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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

PERIOD ENDED 30 JUNE 2009

Ernst & Young



P.O. Box 1994 4th Floor, Al Nakheel Center, Medina Road Al Hamra District, Jeddah 21441 Saudi Arabia

Tel: +966 2 667 1040/+966 2 665 2076 Fax: +966 2 667 2129 www.ey.com/me Registration No. 45

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

Scope of review

We have reviewed the accompanying interim balance sheet of Yanbu National Petrochemical Company (YANSAB) ("the Company") - A Saudi Joint Stock Company – as at 30 June 2009 and the related interim income statement for the three month and six month periods then ended, cash flows and changes in shareholders' equity for the six months then ended which have been prepared by the company's management and submitted to us together with all the information and explanations which we required. Our review was conducted in accordance with Saudi Organization for Certified Public Accountants (SOCPA) standard on interim financial information. A review is limited primarily to analytical procedures applied to financial data and inquiries of company personnel on financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the interim condensed financial statements in order for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda

Certified Public Accountant

Registration No. 356

19 Rajab 1430 H 12 July 2009

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PROFESSIONAL LICENCE NO. 45

| INTERIM BALANCE SHEET (UNAUDITED) |
|-----------------------------------|
| As at 30 June 2009 |

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| | Note | 30 June 2009 SR'000 | 30 June 2008 SR'000 |
|--|---------------|--|--|
| ASSETS | IVULE | | |
| CURRENT ASSETS Cash and cash equivalents Advances to suppliers and other receivables Inventories | 3 4 5 | 927,790 184,337 259,072 | 1,106,684 213,769 |
| TOTAL CURRENT ASSETS | | 1,371,199 | 1,320,453 |
| NON-CURRENT ASSETS Capital work in progress Pre-operating expenses Deferred charges Other non-current assets TOTAL NON-CURRENT ASSETS TOTAL ASSETS | 6 7 8 | 18,003,930 200,000 115,364 31,282 18,350,576 19,721,775 | 14,715,922 200,000 126,900 31,124 15,073,946 16,394,399 |
| CURRENT LIABILITIES Accounts payable Accruals and provisions Current portion of long term loans TOTAL CURRENT LIABILITIES | 9 10 11 | 45,392 557,419 892,281 ———————————————————————————————————— | 75,197 521,943 234,338 ——————————————————————————————————— |
| NON-CURRENT LIABILITIES Term loans Term loan from a shareholder Employees' end of service benefits TOTAL NON-CURRENT LIABILITIES | 11 14 | 11,998,359 465,000 81,292 12,544,651 | 9,788,708 |
| TOTAL LIABILITIES SHAREHOLDERS' EQUITY Share capital | 12 | 5,625,000 | 5,625,000 |
| Statutory reserve Retained earnings TOTAL SHAREHOLDERS' EQUITY | 13 | 14,030 43,002 | 14,030 70,419 5,709,449 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 19,721,775 | 16,394,399 |

INTERIM INCOME STATEMENT (UNAUDITED)

For the six month period ended 30 June 2009

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| | | Three month pe | riod ended | Six month period ended | | |
|---|------|------------------------|------------------------|------------------------|------------------------|--|
| | Note | 30 June 2009 SR'000 | 30 June 2008 SR'000 | 30 June 2009 SR'000 | 30 June 2008 SR'000 | |
| EXPENSES | | | | | | |
| General and administration | | (6,654) | (6,185) | (14,891) | (13,062) | |
| NET LOSS FOR THE PERIOD | | (6,654) | (6,185) | (14,891) | (13,062) | |
| Weighted number of shares Outstanding (in thousands) | 12 | 562,500 | 562,500 | 562,500 | 562,500 | |
| Basic loss per share | | (0.012) | (0.01) | (0.026) | (0.02) | |

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2009

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| No | 2009 te SR'000 | 2008 SR'000 |
|--|-------------------|----------------|
| PRE – OPERATING ACTIVITIES | 52000 | 22. 000 |
| Loss before zakat Adjustments for: | (14,891) | (13,062) |
| Provision for employees' terminal benefits | 5,928 | 20,295 |
| | (8,963) | 7,233 |
| Changes in working capital: Inventories | (251,265) | _ |
| Receivables | (8,482) | 66,815 |
| Payables | (499,475) | (775,097) |
| Cash used in pre-operating activities | (768,185) | (701,049) |
| Employees' terminal benefits paid | (5,468) | (4,203) |
| Net cash used in pre-operating activities | (773,653) | (705,252) |
| INVESTING ACTIVITIES | | |
| Purchase of capital work in progress | (892,910) | (1,722,841) |
| Other non current assets | 2,730 | (16,704) |
| Net cash used in investing activities | (890,180) | (1,739,545) |
| FINANCING ACTIVITIES | | |
| Proceeds from term loans | 1,093,594 | 1,857,186 |
| Loan from a shareholder | 465,000 | - |
| Cash from financing activities | 1,558,594 | 1,857,186 |
| DECREASE IN CASH AND CASH EQUIVALENTS 3 | (105,239) | (587,611) |
| Cash and cash equivalents at the beginning of the period | 1,033,029 | 1,694,295 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD 3 | 927,790 | 1,106,684 |

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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED) For the six month period ended 30 June 2009

| | Share capital SR'000 | Statutory reserve SR'000 | Retained earnings SR'000 | Total SR'000 |
|--|----------------------------|--------------------------------|--------------------------------|-----------------------|
| Balance at 1 January 2009 Loss for the period | 5,625,000 | 14,030 | 57,893 (14,891) | 5,696,923 (14,891) |
| Balance at 30 June 2009 | 5,625,000 | 14,030 | 43,002 | 5,682,032 |
| Balance at 1 January 2008 Loss for the period | 5,625,000 | 14,030 | 83,481 (13,062) | 5,722,511 (13,062) |
| Balance at 30 June 2008 | 5,625,000 | 14,030 | 70,419 | 5,709,449 |

Yanbu National Petrochemical Company (YANSAB)

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 June 2009

1 ACTIVITIES

Yanbu National Petrochemical Company (YANSAB) (the company) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4700009432 dated 14 Muharram 1427H (corresponding to 13 February 2006) in accordance with the Ministerial Resolution declaring the incorporation of the company dated 12 Muharram 1427H (corresponding to 11 February 2006). The company has obtained Industrial License number S/1367 dated 18 Rajab 1426H (corresponding to 1 September 2005). The company is 51% owned by Saudi Basic Industries Corporation (SABIC), (the majority shareholder), 14% by other Saudi and GCC shareholders and 35% of the shares are publicly traded.

The company is engaged in the manufacturing of petrochemical products in accordance with company's Articles of Association and other Saudi Arabian applicable regulations. On 12 July 2009 the company commenced experimental production but has not yet started commercial operations.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These interim condensed financial statements have been prepared in accordance with Saudi Arabian Organisation of Certified Public Accountants (SOCPA) standards for interim financial statements. The accounting policies adopted for the preparation of these interim condensed financial statements are consistent with those used for the preparation of annual financial statements.

The interim condensed financial statements do not cover all the information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. In addition, the results presented in these interim condensed financial statements may not be a fair indicator of the results for the full financial year ending 31 December 2009.

The significant accounting policies adopted are as follows:-

Accounting convention

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The interim condensed financial statements have been prepared under the historical cost convention.

Capital Work in Progress

Capital work in progress, representing plants under construction, is recorded at cost. Such costs include the cost of equipment, material and other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Capitalisation of borrowing costs

Borrowing costs attributable to the construction of plants and purchase of machinery and equipment during the construction period are capitalized.

Pre-operating expenses

Pre-operating expenses are charged to the income statement unless their future benefits have been determined in which case they will be amortized on straight line basis over the shorter of 7 years or estimated useful lives of expenses from the commencement of operation date.

Deferred charges

Deferred charges relate to financial advisory, legal, and arrangement fees for obtaining long term financing arrangements which are being used to partially finance the construction of the company's plants. These fees are amortised over the period of long term financing arrangements. The amortization portion that falls within the construction period is capitalised as part of capital work in progress.

Yanbu National Petrochemical Company (YANSAB)

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 30 June 2009

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise bank balances, cash on hand, and murabaha commodity placements or time deposits with an original maturity of three months or less. Murabaha commodity placements and time deposits with original maturity of three months or less are stated at cost, with accrued income being captioned under other receivables until realized. Income from murabaha placements or time deposits is accrued on time apportionment basis over the period from disbursement of funds to redemption date.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for the goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

Employees' end of service benefits

Provision is made for amounts payable under the Saudi Arabian labour law and company's policy applicable to employees' accumulated periods of service at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Zakat

Zakat is provided for in accordance with Saudi Arabia fiscal regulations. The provision is charged to the income statement and will be calculated at the year end.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in income statement on a straight line basis over the lease period.

Expenses

As the company is still in the pre-operation stage, all expenses incurred are classified as general and administration expenses.

3 CASH AND CASH EQUIVALENTS

| | 30 June 2009 SR'000 | 30 June 2008 SR'000 |
|---|---------------------------|---------------------------|
| furabaha commodity placements and time deposits urrent accounts | 867,500 60,290 | 1,050,688 55,996 |
| | 927,790 | 1,106,684 |

Murabaha commodity placements and time deposits are maintained with local and foreign banks.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2009

4 ADVANCES TO SUPPLIERS AND OTHER RECEIVABLES

| | 30 June 2009 SR'000 | 30 June 2008 SR'000 |
|---|----------------------------|-----------------------------|
| Advances to suppliers and contractors Amounts due from a shareholder (see note below) Other receivables | 50,460 95,709 38,168 | 62,208 123,356 28,205 |
| | 184,337 | 213,769 |

This balance comprises advances to a shareholder in the normal course of business for the purchase of materials and receivables for sales of products under pre-marketing arrangement. (see note 14)

5 INVENTORIES

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| | 30 June 2009 SR'000 | 30 June 2008 SR'000 |
|---------------------------|---------------------------|---------------------------|
| Spare parts Raw materials | 143,487 115,585 | - |
| | 259,072 | - |

6 CAPITAL WORK IN PROGRESS

a) This item represents capital work in progress relating to the construction of the company's plant and comprises the following:

| | 30 June 2009 SR'000 | 30 June 2008 SR'000 |
|--------------------------|---------------------------|---------------------------|
| Cost of work executed | 15,360,471 | 13,234,059 |
| Borrowing cost | 867,211 | 507,082 |
| Product licenses | 174,711 | 129,867 |
| Project management costs | 480,303 | 265,050 |
| System set-up charges | 140,615 | 136,278 |
| Service agreements | 170,009 | 147,647 |
| Others | 810,610 | 295,939 |
| | - | - |
| | 18,003,930 | 14,715,922 |
| | | = |

b) The plants are situated on land leased from the Royal Commission in Yanbu for 35 Hijra years commencing 1 Dul Hijah 1426 H (corresponding to 1 January 2006). The lease is renewable for further similar periods at the option of the parties.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2009

7 PRE-OPERATING EXPENSES

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These represent a contribution of SR 200 million to the Centennial Fund and Higher Plastic Institute that will financially support small and medium sized projects in the related industry and was conditional for the company to secure the gas and feedstock required to manufacture its products. Pre-operating expenses will be amortized using the straight line basis over the shorter of 7 years or their estimated period of benefit, from the commencement of commercial operations.

8 DEFERRED CHARGES

These represent financial advisory, legal, and arrangement fees totaling SR 143.2 million, relating to obtaining a set of long term financing arrangements to finance the partial construction of the company's plant. These fees were included in the initial recognition of the related financing arrangements and being amortized, using effective interest rate, over the period of long term financing agreements. The amortization related portion that falls within the construction period amounting to SR 25 million as at 31 March 2009, has been capitalized.

| 9 ACCOUNTS PAYABLE | | |
|--|---------|---------|
| | 30 June | 30 June |
| | 2009 | 2008 |
| | SR'000 | SR'000 |
| Suppliers and contractors | 37,095 | 19,018 |
| Amount due to a shareholder and a related party (note 14) | 8,297 | 56,179 |
| | 4 | |
| | 45,392 | 75,197 |
| 10 ACCRUALS AND PROVISIONS | | |
| | 30 June | 30 June |
| | 2009 | 2008 |
| | SR'000 | SR'000 |
| Accrued expenses | 436,344 | 519,111 |
| Amounts due to a shareholder and related parties (note 14) | 121,075 | 517,111 |
| Other payables | - | 2,832 |
| | | |
| | 557,419 | 521,943 |
| | | |

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2009

11 TERM LOANS

Term loans comprise:

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| | 30 June 2009 SR'000 | 30 June 2008 SR'000 |
|--|---------------------------|---------------------------|
| Public Investment Fund (PIF) (see note (a) below) | 4,001,250 | 3,222,506 |
| Commercial and Export Credit Agencies (ECA) loans (see note (b) below) | 5,809,155 | 4,146,050 |
| Islamic financing facilities (see note (c) below) | 3,080,235 | 2,654,490 |
| Less: | 12,890,640 | 10,023,046 |
| Current portion for long term loans (see notes (a), (b)and (c)below) | (892,281) | (234,338) |
| Non-current portion of long term loans | 11,998,359 | 9,788,708 |
| Financial advisory, legal and arrangement fees, net of amortisation (see note 8) | (115,364) | (126,900) |
| | 11,882,995 | 9,661,808 |
| | | |

- a) The PIF term loan obtained in 2007 to finance the partial construction of the plants is limited to SR 4,001 million. The term loan carries charges at commercial rates and is repayable in equal semi-annual installments of SR 200 million. The first installment is payable on 31 December 2009, and the last installment is payable on 30 June 2019.
- b) During 2007, the above loans obtained from a consortium of banks in three loans, of which two loans are secured by Export Credit Agencies (ECA), Servizi Assicurativi Del Commercio Estero and Export Credits Guarantee Department (ECGD) in 2007 to finance partial construction of plants and working capital are limited to SR 5,948 million. The loans carrying commission at commercial rates are repayable in semi-annual variable installments with the first installment payable on 30 June 2009 and the last installment payable on 30 June 2018.
- c) The Islamic financing facilities represent advance payments received by the company from a consortium of banks ("Original Islamic Facility Participants") to finance the partial construction of the plants. The company has entered into financing agreement with the Original Participants of Islamic Financing Facility up to the maximum of SR 3,176 million. Under the financing agreement, the undivided 18% of the cost of the project will be delivered to the Original Islamic Facility Participants and then leased back (under Ijara agreement) to the company. The first installment for the lease payments is due on 30 June 2009, and last installment is due on 30 June 2018.

During the first quarter of 2009 the company withdrew the remaining balance of contracted bank facilities and loans including the facilities for working capital requirements.

The term loans are secured against the proceeds of project, when the company starts it commercial operations. In addition, the company has signed an Equity Support, Subordination and Retention Agreement with the majority Shareholder (SABIC) under which SABIC shall maintain its ownership in Yansab at 51% for the life of the loans.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2009

12 SHARE CAPITAL

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a) The authorized, issued and fully paid share capital of the company is divided into 562.5 million shares of SR 10 each.

13 STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies the company must set aside 10% of net income for the period until it has built up a reserve equal to 50% of the capital. The company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

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Yanbu National Petrochemical Company (YANSAB)

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 30 June 2009

14 RELATED PARTY TRANSACTIONS AND BALANCES

The following are the details of major related party transactions during the period and the related balance at the period end:

| | Balance At 30 June | 2008 | SR'000 | | 123,356 | 130,856 | | (52,049) | (4,130) | (56,179) | r |
|------------------------|--|------|--------|----------------------------------|---|---------|--------------------------------|--|---|-----------|--|
| | At At | 2009 | SR'000 | | 95,709 7,500 | 103,209 | | (105,275) | (24,097) | (129,372) | (465,000) |
| Amount of transaction | th period ended 30 June | 2008 | SR'000 | | 144,471 | | | (212,528) | (5,111) | | x |
| Amount | For the three month period ended 30 June | 2009 | SR'000 | | 71,166 | | | (133,723) | (136,711) | | (465,000) |
| Nature of transactions | | | | | Advances for purchase of materials, product sales and other transactions Long term advance for freight charges | | | Payments on behalf of the company and other services provided by the shareholder | Payments for purchase of raw materials and other services | | Loan from a shareholder (see note below) |
| Related party | | | | Amounts due from related parties | Saudi Basic Industries Corporation (SABIC) – (a shareholder) and its subsidiaries | | Amounts due to related parties | Saudi Basic Industries Corporation (SABIC) – (a shareholder) | Affiliates | | Saudi Basic Industries Corporation (SABIC) – (a shareholder) |

The company obtained a loan from the above shareholder. The term loan which carries borrowing charges at commercial rates is fully payable on 30 June 2012.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2009

15 COMMITMENT AND CONTINGENCIES

- a) The Board of Directors in their meeting dated 24 February 2009 has approved a revised budget for the company's entire project amounting to SR 21,181 million. The cost of the project incurred by the company as at 30 June 2009 is SR 18,319 million.
- b) On 6 May 2006, the Board of Directors approved long term financing arrangements, including Islamic financing, SACE, Public Investment Funds, Export Credits Guarantee Agencies, commercial and working capital facilities totaling SR 13,125 million to finance the partial construction of the company's plants. The drawdown as at 31 December 2009 is amounted to SR 13,125 million (note 11).