

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

**INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)**

**PERIOD ENDED 30 SEPTEMBER 2009**

**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 September 2009 and the related interim income statement for the three month and nine month periods then ended, statements of cash flows cash flows and changes in shareholders' equity for the nine month period 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



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23 Shawal 1430 H  
12 October 2009

Jeddah

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

INTERIM BALANCE SHEET (UNAUDITED)

As at 30 September 2009

		<i>30 September 2009 SR'000</i>	<i>30 September 2008 SR'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	249,483	1,955,245
Advances to suppliers and other receivables	4	210,818	125,802
Inventories	5	421,409	2,028
<b>TOTAL CURRENT ASSETS</b>		<b>881,710</b>	<b>2,083,075</b>
<b>NON-CURRENT ASSETS</b>			
Capital work in progress	6	18,493,723	15,681,206
Pre-operating expenses	7	200,000	200,000
Deferred charges	8	112,479	124,016
Other non-current assets		30,744	30,533
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,836,946</b>	<b>16,035,755</b>
<b>TOTAL ASSETS</b>		<b>19,718,656</b>	<b>18,118,830</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	9	40,631	55,206
Accruals and provisions	10	562,797	547,884
Current portion of long term loans	11	892,281	234,338
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,495,709</b>	<b>837,428</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans	11	11,998,359	11,507,944
Term loan from a shareholder	14	465,000	-
Employees' end of service benefits		84,557	68,944
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12,547,916</b>	<b>11,414,888</b>
<b>TOTAL LIABILITIES</b>		<b>14,043,625</b>	<b>12,414,316</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	5,625,000	5,625,000
Statutory reserve	13	14,030	14,030
Retained earnings		36,001	65,484
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>5,675,031</b>	<b>5,704,514</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>19,718,656</b>	<b>18,118,830</b>

The attached notes 1 to 15 form part of these unaudited interim condensed financial statements.

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

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INTERIM INCOME STATEMENT (UNAUDITED)

For the nine month period ended 30 September 2009

		<i>Three month period ended</i>		<i>Nine month period ended</i>	
		<i>30 September 2009 SR'000</i>	<i>30 September 2008 SR'000</i>	<i>30 September 2009 SR'000</i>	<i>30 September 2008 SR'000</i>
<b>EXPENSES</b>	<i>Note</i>				
General and administration		(7,001)	(4,935)	(21,892)	(17,997)
<b>NET LOSS FOR THE PERIOD</b>		<u>(7,001)</u>	<u>(4,935)</u>	<u>(21,892)</u>	<u>(17,997)</u>
Weighted number of shares Outstanding (in thousands)		<u>562,500</u>	<u>562,500</u>	<u>562,500</u>	<u>62,500</u>
<b>Basic loss per share for the period</b>	<b>12</b>	<u>(0.012)</u>	<u>(0.01)</u>	<u>(0.04)</u>	<u>(0.03)</u>

The attached notes 1 to 15 form part of these unaudited interim condensed financial statements.



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

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)  
For the nine month period ended 30 September 2009

	Note	Nine month period ended 30 September 2009 SR'000	Nine month period ended 30 September 2008 SR'000
<b>PRE – OPERATING ACTIVITIES</b>			
Loss before zakat		(21,892)	(17,997)
Adjustments for:			
Provision for employees' terminal benefits		5,000	24,475
		<u>(16,892)</u>	<u>6,478</u>
Changes in working capital:			
Inventories		(413,602)	(2,028)
Receivables		(34,963)	154,782
Payables		(498,858)	(769,147)
		<u>(964,315)</u>	<u>(609,915)</u>
Cash used in pre-operating activities		(1,275)	(4,203)
Employees' terminal benefits paid			
		<u>(965,590)</u>	<u>(614,118)</u>
<b>INVESTING ACTIVITIES</b>			
Capital work in progress		(1,379,818)	(2,685,241)
Other non current assets		3,268	(16,113)
		<u>(1,376,550)</u>	<u>(2,701,354)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from term loans		1,093,594	3,576,422
Loan from a shareholder		465,000	-
		<u>1,558,594</u>	<u>3,576,422</u>
Net cash from financing activities			
		<u>(783,546)</u>	<u>260,950</u>
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,033,029</b>	<b>1,694,295</b>
Cash and cash equivalents at the beginning of the period			
		<u>1,033,029</u>	<u>1,694,295</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	3	<b>249,483</b>	<b>1,955,245</b>

The attached notes 1 to 15 form part of these unaudited interim condensed financial statements.

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

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

	<i>Share capital SR'000</i>	<i>Statutory reserve SR'000</i>	<i>Retained earnings SR'000</i>	<i>Total SR'000</i>
Balance at 1 January 2009	5,625,000	14,030	57,893	5,696,923
Loss for the period	-	-	(21,892)	(21,892)
<b>Balance at 30 September 2009</b>	<b>5,625,000</b>	<b>14,030</b>	<b>36,001</b>	<b>5,675,031</b>
Balance at 1 January 2008	5,625,000	14,030	83,481	5,722,511
Loss for the period	-	-	(17,997)	(17,997)
Balance at 30 June 2008	5,625,000	14,030	65,484	5,704,514

The attached notes 1 to 15 form part of these unaudited interim condensed financial statements.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 30 September 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. During the third quarter of the year the company commenced production and shipment of its products.

**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 followed in the preparation of these interim condensed financial statements are consistent with those used for the preparation of the 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 followed are as follows:-

***Accounting convention***

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. Included in such costs are the costs of equipment, material, testing cost during test runs 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 plant 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 a straight line basis over the shorter of 7 years or estimated useful lives of pre-operating expenses from the commencement of operation date.

***Deferred charges***

Deferred charges relate to financial, legal advisory 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 September 2009

**2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Cash and cash equivalents***

Cash and cash equivalents comprise bank balances, cash on hand, murabaha commodity placements and 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.

***Transaction costs***

Transaction costs are incremental costs directly attributable to the acquisition, issuance on sale of shares. Transaction costs related to shares are treated as a discount of shareholders' equity.

***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**

	<b>30 September 2009 SR'000</b>	<b>30 September 2008 SR'000</b>
Murabaha commodity placements and time deposits	<b>207,500</b>	1,862,664
Current accounts	<b>41,983</b>	92,581
	<b>249,483</b>	1,955,245

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



Yanbu National Petrochemical Company (YANSAB)  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
For the period ended 30 September 2009

**4 ADVANCES TO SUPPLIERS AND OTHER RECEIVABLES**

	<i>30 September 2009 SR'000</i>	<i>30 September 2008 SR'000</i>
Advances to suppliers and contractors	9,443	14,624
Amounts due from a shareholder (see note below)	174,331	79,490
Other receivables	27,044	31,688
	<u>210,818</u>	<u>129,802</u>

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

**5 INVENTORIES**

	<i>30 September 2009 SR'000</i>	<i>30 September 2008 SR'000</i>
Spare parts	220,607	2,028
Raw materials	82,265	-
Raw products	118,537	-
	<u>421,409</u>	<u>2,028</u>

**6 CAPITAL WORK IN PROGRESS**

a) These represent capital work in progress relating to the construction of the company's plant and comprises the following:

	<i>30 September 2009 SR'000</i>	<i>30 September 2008 SR'000</i>
Cost of work executed (see note b below)	15,540,050	13,949,216
Borrowing cost	974,112	597,942
Product licenses	192,111	120,899
Project management costs	531,471	267,028
System set-up charges	140,615	142,945
Service agreements	171,980	159,300
Others	943,384	443,876
	<u>18,493,723</u>	<u>15,681,206</u>

b) The cost of executed work is reduced against the proceeds from the sale of production during the third quarter.

c) 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.

Yanbu National Petrochemical Company (YANSAB)  
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 30 September 2009

**7 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 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 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, using effective interest rate, over the period of long term financing agreements. The amortization related portion that occurring during construction period amounting to SR 30.7 million as at 31 March 2009, is capitalized.

**9 ACCOUNTS PAYABLE**

	<i>30 September 2009 SR'000</i>	<i>30 September 2008 SR'000</i>
Suppliers and contractors	28,053	49,040
Amount due to a shareholder and a related party (note 14)	12,578	6,166
	<u>40,631</u>	<u>55,206</u>

**10 ACCRUALS AND PROVISIONS**

	<i>30 September 2009 SR'000</i>	<i>30 September 2008 SR'000</i>
Accrued expenses	460,833	537,108
Amounts due to a shareholder and related parties (note 14)	99,162	7,058
Other payables	2,802	3,718
	<u>562,797</u>	<u>547,884</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 30 September 2009

11 TERM LOANS

Term loans comprise:

	<i>30 September 2009 SR'000</i>	<i>30 September 2008 SR'000</i>
Public Investment Fund (PIF) (see note (a) below)	<b>4,001,250</b>	4,001,250
Commercial and Export Credit Agencies (ECA) loans (see note (b) below)	<b>5,809,155</b>	4,565,582
Islamic financing facilities (see note (c) below)	<b>3,080,235</b>	3,175,450
	<b>12,890,640</b>	11,742,282
Less:		
Current portion for long term loans (see notes (b) and (c) below)	<b>(892,281)</b>	(234,338)
Non-current portion of long term loans	<b>11,998,359</b>	11,507,944
Financial legal advisory and arrangement fees, net of amortisation (see note 7)	<b>(112,479)</b>	(124,016)
	<b>11,885,880</b>	11,383,928

- 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 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 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.

During the second quarter of 2009 the company commenced the repayment of long term loans as scheduled and the first installment amounting to SR 234 million was repaid.

The term loans are secured on the proceeds of project, when the company starts its 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.



**12 SHARE CAPITAL**

- 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.



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 30 September 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:

Related party	Nature of transactions	Amount of transaction		Balance	
		For the nine month period ended		At 30 September	
		2009	2008	2009	2008
		SR'000	SR'000	SR'000	SR'000
<b>Amounts due from related parties</b>					
Saudi Basic Industries Corporation (SABIC) – (a shareholder)	Sale of production	200,444	388,620	148,503	53,052
	Advances for purchase of materials, product sales and other transactions	71,166	(15,976)	25,967	23,904
Saudi Basic Industries Corporation (SABIC) – (a shareholder)	Long term advance for freight charges	-	-	7,500	7,500
	End of service benefits and other transferred to the company and other transactions	178	8,096	(139)	2,534
				181,831	86,990
<b>Amounts due to related parties</b>					
Saudi Basic Industries Corporation (SABIC) – (a shareholder)	Payments on behalf of the company and other services provided by the shareholder	(226,310)	(288,777)	(99,162)	(7,058)
Affiliates	Loan from a shareholder	-	-	(465,000)	-
	Other	(147,333)	(2,576)	(12,578)	(6,166)
			-	(576,740)	(13,224)

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 September 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).