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

INTERIM FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2014

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

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

Scope of Review

We have reviewed the interim balance sheet of YANBU NATIONAL PETROCHEMICAL COMPANY (YANSAB) (a Saudi joint stock company) (the "Company") as of June 30, 2014 and the related interim statements of income for the three month and six month periods then ended, and the interim statement of stockholders' equity and cash flows for the six month period then ended, and notes 1 to 20 which form an integral part of these interim financial statements as prepared by the Company and presented to us with all necessary information and explanations which we required. These interim financial statements are the responsibility of the Company's management.

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

Review Results

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

Deloitte & Touche
Bakr Abulkhair & Co.

Al-Mutahhar Y. Hamiduddin
Certified Public Accountant
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15 Ramadan, 1435
July 13, 2014

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

INTERIM BALANCE SHEET (UNAUDITED)
AS OF JUNE 30, 2014
(Expressed in Thousands of Saudi Riyals)

	Note	**June 30, 2014**	June 30, 2013
ASSETS			
Current assets			
Cash and cash equivalents	3	**2,056,588**	1,747,769
Murabaha commodity placements	4	**896,250**	918,750
Accounts receivable	5	**2,561,759**	2,294,852
Inventories	6	**1,247,914**	1,346,940
Prepayments and other receivables	7	**217,870**	291,506
Total current assets		**6,980,381**	6,599,817
Non-current assets			
Property, plant and equipment	8	**15,086,900**	16,031,526
Intangible assets	9	**237,669**	351,618
Other non-current assets	10	**186,413**	200,256
Total non-current assets		**15,510,982**	16,583,400
TOTAL ASSETS		**22,491,363**	23,183,217
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term loans	11	**1,380,431**	1,298,413
Accounts payable	12	**406,098**	282,177
Accrued expenses and other liabilities	13	**1,490,027**	1,545,361
Total current liabilities		**3,276,556**	3,125,951
Non-current liabilities			
Long-term loans	11	**4,791,376**	6,171,807
Other non-current liabilities	14	**180,141**	149,192
Total non-current liabilities		**4,971,517**	6,320,999
Stockholders' equity			
Share capital	1	**5,625,000**	5,625,000
Statutory reserve	16	**1,124,712**	877,135
Retained earnings		**7,493,578**	7,234,132
Total stockholders' equity		**14,243,290**	13,736,267
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**22,491,363**	23,183,217

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

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

INTERIM STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2014
(Expressed in Thousands of Saudi Riyals)

		Three month period ended		Six month period ended	
	Note	**June 30, 2014**	June 30, 2013	**June 30, 2014**	June 30, 2013
Sales	15c	**2,409,310**	2,212,836	**4,727,198**	4,381,355
Cost of sales		**(1,648,665)**	(1,405,687)	**(3,258,136)**	(2,773,913)
Gross profit		**760,645**	807,149	**1,469,062**	1,607,442
Distribution, general and administrative expenses		**(60,068)**	(50,957)	**(123,109)**	(106,805)
Operating profit		**700,577**	756,192	**1,345,953**	1,500,637
Finance charges, net		**(57,448)**	(67,311)	**(112,725)**	(133,700)
Other income, net		**4,682**	7,135	**10,171**	18,650
Income before zakat		**647,811**	696,016	**1,243,399**	1,385,587
Zakat		**(34,780)**	(25,500)	**(74,690)**	(48,000)
NET INCOME		**613,031**	670,516	**1,168,709**	1,337,587
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		**1.09**	1.19	**2.08**	2.38
Earnings per share from main continuing activities		**1.25**	1.34	**2.39**	2.67

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 STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014
(Expressed in Thousands of Saudi Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2013		5,625,000	743,376	6,592,804	12,961,180
Net income for the period		-	-	1,337,587	1,337,587
Transfer to statutory reserve	16	-	133,759	(133,759)	-
Dividends	20	-	-	(562,500)	(562,500)
June 30, 2013		5,625,000	877,135	7,234,132	13,736,267
January 1, 2014		**5,625,000**	**1,007,841**	**8,410,490**	**15,043,331**
Net income for the period		-	-	**1,168,709**	**1,168,709**
Transfer to statutory reserve	16	-	**116,871**	**(116,871)**	-
Dividends declared	20	-	-	**(1,968,750)**	**(1,968,750)**
June 30, 2014		**5,625,000**	**1,124,712**	**7,493,578**	**14,243,290**

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

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

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2014
(Expressed in Thousands of Saudi Riyals)

	Six month period ended June 30, 2014	Six month period ended June 30, 2013
OPERATING ACTIVITIES		
Income before zakat	**1,243,399**	1,385,587
Adjustments for:		
Depreciation	**574,637**	488,973
Amortization on intangible assets	**69,341**	52,451
Finance charges, net	**112,725**	133,700
Other non-current liabilities	**26,426**	22,077
Changes in operating asset and liabilities:		
Accounts receivable	**(181,962)**	266,905
Inventories	**(128,773)**	(235,319)
Prepayments and other receivables	**43,963**	(32,871)
Accounts payable	**153,970**	(79,173)
Accrued expenses and other liabilities	**77,507**	202,772
Other non-current assets	**4,169**	7,599
Cash from operations	**1,995,402**	2,212,701
Other non-current liabilities paid	**(7,085)**	(7,776)
Zakat paid	**(133,971)**	(99,048)
Finance charges paid	**(112,580)**	(133,700)
Net cash from operating activities	**1,741,766**	1,972,177
INVESTING ACTIVITIES		
Murabaha commodity placements	**18,750**	(27,750)
Property, plant and equipment, net	**(38,162)**	(22,743)
Intangible assets, net	**(2,131)**	(74,004)
Net cash used in investing activities	**(21,543)**	(124,497)
FINANCING ACTIVITIES		
Movement in long-term loans, net	**(649,206)**	(629,678)
Dividends paid	**(1,120,584)**	-
Net cash used in financing activities	**(1,769,790)**	(629,678)
Net change in cash and cash equivalents	**(49,567)**	1,218,002
Cash and cash equivalents, January 1	**2,106,155**	529,767
CASH AND CASH EQUIVALENTS, JUNE 30	**2,056,588**	1,747,769

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 which 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 stockholder), and 49% owned by others or publicly traded.

The Company is engaged in the manufacturing of petrochemical products in accordance with the Company's By-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 ("SOCPA"). 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 stockholder under a marketing agreement. Upon delivery to the marketing unit, sales are recorded at provisional prices. These prices are later adjusted 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. Adjustments are recorded as they become known to the Company.

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.

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 work-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, if any.

Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets, and are amortized using the straight-line method over their estimated useful lives. Such intangible assets and their expected amortization periods are as follows:

Pre-operating expenses

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

Deferred charges

Deferred charges relate to financial, legal consultancy and arrangement fees for obtaining long term financing being used to partially finance the construction of the Company's plants. These fees are amortized over the period of long term financing arrangements. The amortization portion that falls within the construction period is capitalized as part of construction work-in-progress and since the commencement of operations of the Company, the amortization expense is charged to the statement of income.

Turnaround maintenance costs

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.

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.

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.

Dividends

Final dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

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.

(Expressed in Thousands of Saudi Riyals)

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 the statement of 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 stockholder. Accordingly, segmental analysis by operating and geographic segments has not been presented.

3. CASH AND CASH EQUIVALENTS

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

	June 30, 2014	June 30, 2013
Murabaha commodity placements and time deposits	**1,164,990**	1,642,650
Current accounts	**891,598**	105,119
	2,056,588	1,747,769

Cash and cash equivalents include employees' saving plan deposits held in a separate bank account of SR 8.7 million (2013: SR 6.3 million), which are not available to the Company.

4. MURABAHA COMMODITY PLACEMENTS

Murabaha commodity placements represent placements with original maturity exceeding three months and not more than twelve months and maintained with local and foreign banks.

(Expressed in Thousands of Saudi Riyals)

5. ACCOUNTS RECEIVABLE

	June 30, 2014	June 30, 2013
Due from related parties (note 15a)	**2,561,721**	2,294,847
Others	**38**	5
	2,561,759	2,294,852

6. INVENTORIES

	June 30, 2014	June 30, 2013
Finished goods	**611,308**	775,145
Raw materials	**228,596**	218,814
Spare parts, net	**408,010**	352,981
	1,247,914	1,346,940

The spare parts inventory is primarily used in the upkeep of plant and machinery, net of allowances.

7. PREPAYMENTS AND OTHER RECEIVABLES

	June 30, 2014	June 30, 2013
Due from related parties (note 15a)	**149,101**	218,460
Other prepayments	**68,769**	73,046
	217,870	291,506

(Expressed in Thousands of Saudi Riyals)

8. PROPERTY, PLANT AND EQUIPMENT

	January 1	Additions	Transfer	June 30, 2014	June 30, 2013
Cost:					
Buildings & leasehold improvements	176,582	-	-	176,582	176,582
Plant, machinery & heavy equipment	18,770,821	114	2,650	18,773,585	18,766,120
Tools & equipment	79,320	915	-	80,235	68,765
Furniture	12,852	-	-	12,852	12,807
Motor vehicles	441	-	-	441	441
Computers & software	72,203	-	3,233	75,436	72,203
Laboratories & safety equipment	45,197	-	154	45,351	45,197
Catalyst	24,070	4,824	-	28,894	24,070
Construction work-in-progress	169,744	40,350	(14,078)	196,016	101,720
Total Cost	19,351,230	46,203	(8,041)	19,389,392	19,267,905
Depreciation:					
Buildings & leasehold improvements	20,415	2,675	-	23,090	17,740
Plant, machinery & heavy equipment	3,589,416	554,219	-	4,143,635	3,117,913
Tools & equipment	17,994	2,755	-	20,749	15,540
Furniture	4,748	643	-	5,391	4,105
Motor vehicles	418	23	-	441	363
Computers & software	52,219	7,436	-	59,655	44,999
Laboratories & safety equipment	33,418	4,535	-	37,953	28,899
Catalyst	9,227	2,351	-	11,578	6,820
Total Depreciation	3,727,855	574,637	-	4,302,492	3,236,379
Net Book Value at January 1	15,623,375				
Net Book Value at June 30				15,086,900	16,031,526

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 original cost amounting to SR 3,175 million are leased under Ijara financing arrangement with certain banks.

c) The construction work-in-progress mainly represents phase 2 of the employee housing project.

(Expressed in Thousands of Saudi Riyals)

9. INTANGIBLE ASSETS

	June 30, 2014	June 30, 2013
Pre-operating and start-up costs	**105,043**	139,980
Deferred charges	**57,682**	69,218
Turnaround maintenance costs	**74,944**	142,420
	237,669	351,618

Pre-operating and start-up costs

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 include 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 costs

These represent cost incurred to capture the planned turnaround cost. This cost will be amortized over the period until the date of the next planned turnaround.

10. OTHER NON-CURRENT ASSETS

	June 30, 2014	June 30, 2013
Advances to a related party (note 15a)	**7,500**	7,500
Employees' home ownership program	**178,913**	187,897
Advances to contractors	-	4,859
	186,413	200,256

(Expressed in Thousands of Saudi Riyals)

11. LONG-TERM LOANS

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

	June 30, 2014	June 30, 2013
Term loans	**4,476,090**	5,409,321
Ijara financing agreements ("IFA")	**1,695,717**	2,060,899
Less: Current portion	**(1,380,431)**	(1,298,413)
	4,791,376	6,171,807

TERM LOANS

During 2007, the Company entered into the following long-term loan facilities with various lenders and the amounts due as of June 30 are as follows:

	June 30, 2014	June 30, 2013
Public Investment Fund (PIF) (a)	**2,000,625**	2,400,750
Commercial and Export Credit Agencies (ECA) loans (b)	**2,475,465**	3,008,571
	4,476,090	5,409,321
Less: Current portion	**(981,906)**	(933,231)
	3,494,184	4,476,090

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 were 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 ("ESSRA") with the majority stockholder, SABIC under which SABIC shall maintain its ownership in Yansab at 51% during the duration of the loans.

(Expressed in Thousands of Saudi Riyals)

IJARA FINANCING 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 financiers' interest in the co-owned assets.

Under the Forward Lease Agreement and the other IFAs, the Company will purchase from the custodian, the 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 based on the commercial rate.

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

	June 30, 2014	June 30, 2013
Obligation under Ijara financing agreements	**1,695,717**	2,060,899
Less: Current portion	**(398,525)**	(365,182)
	1,297,192	1,695,717

In accordance with supply agreement a portion of the project equivalent in amount to the share of Original Facility Participants in Financing Facility as at completion of withdrawal date of November 22, 2010 amounting to SR 2,775 million has been transferred to Yanbu Asset Leasing Company Limited (Company owned by Original Participants). In accordance with the Ijara arrangements the last installment is repayable on June 30, 2018.

12. ACCOUNTS PAYABLE

	June 30, 2014	June 30, 2013
Accounts payable-trade	**319,589**	1,448
Due to related parties (note 15b)	**86,509**	280,729
	406,098	282,177

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	June 30, 2014	June 30, 2013
Provision for zakat	**63,381**	53,098
Due to related parties (note 15b)	**162,112**	301,329
Dividends payable (note 20)	**849,759**	562,500
Other	**414,775**	628,434
	1,490,027	1,545,361

(Expressed in Thousands of Saudi Riyals)

14. OTHER NON-CURRENT LIABILITIES

	June 30, 2014	June 30, 2013
End-of-service indemnities	**166,345**	139,375
Employees' savings plan	**13,796**	9,817
	180,141	149,192

15. RELATED PARTY TRANSACTIONS

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

	June 30, 2014	June 30, 2013
a) Due from related parties:		
Accounts receivable		
SABIC (sale of goods)	**2,561,665**	2,282,502
Other affiliates	**56**	12,345
	2,561,721	2,294,847
Prepayments and other receivables		
SABIC (advance payments for purchase of materials and others)	**146,231**	189,220
Other affiliates (advance payments for purchase of materials and others)	**2,870**	29,240
	149,101	218,460
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)	**75,881**	280,448
Other affiliates	**10,628**	281
	86,509	280,729
Accrued expenses and other liabilities		
SABIC (purchase of materials and others)	**125,668**	205,071
Other affiliates	**36,444**	96,258
	162,112	301,329

(Expressed in Thousands of Saudi Riyals)

	Six month period ended June 30, 2014	Six month period ended June 30, 2013
c) Related party transactions:		
SABIC		
Advance payment for purchase of materials and others	**24,525**	21,493
Sale of goods	**4,727,198**	4,377,754
Payments on behalf of the Company and other services	**756,111**	806,656
Research & technology fees	**92,644**	87,304
Other affiliates		
Sale of goods	**-**	3,601
Other	**97,186**	(171,908)

16. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-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 June 30, 2014 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

	June 30, 2014	June 30, 2013
Letters of guarantee	**14,798**	14,798
Capital commitments	**207,700**	38,700

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. DIVIDENDS

On June 19, 2013 the Board of Directors announced the distribution of SR 562.5 million as cash dividend (SR 1 per share) for the first half of 2013 representing 10% of the nominal share value. The date of eligibility for this dividend distribution was to shareholders listed in Tadawul (Saudi Stock Exchange) by end of trading on July 3, 2013 with payment of cash dividend on July 28, 2013.

On December 9, 2013, the Board of Directors recommended to the General Assembly a distribution in the amount of SR 1.125 million as cash dividends (SR 2 per share) for the second half of the year 2013. The eligibility for this dividend distribution was to shareholders listed on the Saudi Stock Exchange (Tadawul) by the end of trading day of the General Assembly meeting which was on March 16, 2014. The total dividends for the year ended December 31, 2013 was SR 1,687.5 million (SR 3 per share). This was approved by the General Assembly in their meeting held on March 16, 2014.

On June 25, 2014 the Board of Directors announced the distribution of SR 843.75 million as cash dividend (SR 1.5 per share) for the first half of 2014 representing 15% of the nominal share value. The date of eligibility for this dividend distribution will be to shareholders listed in Tadawul (Saudi Stock Exchange) by the end of trading on July 3, 2014 with the payment of cash dividend on July 20, 2014. Dividends declared have been treated as non-cash transaction for the purpose of the interim statement of cash flows.