

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

**INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)**

**PERIOD ENDED 30 SEPTEMBER 2011**

**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 2011 and the related interim statement of income for the three month and nine month periods then ended, and the interim statements of 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's 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  
Licence No. 356



11 Dhual Qa'adah 1432 H  
9 October 2011

Jeddah

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

INTERIM BALANCE SHEET (UNAUDITED)

As at 30 September 2011

|  | Note | 30 September<br>2011<br>SR'000 | 30 September<br>2010<br>SR'000 |
|--|------|--------------------------------|--------------------------------|
| <b>ASSETS</b>  |      |                                |                                |
| <b>CURRENT ASSETS</b>                                  |      |                                |                                |
| Cash and cash equivalents                              | 3    | 1,370,131                      | 1,445,363                      |
| Murabaha commodity placements                          | 4    | 1,126,198                      | -                              |
| Amounts due from related parties and other receivables | 5    | 2,684,052                      | 1,802,739                      |
| Inventories  | 6    | 1,168,767                      | 872,867                        |
| <b>TOTAL CURRENT ASSETS</b>                            |      | <b>6,349,148</b>               | <b>4,120,969</b>               |
| <b>NON-CURRENT ASSETS</b>                              |      |                                |                                |
| Property, plant and equipment                          | 7    | 17,785,077                     | 18,508,591                     |
| Intangible assets                                      | 8    | 244,169                        | 284,276                        |
| Other non-current assets                               |      | 32,172                         | 36,683                         |
| <b>TOTAL NON-CURRENT ASSETS</b>                        |      | <b>18,061,418</b>              | <b>18,829,550</b>              |
| <b>TOTAL ASSETS</b>                                    |      | <b>24,410,566</b>              | <b>22,950,519</b>              |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>            |      |                                |                                |
| <b>CURRENT LIABILITIES</b>                             |      |                                |                                |
| Accounts payable                                       | 9    | 418,981                        | 194,423                        |
| Accruals and provisions                                | 10   | 969,882                        | 1,025,822                      |
| Current portion of term loans                          | 11   | 780,253                        | 915,664                        |
| Current portion of term loan from majority shareholder | 12   | 221,807                        | -                              |
| Current portion of Ijara financing arrangements        | 13   | 260,391                        | -                              |
| <b>TOTAL CURRENT LIABILITIES</b>                       |      | <b>2,651,314</b>               | <b>2,135,909</b>               |
| <b>NON-CURRENT LIABILITIES</b>                         |      |                                |                                |
| Term loans   | 11   | 6,975,622                      | 11,082,721                     |
| Term loan from majority shareholder                    | 12   | 2,414,182                      | 2,855,572                      |
| Obligations under Ijara financing arrangements         | 13   | 2,410,204                      | -                              |
| Employees' end of service benefits                     |      | 109,303                        | 90,591                         |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                   |      | <b>11,909,311</b>              | <b>14,028,884</b>              |
| <b>TOTAL LIABILITIES</b>                               |      | <b>14,560,625</b>              | <b>16,164,793</b>              |
| <b>SHAREHOLDERS' EQUITY</b>                            |      |                                |                                |
| Share capital  | 15   | 5,625,000                      | 5,625,000                      |
| Statutory reserve                                      | 16   | 432,253                        | 125,832                        |
| Retained earnings                                      |      | 3,792,688                      | 1,034,894                      |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                      |      | <b>9,849,941</b>               | <b>6,785,726</b>               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>      |      | <b>24,410,566</b>              | <b>22,950,519</b>              |

Financial Manager

President

Managing Director

The attached notes 1 to 16 form part of these unaudited interim condensed financial statements.

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

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2011

|  | <i>Three month period ended<br/>30 September</i> |                | <i>Nine month period ended<br/>30 September</i> |                  |
|--|--|----------------|---|------------------|
|  | <i>2011</i>                                      | <i>2010</i>    | <i>2011</i>                                     | <i>2010</i>      |
|  | <i>SR'000</i>                                    | <i>SR'000</i>  | <i>SR'000</i>                                   | <i>SR'000</i>    |
| Sales  | 2,497,803  | 1,602,878      | 7,234,938                                       | 3,929,691        |
| Cost of sales  | (1,522,038)                                      | (1,101,027)    | (4,228,261)                                     | (2,470,279)      |
| <b>Gross Profit</b>                                      | <b>975,765</b>                                   | <b>501,851</b> | <b>3,006,677</b>                                | <b>1,459,412</b> |
| General and administration expenses                      | (22,995)   | (33,188)       | (123,195)                                       | (84,328)         |
| <b>INCOME FROM MAIN OPERATIONS</b>                       | <b>952,770</b>                                   | <b>468,663</b> | <b>2,883,482</b>                                | <b>1,375,084</b> |
| Finance cost   | (105,290)  | (108,705)      | (314,730)                                       | (257,179)        |
| Other Income   | 7,925  | 1,241          | 14,549  | 35,039           |
| <b>INCOME BEFORE ZAKAT</b>                               | <b>855,405</b>                                   | <b>361,199</b> | <b>2,583,301</b>                                | <b>1,152,944</b> |
| Zakat  | (27,464)   | (5,000)        | (73,849)  | (34,929)         |
| <b>NET INCOME FOR THE PERIOD</b>                         | <b>827,941</b>                                   | <b>356,199</b> | <b>2,509,452</b>                                | <b>1,118,015</b> |
| Weighted number of shares<br>Outstanding (in thousands)  | <b>562,500</b>                                   | <b>562,500</b> | <b>562,500</b>                                  | <b>562,500</b>   |
| <b>Earning per share</b>                                 |  |                |   |                  |
| Earning per share on income from main<br>operations - SR | 1,694  | 0.833          | 5,126   | 2.444            |
| Earning per share on net income for the<br>period – SR   | 1,472  | 0.633          | 4,461   | 1.988            |

Financial Manager

President

Managing Director

The attached notes 1 to 16 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 period ended 30 September 2011

|  | <i>Note</i> | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|--|-------------|---|---|
| <b>OPERATING ACTIVITIES</b>                                |             |   |   |
| Income before zakat  |             | 2,583,301                               | 1,152,944                               |
| Adjustments for:   |             |   |   |
| Provision for employees' terminal benefits                 |             | 19,860                                  | 19,275                                  |
| Depreciation   |             | 734,705                                 | 554,956                                 |
| Amortisation of intangible assets                          |             | 30,081                                  | 25,319                                  |
| Provision for slow moving inventory                        |             | 8,686                                   | -                                       |
| Financial charges  |             | 314,730                                 | 257,179                                 |
|  |             | <u>3,691,363</u>                        | <u>2,009,673</u>                        |
| Changes in working capital:                                |             |   |   |
| Inventories  |             | (276,402)                               | (135,050)                               |
| Receivables  |             | (604,266)                               | (937,806)                               |
| Payables   |             | 42,152                                  | 421,575                                 |
|  |             | <u>2,852,847</u>                        | <u>1,358,392</u>                        |
| Cash from operations                                       |             | 2,852,847                               | 1,358,392                               |
| Employees' terminal benefits paid                          |             | (8,410)                                 | (9,791)                                 |
| Zakat paid   |             | (41,555)                                | -                                       |
| Financial charges paid                                     |             | (314,730)                               | (257,179)                               |
|  |             | <u>2,488,152</u>                        | <u>1,091,422</u>                        |
| Net cash from operating activities                         |             | 2,488,152                               | 1,091,422                               |
| <b>INVESTING ACTIVITIES</b>                                |             |   |   |
| Other non-current assets                                   |             | 4,502                                   | (6,518)                                 |
| Purchase of property and equipment                         |             | (94,061)                                | (592,308)                               |
| Proceeds from sale of property and equipment               |             | -                                       | 104,596                                 |
| Murabaha commodity placements                              |             | (469,948)                               | -                                       |
|  |             | <u>(559,507)</u>                        | <u>(494,230)</u>                        |
| Net cash used in investing activities                      |             | (559,507)                               | (494,230)                               |
| <b>FINANCING ACTIVITIES</b>                                |             |   |   |
| Repayment of term loans                                    |             | (1,009,291)                             | (457,832)                               |
| Payments of Obligations under Ijara financing arrangements |             | (104,792)                               | -                                       |
| (Payment) / proceeds from majority shareholder's loan      |             | (234,166)                               | 700,372                                 |
|  |             | <u>(1,348,249)</u>                      | <u>242,540</u>                          |
| Net (cash used)/from in financing activities               |             | (1,348,249)                             | 242,540                                 |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>               |             | 580,396                                 | 839,732                                 |
| Cash and cash equivalents at the beginning of the period   |             | 789,735                                 | 605,631                                 |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>  | 3           | <u><u>1,370,131</u></u>                 | <u><u>1,445,363</u></u>                 |

Financial Manager

President

Managing Director

The attached notes 1 to 16 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 period ended 30 September 2011

|                                     | <i>Share<br/>capital<br/>SR'000</i> | <i>Statutory<br/>reserve<br/>SR'000</i> | <i>Retained<br/>earnings<br/>SR'000</i> | <i>Total<br/>SR'000</i> |
|-------------------------------------|-------------------------------------|---|---|-------------------------|
| Balance at 31 December 2010         | 5,625,000                           | 181,308                                 | 1,534,181                               | 7,340,489               |
| Income for the period               | -                                   | -                                       | 2,509,452                               | 2,509,452               |
| Transfer to statutory reserve       | -                                   | 250,945                                 | (250,945)                               | -                       |
| <b>Balance at 30 September 2011</b> | <b>5,625,000</b>                    | <b>432,253</b>                          | <b>3,792,688</b>                        | <b>9,849,941</b>        |
| Balance at 31 December 2009         | 5,625,000                           | 14,030                                  | 28,681                                  | 5,667,711               |
| Income for the period               | -                                   | -                                       | 1,118,015                               | 1,118,015               |
| Transfer to statutory reserve       | -                                   | 111,802                                 | (111,802)                               | -                       |
| Balance at 30 September 2010        | 5,625,000                           | 125,832                                 | 1,034,894                               | 6,785,726               |

Financial Manager

President

Managing Director

The attached notes 1 to 16 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 2011

**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), and 49% owned by others and public.

The company is engaged in the manufacturing of petrochemical products in accordance with company's by laws and other Saudi Arabian applicable regulations. The company commenced commercial operations on 1 March 2010.

**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 2011.

The significant accounting policies followed are as follows:-

***Accounting convention***

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

***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 receivable***

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of full amount is no longer probable. Bad debts are written off as incurred.

***Inventory***

Inventories are stated at the lower of cost and net realisable value. Cost of raw materials, consumables, spare parts and finished goods are primarily determined on a weighted average basis. Cost of inventories in process and finished goods include the cost of raw materials, labour and an appropriate portion of manufacturing overheads.

***Property, plant and equipment/depreciation***

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure for repair and maintenance are charged to income. Betterments that increase the value or materially extend the life of the related assets are capitalized.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 30 September 2011

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

*Capital Work in Progress*

Capital work in progress, representing new auxiliary projects and employees housing project, is recorded at cost. Included in such costs are the costs of material, construction, installation 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.

*Intangible assets*

Intangible assets are comprised of the following:

*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, commencing on the commencement of commercial operations of 1 March 2010.

*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, the amortization expense was charged to statement of income when the Company commenced its operations.

*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.

*Revenue recognition*

Sales represent the invoiced value of goods/services shipped/rendered by the Company during the period, net of the discount allowed and returns. Typically, sales are reported net of marketing and distribution expenses incurred in accordance with marketing and off-take agreements with marketers.

*Selling and general and administration expenses*

Production costs and direct expenses are classified as cost of sales. All other expenses comprising selling and distribution expenses not capable of being deducted from sales are classified as general and administration expenses.

*Zakat*

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is charged to the interim statement of income and at year end, the final assessment is prepared based on final declaration.

*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 interim statement of income.

*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 the income statement on a straight line basis over the lease period.



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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 30 September 2011

**3 CASH AND CASH EQUIVALENTS**

|   | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|---|---|---|
| Murabaha commodity placements and time deposits | 1,323,750                               | 322,500                                 |
| Current accounts                                | 46,381                                  | 1,122,863                               |
|   | <u>1,370,131</u>                        | <u>1,445,363</u>                        |

Murabaha commodity placements and time deposits are maintained with local and foreign banks with a maturity of three months or less.

**4 MURABAHA COMMODITY PLACEMENTS**

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

**5 AMOUNTS DUE FROM RELATED PARTIES AND OTHER RECEIVABLES**

|   | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|---|---|---|
| Amounts due from majority shareholder (see note 14) | 2,638,928                               | 1,717,552                               |
| Amounts due from related parties (see note 14)      | 22,849                                  | 2,985                                   |
| Other receivables                                   | 22,275                                  | 82,202                                  |
|   | <u>2,684,052</u>                        | <u>1,802,739</u>                        |

**6 INVENTORIES**

|                                      | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|--------------------------------------|---|---|
| Finished goods                       | 680,316                                 | 452,551                                 |
| Raw materials                        | 198,204                                 | 172,997                                 |
| Spare parts and industrial catalysts | 290,247                                 | 247,319                                 |
|                                      | <u>1,168,767</u>                        | <u>872,867</u>                          |

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
For the period ended 30 September 2011

The estimated useful lives of the assets for the calculation of depreciation are as follows:

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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 September 2011

**7 PROPERTY, PLANT AND EQUIPMENT (continued)**

- a) The plants are situated on land leased from the Royal Commission, Yanbu, for 35 Hijra years commencing 1 Dhu Al Hijjah 1426 H (corresponding to 1 January 2006). The lease is renewable for further similar periods at the option of the parties.
- b) Included in property, plant and equipment are assets with net book value amounting to SR 2,775 million (2010: SR 2,775 million) leased under Ijara financing arrangement with certain banks (note 13).

**8 INTANGIBLE ASSETS**

|   | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|---|---|---|
| Pre-operating expenses (see note (a) below) | 154,762                                 | 183,333                                 |
| Deferred charge (see note (b) below)        | 89,407                                  | 100,943                                 |
|   | <u>244,169</u>                          | <u>284,276</u>                          |

a) *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. 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 1 March 2010.

b) *Deferred charges*

These represent financial legal consultancy and arrangement fees totalling 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 the effective interest rate, over the period of long term financing agreements. The amortized portion relating to the construction period amounting to SR 35.6 million as at 28 February 2010 is capitalized. Amortization has started on 1 March 2010, date of commencement of operations.

**9 ACCOUNTS PAYABLE**

|   | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|---|---|---|
| Suppliers and contractors                                 | 360,610                                 | 150,312                                 |
| Amount due to a shareholder and a related party (note 14) | 58,371                                  | 44,111                                  |
|   | <u>418,981</u>                          | <u>194,423</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 2011

**10 ACCRUALS AND PROVISIONS**

|   | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|---|---|---|
| Accrued expenses                              | 550,728                                 | 570,567                                 |
| Amounts due to majority shareholder (note 14) | 332,338                                 | 416,297                                 |
| Zakat payable                                 | 72,583                                  | 34,929                                  |
| Other payables                                | 14,233                                  | 4,029                                   |
|   | <u>969,882</u>                          | <u>1,025,822</u>                        |

**11 TERM LOANS**

Term loans comprise:

|  | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|--|---|---|
| Public Investment Fund (PIF) (see note (a) below)                      | 3,201,000                               | 3,601,125                               |
| Commercial and Export Credit Agencies (ECA) loans (see note (b) below) | 4,554,875                               | 5,517,082                               |
| Islamic financing facilities (see note (c) below and note 13)          | -                                       | 2,880,178                               |
|  | <u>7,755,875</u>                        | <u>11,998,385</u>                       |
| Less:  |   |   |
| Current portion of long term loans (see notes (a,b,c) below)           | (780,253)                               | (915,664)                               |
|  | <u>6,975,622</u>                        | <u>11,082,721</u>                       |

- 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 instalments of SR 200 million. The first instalment was paid on 31 December 2009, and the last instalment is payable on 30 June 2019.
- b) During 2007, the above loans were obtained from a consortium of banks in 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 was paid on 30 June 2009 and the last instalment is payable on 30 June 2018.
- c) In prior periods, the Islamic financing facilities represented 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 limited to SR 3,176 million. Under the financing agreement, a portion of the project equivalent to their respective portion of project cost at the completion of withdrawal date (22 November 2010) was delivered to the Original Islamic Facility Participants (see note 12) and then leased back (under Ijara agreement) to the company (see note 12).

The term loans are secured against the proceeds of 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.

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

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

For the period ended 30 September 2011

**12 LOAN FROM MAJORITY SHAREHOLDER**

The company obtained a loan from the above shareholder in accordance with the retention of shareholding and support agreement with the majority shareholder (SABIC). 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 30 June 2012.

|  | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|--|---|---|
| Total loan from majority shareholder (see note 14)     | 2,635,989                               | 2,855,572                               |
| Less:  |   |   |
| Current portion of term loan from majority shareholder | (221,807)                               | -                                       |
|  | <u>2,414,182</u>                        | <u>2,855,572</u>                        |

**13 OBLIGATION UNDER IJARA FINANCING ARRANGEMENTS**

|   | <i>30 September<br/>2011<br/>SR'000</i> | <i>30 September<br/>2010<br/>SR'000</i> |
|---|---|---|
| Obligation under Ijara financing arrangements                         | 2,670,595                               | -                                       |
| Less:   |   |   |
| The current portion of obligations under Ijara financing arrangements | 260,391                                 | -                                       |
|   | <u>2,410,204</u>                        | <u>-</u>                                |

In accordance with supply agreement a portion of the project equivalent in amount to the share of original Islamic facility participants in Islamic financing facility as at completion of withdrawal date of 22 November 2010 amounting to SR 2,775 million has been transferred to Yanbu Asset Ijara Company Limited (owned by original participants). In accordance with Ijara arrangements the last instalment is repayable on 30 June 2018. Commission on obligation under Ijara arrangements is calculated based on effective rate of return.

The minimum Ijara principals for the five years subsequent to 30 September 2011 are as follows:

|            | <i>SR'000</i>    |
|------------|------------------|
| 2011       | 117,493          |
| 2012       | 317,550          |
| 2013       | 357,244          |
| 2014       | 365,182          |
| 2015       | 431,868          |
| Thereafter | 1,081,258        |
|            | <u>2,670,595</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 2011

14 RELATED PARTY TRANSACTIONS AND BALANCES

| Related party  | Nature of transactions  | Amount of transaction                |                |                            |                |
|--|---|--------------------------------------|----------------|----------------------------|----------------|
|  |   | For the period ended<br>30 September |                | Balance<br>at 30 September |                |
|  |   | 2011<br>SR'000                       | 2010<br>SR'000 | 2011<br>SR'000             | 2010<br>SR'000 |
| <i>Amounts due from related parties</i>                                |   |                                      |                |                            |                |
| Saudi Basic Industries Corporation<br>(SABIC) – (majority shareholder) | Sales   | 7,185,055                            | 4,452,600      | 2,524,509                  | 1,623,877      |
|  | Advances for purchase of materials, selling of products and other transactions            | 29,522                               | 38,578         | 114,419                    | 93,675         |
|  | Long term advance for freight charges   | -                                    | -              | 7,500                      | 7,500          |
|  |   |                                      |                |                            |                |
| Affiliates   | Sales   | 49,883                               | 71,245         | 22,849                     | 2,985          |
|  | Other   | 2,166                                | 6,775          | -                          | -              |
|  |   |                                      |                |                            |                |
|  |   |                                      |                | 2,669,277                  | 1,728,037      |
| <i>Amounts due to related parties</i>                                  |   |                                      |                |                            |                |
| Saudi Basic Industries Corporation<br>(SABIC) – (majority shareholder) | Payments on behalf of the company and other services rendered by the majority shareholder | (1,085,395)                          | (998,137)      | (282,661)                  | (350,846)      |
|  | Loan from the majority shareholder  | 234,165                              | (700,373)      | (2,635,989)                | (2,855,572)    |
|  |   |                                      |                |                            |                |
| Affiliates   | Other   | (172,542)                            | (197,794)      | (108,048)                  | (109,562)      |
|  |   |                                      |                |                            |                |
|  |   |                                      |                | (2,026,698)                | (3,315,980)    |

**15 SHARE CAPITAL**

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

**16 STATUTORY RESERVE**

As required by Saudi Arabian Regulations for Companies the company must set aside 10% of net income for the year to statutory reserve and the company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The company has transferred 10% of net income for the period ended 30 September 2011.