabilities of the Group approximate their fair value.

10. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The Group has entered into operating lease arrangements with the Royal Commission of Jubail and the Jubail Port Authority. The lease with the Royal Commission is for an initial term of 30 Hijri years and may be renewed upon the agreement of the two parties.

The Group also leased precious metals from commercial banks, such as gold, palladium and rhodium for manufacturing catalysts. The lease terms for precious metals are for one year term and is renewable for further terms.

EXPRESSED IN SAUDI RIYALS

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum rentals payable under non-cancellable operating leases are, as follows:

	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
Within one year	**2,569,548**	2,569,548
After one year but not more than five years	**10,278,192**	10,278,192
More than five years	**23,711,750**	26,281,298
	36,559,490	39,129,038

Commitments

	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
Capital commitments	**538,321,000**	614,157,077

Contingencies

	31 March 2018 (Unaudited)	31 March 2017 (Unaudited)
Letters of guarantee and credit	**562,702,128**	518,687,501

Contingent liabilities
In addition, the Group has no material contingent liabilities as at period ended 31 March 2018 except for those as disclosed in note 4 to the condensed consolidated interim financial statements.

11. TRANSACTIONS WITH RELATED PARTIES

Related parties include the Group's shareholders, associated and affiliated companies and their shareholders, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. During the period, the Group transacted with the following related parties:

Name	**Relationship**
Japan Arabia Methanol Company Limited (JAMIC)	Non-controlling interest
HELM – Arabia GmbH & Co. KG (Helm – Arabia)	Non-controlling interest
Hanwha Chemical Malaysia Sdn Bhd	Non-controlling interest
Johnson Matthey Davy Technologies Limited	Affiliate of a non-controlling interest

Foreign partners of the Company marketed part of the Group's products. Total sales for the three-month period ended 31 March 2018 made through foreign partners amounted to SR 355 million (2017: SR 370 million).

The above transactions resulted in the following balances with related parties that are shown as part of trade receivables.

	31 March 2018 (Unaudited)	31 December 2017 (Audited)
HELM -Arabia GmbH & Co. KG (Helm -Arabia)	**104,145,709**	132,957,969
Hanwha Chemical Malaysia Sdn Bhd	**97,144,613**	114,787,609
Japan Arabia Methanol Company Limited (JAMC)	**45,931,201**	52,492,518
	247,221,523	300,238,096

12. OTHER INCOME / (EXPENSES), NET

During the three months period ended 31 March 2018, an amount of SR 18 million related to delay fines on withholding tax was charged as other expenses (31 March 2017: SR nil). Refer to note 4.

Moreover, the group reassessed the refund liability for employee home ownership program and adjusted an amount of SR 20 million related to excess refund liability. Consequently, the Group recognized SR 20 million in other income (three months ended 31 March 2017: SR nil).

13. SUBSEQUENT EVENTS

No adjusting event occurred at the date of authorization of condensed consolidated interim financial statements by Board of Directors which may have an impact on the condensed consolidated interim financial statements.