

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

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

PERIOD ENDED 31 MARCH 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 31 March 2009 and the related interim statements of income, cash flows and changes in shareholders' equity for the period 1 January 2009 to 31 March 2009 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.

Ernst & Young


Ahmed I. Reda
Certified Public Accountant
Registration No. 356



18 Rabi II 1430 H
14 April 2009

Jeddah

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

INTERIM BALANCE SHEET (UNAUDITED)
As at 31 MARCH 2009

	<i>Note</i>	<i>31 March 2009 SR'000</i>	<i>31 March 2008 SR'000</i>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	1,608,653	1,981,561
Advances to suppliers and other receivables	4	148,866	181,727
Inventories		54,050	-
TOTAL CURRENT ASSETS		1,811,569	2,163,288
NON-CURRENT ASSETS			
Capital work in progress	5	17,588,787	13,629,797
Pre-operating expenses	6	200,000	200,000
Deferred charges	7	118,248	129,784
Other non-current assets		34,125	30,906
TOTAL NON-CURRENT ASSETS		17,941,160	13,990,487
TOTAL ASSETS		19,752,729	16,153,775
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	8	59,115	159,742
Accruals and provisions	9	801,173	436,778
Current portion of term loans	10	668,737	-
TOTAL CURRENT LIABILITIES		1,529,025	596,520
NON-CURRENT LIABILITIES			
Term loans	10	12,456,263	9,783,663
Employees' end of service benefits		78,755	57,958
TOTAL NON-CURRENT LIABILITIES		12,535,018	9,841,621
TOTAL LIABILITIES		14,064,043	10,438,141
SHAREHOLDERS' EQUITY			
Share capital	11	5,625,000	5,625,000
Statutory reserve	12	14,030	14,030
Retained earnings		49,656	76,604
TOTAL SHAREHOLDERS' EQUITY		5,688,686	5,715,634
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		19,752,729	16,153,775

The attached notes 1 to 14 form part of these unaudited interim condensed financial statements.

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

INTERIM INCOME STATEMENT (UNAUDITED)
For the three months ended 31 MARCH 2009

	<i>Note</i>	<i>31 March 2009 SR'000</i>	<i>31 March 2008 SR'000</i>
EXPENSES			
General and administration		(8,237)	(6,877)
NET LOSS FOR THE PERIOD		<u>(8,237)</u>	<u>(6,877)</u>
Weighted average number of shares outstanding (in thousands)		<u>562,500</u>	<u>562,500</u>
Loss per share (in SR)	11	<u>(0.015)</u>	<u>(0.012)</u>

The attached notes 1 to 14 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 three months ended 31 March 2009

		2009 SR'000	2008 SR'000
	<i>Note</i>		
PRE – OPERATING ACTIVITIES			
Loss before zakat		(8,237)	(6,877)
Adjustments for:			
Provision for employees' terminal benefits		3,121	13,487
		<u>(5,116)</u>	<u>6,610</u>
Changes in working capital:			
Inventories		(46,243)	-
Receivables		26,989	98,857
Payables		(241,998)	(775,717)
		<u>(266,368)</u>	<u>(670,250)</u>
Cash used in pre-operating activities		(5,198)	(4,201)
Employees' terminal benefits paid			
		<u>(271,566)</u>	<u>(674,451)</u>
INVESTING ACTIVITIES			
Purchase of capital work in progress		(480,651)	(639,600)
Other non current assets		(113)	(16,486)
		<u>(480,764)</u>	<u>(656,086)</u>
FINANCING ACTIVITY			
Proceeds from term loans		1,327,954	1,617,803
		<u>1,327,954</u>	<u>1,617,803</u>
Cash from financing activity			
		<u>1,327,954</u>	<u>1,617,803</u>
INCREASE IN CASH AND CASH EQUIVALENTS	3	575,624	287,266
Cash and cash equivalents at the beginning of the period		1,033,029	1,694,295
		<u>1,033,029</u>	<u>1,694,295</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	1,608,653	1,981,561
		<u>1,608,653</u>	<u>1,981,561</u>

The attached notes 1 to 14 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 three months ended 31 March 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	-	-	(8,237)	(8,237)
Balance at 31 March 2009	5,625,000	14,030	49,656	5,688,686
Balance at 1 January 2008	5,625,000	14,030	83,481	5,722,511
Loss for the period	-	-	(6,877)	(6,877)
Balance at 31 March 2008	5,625,000	14,030	76,604	5,715,634

The attached notes 1 to 14 form part of these unaudited interim condensed financial statements.

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.

As per Articles of Association, the company is engaged in the manufacturing of petrochemical products in accordance with Saudi Arabian applicable regulations. The company is still in pre-operation stage and has not yet started commercial operations.

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

The significant accounting policies adopted are as follows:-

Accounting convention

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

Use of estimate

The preparation of 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.

Capital Work in Progress

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

Capitalisation of borrowing costs

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

Pre-operating expenses

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

Deferred charges

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

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Accounts payable and accruals

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

Provisions

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

Employees' end of service benefits

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

Transaction costs

Transaction costs are incremental costs directly attributable to the acquisition or disposal of equities. The transaction costs of an equity transaction are accounted for as a deduction from 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 the income statement on a straight line basis over the lease term.

Expenses

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2009

3 CASH AND CASH EQUIVALENTS

	<i>31 March 2009 SR'000</i>	<i>31 March 2008 SR'000</i>
Murabaha commodity placements and time deposits	1,477,500	1,820,801
Current accounts	131,153	160,760
	<u>1,608,653</u>	<u>1,981,561</u>

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

4 ADVANCES TO SUPPLIERS AND OTHER RECEIVABLES

	<i>31 March 2009 SR'000</i>	<i>31 March 2008 SR'000</i>
Advances to suppliers and contractors	47,413	25,352
Amounts due from a shareholder (see note below)	87,828	125,815
Other receivables	13,625	30,560
	<u>148,866</u>	<u>181,727</u>

This balance comprises advances to a shareholder in the normal course of business for the purchase of materials in addition to receivables for sales of products under pre-marketing arrangement. (see note 13)

5 CAPITAL WORK IN PROGRESS

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

	<i>31 March 2009 SR'000</i>	<i>31 March 2008 SR'000</i>
Cost of work executed	15,026,865	12,341,316
Borrowing cost	831,427	427,735
Product licenses	174,702	124,473
Project management costs	428,464	247,358
Systems set-up charges	142,945	132,785
Service agreements	168,254	138,197
Others	816,130	217,933
	<u>17,588,787</u>	<u>13,629,797</u>

b) The plant is 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)
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2009

6 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.

7 DEFERRED CHARGES

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

8 ACCOUNTS PAYABLE

	<i>31 March 2009 SR'000</i>	<i>31 March 2008 SR'000</i>
Suppliers and contractors	7,761	152,275
Amount due to a shareholder and a related party (note 13)	51,354	7,467
	<u>59,115</u>	<u>159,742</u>

9 ACCRUALS AND PROVISIONS

	<i>31 March 2009 SR'000</i>	<i>31 March 2008 SR'000</i>
Accrued expenses	605,641	429,494
Amounts due to a shareholder (note 13)	195,532	7,284
	<u>801,173</u>	<u>436,778</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2009

10 TERM LOANS

Term loans comprise:

	<i>31 March 2009 SR'000</i>	<i>31 March 2008 SR'000</i>
Public Investment Fund (PIF) (see note (a) below)	4,001,250	3,222,506
Commercial and Export Credit Agencies (ECA) loans (see note (b) below)	5,948,250	3,946,695
Islamic financing facilities (see note (c) below)	3,175,500	2,614,462
	<u>13,125,000</u>	<u>9,783,663</u>
Less:		
Current portion for long term loans (see notes (b) and (c) below)	(668,737)	-
	<u>12,456,263</u>	<u>9,783,663</u>
Financial advisory, legal and arrangement fees, net of amortisation (see note 7)	(118,248)	(129,784)
	<u>12,338,015</u>	<u>9,653,879</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 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) The above loans obtained from a consortium of banks in three loans, of which two loans are secured by Export Credit Agencies (ECA), Servizi Assicurativi Del Commercio Estero and Export Credits Guarantee Department (ECGD) in 2007 to finance partial construction of plants and working capital are limited to SR 5,948 million. The loans carrying commission at commercial rates are repayable in semi-annual variable installments with the first installment payable on 30 June 2009 and the last installment payable on 30 June 2018.
- c) The Islamic financing facilities represent advance payments received by the company from a consortium of banks ("Original Islamic Facility Participants") to finance the partial construction of the project. 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 relating to working capital requirements.

The term loans are secured against 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.

11 **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.

12 **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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2009

13 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		Current and non-current balances at	
		For the three month period ended		Balance	
		2009	2008	At 31 March	2007
		SR'000	SR'000	SR'000	SR'000
<i>Amounts due from related parties</i>					
Saudi Basic Industries Corporation (SABIC) – (a shareholder)	Advances for purchase of materials, product sales and other transactions	22,939	59,473	95,328	133,315
				95,328	133,315
<i>Amounts due to related parties</i>					
Saudi Basic Industries Corporation (SABIC) – (a shareholder)	Payments on behalf of the company and other services provided by the shareholder	(63,930)	(71,353)	(128,144)	(14,751)
Affiliates	Payments on behalf of the company to purchase raw materials and other services	(34,339)	(810)	(118,742)	-
				(246,886)	(14,751)

14 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 31 December 2008 is SR 17,907 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 plant. The drawdown as at 31 December 2009 is amounted to SR 13,125 million (note 10).