

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

**INTERIM FINANCIAL STATEMENTS AND INDEPENDENT
ACCOUNTANTS' REVIEW REPORT
FOR THE THREE MONTHS PERIOD AND YEAR ENDED
DECEMBER 31, 2012**

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

**INTERIM FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS'
REVIEW REPORT
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 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 December 31, 2012 and the related interim statement of income for the three months period and the year then ended, shareholders' equity and cash flows for the year 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 the 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.



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Certified Public Accountant
License No. 296

30 Safar, 1434
January 12, 2013

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

INTERIM BALANCE SHEET (UNAUDITED)

AS OF DECEMBER 31, 2012

(Expressed in Thousands of Saudi Riyals)

	Note	December 31, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	3	529,767	599,095
Murabaha commodity placements	4	891,000	768,750
Accounts receivable	5	2,561,757	2,459,410
Inventories	6	1,111,621	1,170,021
Prepayments and other receivables	7	258,635	123,322
Total current assets		5,352,780	5,120,598
Non-current assets			
Property, plant and equipment	8	16,497,756	17,588,017
Intangible assets	9	330,065	234,142
Other non-current assets	10	207,855	32,385
Total non-current assets		17,035,676	17,854,544
TOTAL ASSETS		22,388,456	22,975,142
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term loans	11	1,278,885	2,394,657
Accounts payable	12	361,350	423,437
Accrued expenses and other liabilities	13	831,137	737,394
Total current liabilities		2,471,372	3,555,488
Non-current liabilities			
Long-term loans	11	6,821,013	8,778,018
Other non-current liabilities	14	134,891	126,819
Total non-current liabilities		6,955,904	8,904,837
Shareholders' equity			
Share capital	1	5,625,000	5,625,000
Statutory reserve	16	743,376	498,740
Retained earnings		6,592,804	4,391,077
Total shareholders' equity		12,961,180	10,514,817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		22,388,456	22,975,142

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 MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2012
 (Expressed in Thousands of Saudi Riyals)

	Note	Three months period ended		Year ended	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Sales	15c	2,503,314	2,424,404	9,299,028	9,659,342
Cost of sales		(1,714,462)	(1,637,997)	(6,190,023)	(5,866,258)
Gross profit		788,852	786,407	3,109,005	3,793,084
Distribution, general and administrative expenses		(60,954)	(52,208)	(233,635)	(175,403)
Operating income		727,898	734,199	2,875,370	3,617,681
Finance charges, net		(81,872)	(98,578)	(360,678)	(413,308)
Other income		11,666	47,705	31,290	62,254
Income before zakat		657,692	683,326	2,545,982	3,266,627
Zakat		(16,927)	(18,450)	(99,619)	(92,299)
NET INCOME		640,765	664,876	2,446,363	3,174,328
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		1.139	1.182	4.349	5.643
Earnings per share from main continuing activities		1.294	1.305	5.112	6.431

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

INTERIM STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 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 2011	-	-	3,174,328	3,174,328
Transfer to statutory reserve	-	317,432	(317,432)	-
December 31, 2011	5,625,000	498,740	4,391,077	10,514,817
Net income for the year	-	-	2,446,363	2,446,363
Transfer to statutory reserve	-	244,636	(244,636)	-
December 31, 2012	5,625,000	743,376	6,592,804	12,961,180

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 YEAR ENDED DECEMBER 31, 2012

(Expressed in Thousands of Saudi Riyals)

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES		
Income before zakat	2,545,982	3,266,627
Adjustments for:		
Depreciation	977,316	977,710
Amortization on intangible assets	41,062	40,108
Finance charges, net	360,678	413,309
Allowance for slow moving inventories	15,171	8,785
Other non-current liabilities	39,480	37,249
Changes in operating asset and liabilities:		
Accounts receivable	(102,347)	(547,467)
Inventories	43,229	(277,755)
Prepayments and other receivables	(135,313)	44,521
Accounts payable	(62,087)	165,655
Accrued expenses and other liabilities	97,746	(369,986)
Other non-current assets	3,043	4,289
Cash from operations	3,823,960	3,763,045
Other non-current liabilities paid	(31,408)	(8,283)
Zakat paid	(86,506)	(41,555)
Finance charges paid	(360,678)	(413,309)
Net cash from operating activities	<u>3,345,368</u>	<u>3,299,898</u>
INVESTING ACTIVITIES		
Murabaha commodity placements	(122,250)	(112,500)
Property, plant and equipment, net	(122,769)	(140,006)
Intangible assets, net	(96,900)	-
Net cash used in investing activities	<u>(341,919)</u>	<u>(252,506)</u>
FINANCING ACTIVITIES		
Movement in long-term loans, net	(3,072,777)	(3,238,032)
Net cash used in financing activities	<u>(3,072,777)</u>	<u>(3,238,032)</u>
Net change in cash and cash equivalents	(69,328)	(190,640)
Cash and cash equivalents, January 1	599,095	789,735
CASH AND CASH EQUIVALENTS, December 31	<u>529,767</u>	<u>599,095</u>

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 MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 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 is 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.

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 interim financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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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FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 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.

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.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2012
(Expressed in Thousands of Saudi Riyals)**

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.

Turnaround maintenance cost

Turnaround maintenance costs are deferred and amortized over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround related to the same activity, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are amortized over the period likely to benefit from such costs.

Employee home ownership cost

Employee home ownership costs are amortized using the straight-line method over a period of five years.

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.

Unallocated housing units constructed/bought for 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.

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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.

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.

Segmental analysis

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment), which is subject to risks and rewards that are different from those of other segments.

All of the Company's operations are related to one operating segment which is petrochemicals and provides its products to one customer, the majority shareholder. Accordingly, segmental analysis by operating and geographic segments has not been presented.

YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2012
(Expressed in Thousands of Saudi Riyals)

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.

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Murabaha commodity placements and time deposits	508,232	587,138
Current accounts	21,535	11,957
	<u>529,767</u>	<u>599,095</u>

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

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Due from related parties (note 15a)	2,561,743	2,459,338
Others	14	72
	<u>2,561,757</u>	<u>2,459,410</u>

6. INVENTORIES

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Finished goods	527,337	616,248
Raw materials	249,118	250,026
Spare parts	322,193	289,600
Goods in transit	12,973	14,147
	<u>1,111,621</u>	<u>1,170,021</u>

7. PREPAYMENTS AND OTHER RECEIVABLES

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Due from related party (note 15a)	187,478	100,552
Other prepayments	71,157	22,770
	<u>258,635</u>	<u>123,322</u>

YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2012
 (Expressed in Thousands of Saudi Riyals)

8. PROPERTY, PLANT AND EQUIPMENT

	January 1	Additions	Transfer/ Adjustment	December 31
Cost:				
Buildings & leasehold improvements	175,997	585	-	176,582
Plant, machinery & heavy equipment	18,770,879	398	(8,084)	18,763,193
Tools & equipment	65,559	3,012	194	68,765
Furniture	12,527	280	-	12,807
Motor vehicles	441	-	-	441
Computers & software	68,256	2,646	1,267	72,169
Laboratories & safety equipment	42,160	113	2,924	45,197
Catalyst	-	24,070	-	24,070
Capital work-in-progress	222,288	91,665	(232,015)	81,938
Total Cost	19,358,107	122,769	(235,714)	19,245,162
Depreciation:				
Buildings & leasehold improvements	9,726	5,338	-	15,064
Plant, machinery & heavy equipment	1,710,269	938,531	-	2,648,800
Tools & equipment	8,577	4,620	-	13,197
Furniture	2,210	1,255	-	3,465
Motor vehicles	198	110	-	308
Computers & software	23,660	14,120	-	37,780
Laboratories & safety equipment	15,450	8,929	-	24,379
Catalyst	-	4,413	-	4,413
Total Depreciation	1,770,090	977,316	-	2,747,406
Net Book Value at January 1	17,588,017			
Net Book Value at December 31				16,497,756

- a) 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 1426H (corresponding to January 1, 2006) and is renewable for a similar period under mutual agreed terms and conditions.
- b) The Company's property, plant and equipment with net book value amounting to SR 2,236 million (2011: SR 2,553 million) are leased under Ijara financing arrangement with certain banks.
- c) The capital work-in-progress mainly represents phase 3 of the employee housing project.

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9. INTANGIBLE ASSETS

	December 31, 2012	December 31, 2011
Pre-operating expenses	119,047	147,619
Deferred charges	74,986	86,523
Employee home ownership costs	39,132	-
Turnaround maintenance cost	96,900	-
	<u>330,065</u>	<u>234,142</u>

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 was capitalized in property, plant and equipment. Amortization has started on March 1, 2010, the date of commencement of operations.

Turnaround maintenance cost

These represent cost incurred to capture the planned turnaround cost. Amortization of this cost will start on completion of the turnaround.

10. OTHER NON-CURRENT ASSETS

	December 31, 2012	December 31, 2011
Advances to related parties (note 15a)	7,500	7,500
Employees' home ownership program	193,257	15,549
Advances to contractors	7,098	9,336
	<u>207,855</u>	<u>32,385</u>

**YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB)
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD AND YEAR ENDED DECEMBER 31, 2012
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11. LONG-TERM LOANS

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

	December 31, 2012	December 31, 2011
Term loans	5,864,346	6,728,042
Islamic facility agreements	2,235,552	2,553,102
Loan from the majority shareholder	-	1,891,531
Less: Current portion	<u>(1,278,885)</u>	<u>(2,394,657)</u>
	<u>6,821,013</u>	<u>8,778,018</u>

TERM LOANS

During 2007, the Company entered into the long-term loan facilities with various lenders and the amounts due as of December 31 are as follows:

	2012	2011
Public Investment Fund (PIF) (a)	2,600,812	3,000,938
Commercial and Export Credit Agencies (ECA) loans (b)	<u>3,263,534</u>	<u>3,727,104</u>
	5,864,346	6,728,042
Less: Current portion	<u>(921,641)</u>	<u>(863,695)</u>
	<u>4,942,705</u>	<u>5,864,347</u>

- 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.

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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.

As of December 31, the following balances were outstanding in respect of these facilities:

	December 31, 2012	December 31, 2011
Obligation under Islamic facility agreements	2,235,552	2,553,102
Less: Current portion	<u>(357,244)</u>	<u>(317,550)</u>
	<u>1,878,308</u>	<u>2,235,552</u>

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 was due on June 30, 2012. During 2011 and 2012 the Company made accelerated payments and has settled the loan in full.

	December 31, 2012	December 31, 2011
Total loan from the majority shareholder (note 15b)	-	1,891,531
Less: Current portion	-	<u>(1,213,412)</u>
	<u>-</u>	<u>678,119</u>

12. ACCOUNTS PAYABLE

	December 31, 2012	December 31, 2011
Accounts payable – trade	282,343	269,696
Due to related parties (note 15b)	<u>79,007</u>	<u>153,741</u>
	<u>361,350</u>	<u>423,437</u>

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2012	December 31, 2011
Provision for zakat	104,146	91,033
Due to related parties (note 15b)	356,558	178,464
Other	<u>370,433</u>	<u>467,897</u>
	<u>831,137</u>	<u>737,394</u>

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14. OTHER NON-CURRENT LIABILITIES

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
End-of-service indemnities	127,010	110,516
Employees' savings plan	7,881	6,772
Employees' early retirement	-	9,531
	<u>134,891</u>	<u>126,819</u>

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:

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
a) Due from related parties:		
Accounts receivable		
SABIC (sale of goods)	2,547,589	2,438,624
Other affiliates	14,154	20,714
	<u>2,561,743</u>	<u>2,459,338</u>
Prepayments and other receivables		
SABIC (advance payments for purchase of materials and others)	168,504	99,875
Other affiliates (advance payments for purchase of materials and others)	18,974	677
	<u>187,478</u>	<u>100,552</u>
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)	77,795	141,998
Other affiliates	1,212	11,743
	<u>79,007</u>	<u>153,741</u>
Accrued expenses and other liabilities		
SABIC (purchase of materials and others)	319,805	82,731
Other affiliates	36,753	95,733
	<u>356,558</u>	<u>178,464</u>
Long-term loans		
SABIC	-	1,891,531

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	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
c) Related party transactions:		
SABIC		
Advance payment for purchase of materials and others	67,852	31,172
Sale of goods	9,232,218	9,581,756
Payments on behalf of the Company and other services	1,881,265	1,435,247
Other affiliates		
Sale of goods	66,810	77,586
Other	21,206	7,558

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. The Company has appropriated the required statutory reserve for the period ended December 31, 2012 based on the interim financial statements. Such reserve will be adjusted based on the final annual statutory financial statements.

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 December 31, 2012, the Company had outstanding letters of guarantee of approximately SR 15 million (2011: approximately SR 36 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.