

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

**INTERIM FINANCIAL STATEMENTS AND INDEPENDENT
ACCOUNTANTS' REVIEW REPORT
FOR THE THREE MONTH AND SIX MONTH PERIODS
ENDED JUNE 30, 2012**

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

INTERIM FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2012

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the shareholders
Yanbu National Petrochemical Company (YANSAB)
(Saudi Joint Stock Company)
Yanbu Al-Sinayah, Saudi Arabia

Scope of Review

We have reviewed the interim balance sheet of YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB) (a Saudi joint stock company) ("the Company") as of June 30, 2012 and the related interim statements of income, shareholders' equity and cash flows for the three month and six month periods then ended, and notes 1 to 20 which form an integral part of these interim financial statements as prepared by the Company and presented to us with all necessary information and explanations which we required. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of a review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

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

Deloitte & Touche
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin
Certified Public Accountant
License No. 296

21 Shaban, 1433
July 11, 2012

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

INTERIM BALANCE SHEET (UNAUDITED)

AS OF JUNE 30, 2012

(Expressed in Thousands of Saudi Riyals)

| | Note | June 30, 2012 | June 30, 2011 |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 3 | 666,606 | 380,479 |
| Murabaha commodity placements | 4 | 858,092 | 769,948 |
| Accounts receivable | 5 | 2,377,563 | 2,728,460 |
| Inventories | 6 | 1,136,350 | 1,126,335 |
| Prepayments and other receivables | 7 | 188,177 | 152,841 |
| Total current assets | | 5,226,788 | 5,158,063 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 17,203,416 | 17,977,567 |
| Intangible assets | 9 | 214,088 | 254,196 |
| Other non-current assets | 10 | 39,812 | 33,219 |
| Total non-current assets | | 17,457,316 | 18,264,982 |
| TOTAL ASSETS | | 22,684,104 | 23,423,045 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities | | | |
| Current portion of long-term loans | 11 | 1,535,269 | 1,262,451 |
| Accounts payable | 12 | 382,013 | 413,152 |
| Accrued expenses and other liabilities | 13 | 614,186 | 834,924 |
| Total current liabilities | | 2,531,468 | 2,510,527 |
| Non-current liabilities | | | |
| Long-term loans | 11 | 8,148,340 | 11,785,969 |
| Other non-current liabilities | 14 | 119,608 | 104,549 |
| Total non-current liabilities | | 8,267,948 | 11,890,518 |
| Shareholders' equity | | | |
| Share capital | 1 | 5,625,000 | 5,625,000 |
| Statutory reserve | 16 | 635,727 | 349,459 |
| Retained earnings | | 5,623,961 | 3,047,541 |
| Total shareholders' equity | | 11,884,688 | 9,022,000 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 22,684,104 | 23,423,045 |

The accompanying notes form an integral part of these unaudited interim financial statements

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

INTERIM STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2012
 (Expressed in Thousands of Saudi Riyals)

| | Note | Three month period ended | | Six month period ended | |
|--|------|---------------------------------|------------------|-------------------------------|------------------|
| | | June 30, 2012 | June 30, 2011 | June 30, 2012 | June 30, 2011 |
| Sales | 15c | 2,332,255 | 2,659,860 | 4,778,114 | 4,737,135 |
| Cost of sales | | (1,507,365) | (1,520,405) | (3,046,235) | (2,706,223) |
| Gross profit | | 824,890 | 1,139,455 | 1,731,879 | 2,030,912 |
| Distribution, general and administrative expenses | | (60,037) | (55,795) | (121,527) | (100,200) |
| Operating income | | 764,853 | 1,083,660 | 1,610,352 | 1,930,712 |
| Finance charges, net | | (98,447) | (109,031) | (195,348) | (209,440) |
| Other income | | 9,282 | 12,507 | 14,575 | 6,624 |
| Income before zakat | | 675,688 | 987,136 | 1,429,579 | 1,727,896 |
| Zakat | | (26,083) | (23,471) | (59,708) | (46,385) |
| NET INCOME | | 649,605 | 963,665 | 1,369,871 | 1,681,511 |
| Weighted average number of shares outstanding | | 562,500 | 562,500 | 562,500 | 562,500 |
| Earnings per share | 17 | | | | |
| Earnings per share from net income for the period | | 1.155 | 1.713 | 2.435 | 2.989 |
| Earnings per share from main continuing activities | | 1.360 | 1.927 | 2.863 | 3.432 |

The accompanying notes form an integral part of these unaudited interim financial statements

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

INTERIM STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(Expressed in Thousands of Saudi Riyals)

| | Share capital | Statutory reserve | Retained earnings | Total |
|-------------------------------|---------------|-------------------|-------------------|------------|
| January 1, 2011 | 5,625,000 | 181,308 | 1,534,181 | 7,340,489 |
| Net income for the period | - | - | 1,681,511 | 1,681,511 |
| Transfer to statutory reserve | - | 168,151 | (168,151) | - |
| June 30, 2011 | 5,625,000 | 349,459 | 3,047,541 | 9,022,000 |
| January 1, 2012 | 5,625,000 | 498,740 | 4,391,077 | 10,514,817 |
| Net income for the period | - | - | 1,369,871 | 1,369,871 |
| Transfer to statutory reserve | - | 136,987 | (136,987) | - |
| June 30, 2012 | 5,625,000 | 635,727 | 5,623,961 | 11,884,688 |

The accompanying notes form an integral part of these unaudited interim financial statements

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

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2012
(Expressed in Thousands of Saudi Riyals)

| | Six month period ended June 30, 2012 | Six month period ended June 30, 2011 |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Income before zakat | 1,429,579 | 1,727,896 |
| Adjustments for: | | |
| Depreciation | 488,112 | 492,462 |
| Amortization on intangible assets | 20,054 | 20,054 |
| Finance charges | 195,348 | 209,440 |
| Allowance for slow moving inventories | - | 8,686 |
| Other non-current liabilities | 20,687 | 13,296 |
| Changes in operating asset and liabilities: | | |
| Accounts receivable | 81,847 | (816,517) |
| Inventories | 33,671 | (233,970) |
| Prepayments and other receivables | (64,855) | 15,002 |
| Accounts payable | (41,424) | 156,825 |
| Accrued expenses and other liabilities | (96,410) | (227,997) |
| Other non-current assets | (7,427) | 3,455 |
| Cash from operations | 2,059,182 | 1,368,632 |
| Other non-current liabilities paid | (27,898) | (6,600) |
| Zakat paid | (86,506) | (41,555) |
| Finance charges paid | (195,348) | (209,440) |
| Net cash from operating activities | 1,749,430 | 1,111,037 |
| INVESTING ACTIVITIES | | |
| Murabaha commodity placements | (89,342) | (113,698) |
| Property, plant and equipment, net | (103,511) | (44,308) |
| Net cash used in investing activities | (192,853) | (158,006) |
| FINANCING ACTIVITIES | | |
| Movement in long-term loans, net | (1,489,066) | (1,362,287) |
| Net cash used in financing activities | (1,489,066) | (1,362,287) |
| Net change in cash and cash equivalents | 67,511 | (409,256) |
| Cash and cash equivalents, January 1 | 599,095 | 789,735 |
| CASH AND CASH EQUIVALENTS, June 30 | 666,606 | 380,479 |

The accompanying notes form an integral part of these unaudited interim financial statements

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2012
(Expressed in Thousands of Saudi Riyals)

1. ORGANIZATION AND 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 February 13, 2006) in accordance with the Ministerial Resolution No. 49 dated 12 Muharram 1427H (corresponding to February 11, 2006) for the incorporation of the Company. The Company obtained its Industrial License number S/1367 on 18 Rajab 1426H (corresponding to August 23, 2005).

The Company's authorized, issued and fully paid share capital is SR 5,625 million divided into 562.5 million shares of SR 10 par value each. The Company is 51% owned by Saudi Basic Industries Corporation (SABIC) (the majority shareholder), and 49% owned by others or publicly traded.

The Company 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 March 1, 2010.

As the production is through an integrated factory, there are no separate identifiable segments for which disclosure is required.

The Company's principal place of business is in Yanbu, Kingdom of Saudi Arabia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim financial statements have been prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. These interim financial statements have been prepared according to the accounting policies annually adopted by the Company in preparing the annual financial statements. The following is a summary of significant accounting policies applied by the Company:

Accounting convention

The financial statements are prepared under the historical cost convention.

Revenue recognition

The majority of product sales are made to the marketing unit of SABIC, the majority shareholder. Upon delivery to the marketing unit, sales are recorded at provisional prices. These prices are later adjusted quarterly based upon actual selling prices received by the marketer from third parties, and are recorded net of actual selling and distribution costs incurred by the marketer and the marketing fees.

Distribution, general and administrative expenses

Distribution, general and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under accounting standards generally accepted in the Kingdom of Saudi Arabia. Allocations between distribution, general and administrative expenses and cost of sales, when required, are made on a consistent basis.

YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2012
(Expressed in Thousands of Saudi Riyals)

Accounts receivable

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. Adjustments are recorded as they become known to the Company. An estimate for doubtful debts is made when the collection of the accounts receivable amount is considered doubtful. Bad debts are written-off as incurred.

Inventories

Finished goods, chemicals and raw materials are stated at the lower of cost or net realizable value. The cost of finished goods, chemicals, spare parts and supplies is determined on a weighted average cost basis. Inventories of finished goods include cost of materials, labor and an appropriate portion of direct overheads.

Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale.

Inventory items that are considered as essential to ensure continuous plant operations are treated as capital spare parts and are classified as plant and equipment and are depreciated using the depreciation rate relevant to the corresponding plant and equipment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method.

Depreciation on additions or extensions forming an integral part of existing plants is provided over the remaining estimated useful life of the respective plants. The estimated rates of depreciation of the principal classes of assets are as follows:

| | |
|------------------------------------|-------|
| Buildings & leasehold improvements | 3.03% |
| Plant, machinery & heavy equipment | 5% |
| Tools & equipment | 5% |
| Furniture | 10% |
| Motor vehicles | 25% |
| Computers & software | 20% |
| Laboratories & safety equipment | 20% |
| Catalyst | 20% |

Construction-in-progress represents all costs relating directly to the ongoing projects in progress and will be capitalized as property, plant and equipment when the project is completed.

The carrying amount of all property, plant and equipment is reduced to recognize other than temporary diminution in value.

YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2012
(Expressed in Thousands of Saudi Riyals)

Intangible assets

Pre-operating expenses

Pre-operating expenses are charged to income statement unless attributable future benefits are determined in which case these will be amortised using the straight line method over the shorter of seven years or the estimated useful lives.

Deferred charges

Deferred charges relate to financial, legal consultancy and arrangement fees for obtaining long term financing 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 and since the commencement of operations of the Company, the amortization expense is charged to the statement of income.

Impairment of non-current assets

At each balance sheet date, the Company assesses whether there are any indications, whether internal or external, of impairment in the value of non-current assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of an asset is the higher of its value in use and fair value less cost to sell.

A non-current asset is considered impaired if its carrying amount is higher than its recoverable amount. To determine impairment, the Company compares the non-current asset's carrying amount with the undiscounted estimated cash flow from the asset's use. If the carrying amount exceeds the undiscounted cash flow from the asset, the Company estimates the present value of the estimated future cash flows from the asset. The excess of the carrying amount over the present value of the estimated future cash flows from the assets is considered as an impairment loss.

An impairment loss is recognized immediately in the statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

Employees' home ownership program

The Company has a home ownership program that offers eligible Saudi employees home ownership opportunities.

Unsold housing units constructed for eventual sale to eligible employees are included under buildings and depreciated over 33 years.

When the houses are allocated to the employees, the cost of houses constructed and sold to the employees under the program is transferred from property, plant and equipment to other non-current assets. Down payments and installments of purchase price received from employees are set-off against the other non-current assets.

The cost of the houses and the related purchase price is removed from other non-current assets when the title of the houses is transferred to the employees, at which time, no significant gain or loss is expected to result to the Company.

YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2012
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Employees' end-of-service benefits and early retirement costs

End-of-service indemnities, required by Saudi Arabian Labor Law and the Company's policy, are provided in the financial statements based on the employees' length of service.

Employees' early retirement costs are provided for in accordance with the Company's policies and are charged to the statement of income.

Employees' savings plan

The Company maintains an employee savings plan. The contributions from the participants are deposited in a separate bank account and provision is established for the Company's contribution.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

Provision for obligations

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Zakat

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the statement of income. The zakat charge is computed at 2.5% on the zakat base or adjusted net income, whichever is higher. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances and murabaha investments with original maturities of three months or less.

| | June 30, 2012 | June 30, 2011 |
|---|--------------------------|------------------|
| Murabaha commodity placements and time deposits | 569,081 | 318,750 |
| Current accounts | 97,525 | 61,729 |
| | 666,606 | 380,479 |

4. MURABAHA COMMODITY PLACEMENTS

Murabaha commodity placements represent placements with original maturity exceeding three months and maintained with local and foreign banks.

5. ACCOUNTS RECEIVABLE

| | June 30, 2012 | June 30, 2011 |
|-------------------------------------|--------------------------|------------------|
| Due from related parties (note 15a) | 2,377,469 | 2,728,349 |
| Others | 94 | 111 |
| | 2,377,563 | 2,728,460 |

6. INVENTORIES

| | June 30, 2012 | June 30, 2011 |
|----------------|--------------------------|------------------|
| Finished goods | 587,996 | 638,919 |
| Raw materials | 227,122 | 204,156 |
| Spare parts | 321,232 | 283,260 |
| | 1,136,350 | 1,126,335 |

7. PREPAYMENTS AND OTHER RECEIVABLES

| | June 30, 2012 | June 30, 2011 |
|-----------------------------------|--------------------------|------------------|
| Due from related party (note 15a) | 126,944 | 122,685 |
| Other prepayments | 61,233 | 30,156 |
| | 188,177 | 152,841 |

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2012
(Expressed in Thousands of Saudi Riyals)

8. PROPERTY, PLANT AND EQUIPMENT

| | January 1 | Additions | Transfers | June 30 |
|------------------------------------|-------------------|----------------|-----------|-------------------|
| Cost: | | | | |
| Buildings & leasehold improvements | 175,997 | 561 | - | 176,558 |
| Plant, machinery & heavy equipment | 18,770,879 | 152 | 4,506 | 18,775,537 |
| Tools & equipment | 65,559 | 3,012 | 194 | 68,765 |
| Furniture | 12,527 | - | - | 12,527 |
| Motor vehicles | 441 | - | - | 441 |
| Computers & software | 68,256 | 481 | 1,267 | 70,004 |
| Laboratories & safety equipment | 42,160 | 87 | 2,924 | 45,171 |
| Catalyst | - | 24,070 | - | 24,070 |
| Capital work-in-progress | 222,288 | 75,148 | (8,891) | 288,545 |
| Total Cost | 19,358,107 | 103,511 | - | 19,461,618 |
| Depreciation: | | | | |
| Buildings & leasehold improvements | 9,726 | 2,667 | - | 12,393 |
| Plant, machinery & heavy equipment | 1,710,269 | 469,131 | - | 2,179,400 |
| Tools & equipment | 8,577 | 2,277 | - | 10,854 |
| Furniture | 2,210 | 626 | - | 2,836 |
| Motor vehicles | 198 | 55 | - | 253 |
| Computers & software | 23,660 | 6,939 | - | 30,599 |
| Laboratories & safety equipment | 15,450 | 4,411 | - | 19,861 |
| Catalyst | - | 2,006 | - | 2,006 |
| Total Depreciation | 1,770,090 | 488,112 | - | 2,258,202 |
| Net Book Value at January 1 | 17,588,017 | | | |
| Net Book Value at June 30 | | | | 17,203,416 |

The Company has leased land for plant, equipment and buildings from the Royal Commission, Yanbu, at a nominal rent. The lease is for a period of 35 years commencing from 1 Dhual Hijjah 1426 H (corresponding to January 1, 2006) and is renewable for a similar period under mutual agreed terms and conditions.

The Company's property, plant and equipment with net book value amounting to SR 2,410 million (2011: SR 2,671 million) are leased under Ijara financing arrangement with certain banks.

The capital work-in-progress includes employee housing project amounting to SR 267 million (2011: SR 113 million).

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9. INTANGIBLE ASSETS

| | June 30, 2012 | June 30, 2011 |
|------------------------|--------------------------|------------------|
| Pre-operating expenses | 133,333 | 161,905 |
| Deferred charges | 80,755 | 92,291 |
| | 214,088 | 254,196 |

Pre-operating expenses

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 method over the shorter of 7 years or their estimated useful life, from the commencement of commercial operations. The amortization of pre-operating expenses started on March 1, 2010.

Deferred charges

These represent financial legal advisory and arrangement fees totaling SR 143.2 million, relating to 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 are being amortized over the period of the long-term financing agreements. The amortized portion relating to the construction period amounting to SR 35.6 million as of February 28, 2010 is capitalized. Amortization has started on March 1, 2010, the date of commencement of operations.

10. OTHER NON-CURRENT ASSETS

| | June 30, 2012 | June 30, 2011 |
|--|--------------------------|------------------|
| Advances to related parties (note 15a) | 7,500 | 7,500 |
| Employees' home ownership program | 25,214 | 16,382 |
| Advances to contractors | 7,098 | 9,337 |
| | 39,812 | 33,219 |

11. LONG-TERM LOANS

The following are the aggregate of loan utilization in respect of the loan facilities:

| | June 30, 2012 | June 30, 2011 |
|------------------------------------|--------------------------|------------------|
| Term loans | 6,319,373 | 7,755,875 |
| Islamic facility agreements | 2,410,205 | 2,670,595 |
| Loan from the majority shareholder | 954,031 | 2,621,950 |
| Less: Current portion | (1,535,269) | (1,262,451) |
| | 8,148,340 | 11,785,969 |

YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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(Expressed in Thousands of Saudi Riyals)

TERM LOANS

During 2007, the Company entered into the following long-term loan facilities with various lenders:

| | June 30, 2012 | June 30, 2011 |
|---|--------------------------|------------------|
| Public Investment Fund (PIF) (a) | 2,800,875 | 3,201,000 |
| Commercial and Export Credit Agencies (ECA) loans (b) | 3,518,498 | 4,554,875 |
| | 6,319,373 | 7,755,875 |
| Less: Current portion | (910,052) | (780,253) |
| | 5,409,321 | 6,975,622 |

- a) The PIF term loan which was 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 instalments of SR 200 million. The first instalment was paid on December 31, 2009, and the last instalment is payable on June 30, 2019.
- b) During 2007, the above loans were obtained from a consortium of banks in the form of three loans, of which two loans limited to SR 5,948 million and guaranteed by Export Credit Agencies (ECA), Servizi Assicurativi Del Commercio Estero and Export Credits Guarantee Department (ECGD) to finance the partial construction of plants and working capital. The loans which carry commission at commercial rates are repayable in semi-annual variable instalments with the first instalment being paid on June 30, 2009 and the last instalment is payable on June 30, 2018.
- c) The term loans are secured against the sales of the project. 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% during the duration of the loans.

ISLAMIC FACILITY AGREEMENTS ("IFA")

In 2009, the Company entered into the IFAs pursuant to which the commercial banks will participate in the procurement of a portion of the project assets on the basis of a co-ownership structure.

On the completion of the project, the co-owned assets will be leased to the Company at an annual rental as agreed plus margin.

A special purpose vehicle, Yanbu Asset Leasing Company Limited (YALC) (the "Custodian"), incorporated in the Kingdom of Saudi Arabia, holds, as agent, the Islamic financiers' interest in the co-owned assets.

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

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 (Expressed in Thousands of Saudi Riyals)

As of June 30, the following balances were outstanding in respect of these facilities:

| | June 30, 2012 | June 30, 2011 |
|--|--------------------------|------------------|
| Obligation under Islamic facility agreements | 2,410,205 | 2,670,595 |
| Less: Current portion | (349,305) | (260,391) |
| | 2,060,900 | 2,410,204 |

LOAN FROM THE MAJORITY SHAREHOLDER

The Company obtained a loan from SABIC, the majority shareholder in accordance with the Equity Support, Subordination and Retention Agreement (ESSRA). The term loan which carries borrowing charges at commercial rates is fully repayable within three years commencing on the date of drawdown and the first instalment is due on June 30, 2012. During second half of 2011 the Company has made accelerated payments amounting to SR 1,012 million.

| | June 30, 2012 | June 30, 2011 |
|---|--------------------------|------------------|
| Total loan from the majority shareholder (note 15b) | 954,031 | 2,621,950 |
| Less: Current portion | (275,912) | (221,807) |
| | 678,119 | 2,400,143 |

12. ACCOUNTS PAYABLE

| | June 30, 2012 | June 30, 2011 |
|-----------------------------------|--------------------------|------------------|
| Accounts payable - trade | 297,248 | 324,495 |
| Due to related parties (note 15b) | 84,765 | 88,657 |
| | 382,013 | 413,152 |

13. ACCRUED EXPENSES AND OTHER LIABILITIES

| | June 30, 2012 | June 30, 2011 |
|-----------------------------------|--------------------------|------------------|
| Provision for zakat | 64,235 | 45,119 |
| Due to related parties (note 15b) | 169,086 | 331,401 |
| Other | 380,865 | 458,404 |
| | 614,186 | 834,924 |

YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
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(Expressed in Thousands of Saudi Riyals)

14. OTHER NON-CURRENT LIABILITIES

| | June 30, 2012 | June 30, 2011 |
|----------------------------|--------------------------|------------------|
| End-of-service indemnities | 113,332 | 98,423 |
| Employees' savings plan | 6,276 | 6,126 |
| | 119,608 | 104,549 |

15. RELATED PARTIES TRANSACTIONS

SABIC and its subsidiaries provide the Company required technical, research and technology, administrative, and purchasing services in accordance with executed agreements. The following are the details of major related party balances and transactions:

| | June 30, 2012 | June 30, 2011 |
|--|--------------------------|------------------|
| a) Due from related parties: | | |
| Accounts receivable | | |
| SABIC (sale of goods) | 2,344,532 | 2,728,112 |
| Other affiliates | 32,937 | 237 |
| | 2,377,469 | 2,728,349 |
| Prepayments and other receivables | | |
| SABIC (advance payments for purchase of materials and others) | 121,924 | 122,389 |
| Other affiliates (advance payments for purchase of materials and others) | 5,020 | 296 |
| | 126,944 | 122,685 |
| Non-current assets | | |
| SABIC (advance payments for purchase of materials and others) | 7,500 | 7,500 |
| b) Due to related parties: | | |
| Accounts payable | | |
| SABIC (purchase of materials and others) | 83,786 | 88,089 |
| Other affiliates | 979 | 568 |
| | 84,765 | 88,657 |
| Accrued expenses and other liabilities | | |
| SABIC (purchase of materials and others) | 101,121 | 275,879 |
| Other affiliates | 67,965 | 55,522 |
| | 169,086 | 331,401 |
| Long-term loans | | |
| SABIC | 954,031 | 2,621,950 |

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(Expressed in Thousands of Saudi Riyals)

| | June 30, 2012 | June 30, 2011 |
|--|--------------------------|------------------|
| c) Related party transactions: | | |
| SABIC | | |
| Advance payment for purchase of materials and others | 22,050 | 23,151 |
| Sale of goods | 4,757,186 | 4,709,656 |
| Payments on behalf of the Company and other services | 781,149 | 793,771 |
| Other affiliates | | |
| Sale of goods | 20,928 | 27,480 |
| Other | 34,899 | 1,723 |

16. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Bye-Laws, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

17. EARNINGS PER SHARE

Earnings per share are computed by dividing net income for the periods by the weighted average number of shares outstanding during the period.

Earnings per share from the continuing main operations are computed by dividing operating income for the period by the weighted average number of shares outstanding during the period.

18. COMMITMENTS AND CONTINGENCIES

As of June 30, 2012, the Company had outstanding letters of guarantee of approximately SR 14.8 million (2011: approximately SR 38.8 million).

19. RESULTS OF INTERIM PERIOD

The Company has made all necessary adjustments which are important to present fairly in all material respects the interim financial position and interim results of operations. The interim financial statements may not be considered indicative of the actual results for the whole year.

20. COMPARATIVE FIGURES

Certain figures of 2011 have been reclassified to conform to the presentation in the current period.