

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

**INTERIM CONDENSED FINANCIAL STATEMENTS  
(UNAUDITED)**

**PERIOD ENDED 31 MARCH 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 31 March 2011 and the related interim income statement for the three month period and year then ended, statements of cash flows and changes in shareholders' equity for the year then ended which have been prepared by the company's management and submitted to us together with all the information and explanations which we required. Our review was conducted in accordance with Saudi Organization for Certified Public Accountants (SOCPA) standard on interim financial information. A review is limited primarily to analytical procedures applied to financial data and inquiries of company personnel on financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Conclusion**

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

for Ernst & Young

  
Ahmed I. Reda  
Certified Public Accountant  
Licence No. 356



8 Jamadi Awal 1432 H  
12 April 2011

Jeddah

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

**INTERIM BALANCE SHEET (UNAUDITED)**

As at 31 March 2011

	<i>Note</i>	<i>31 March 2011 SR'000</i>	<i>31 March 2010 SR'000</i>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	1,142,322	415,991
Murabaha commodity placements	4	971,250	-
Advances to suppliers and other receivables	5	2,381,192	1,392,221
Inventories	6	1,037,405	806,920
<b>TOTAL CURRENT ASSETS</b>		<b>5,532,169</b>	<b>2,615,132</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	18,219,660	18,677,348
Intangible assets	8	264,223	304,329
Other non-current assets		33,346	27,261
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,517,229</b>	<b>19,008,938</b>
<b>TOTAL ASSETS</b>		<b>24,049,398</b>	<b>21,624,070</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	9	312,024	211,901
Accruals and provisions	10	1,166,641	777,319
Current portion of long term loans	11	724,624	915,717
Current portion of Ijara financing arrangements	12	222,285	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,425,574</b>	<b>1,904,937</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans	11	8,040,542	11,540,500
Term loan from a shareholder	13	2,870,154	2,165,618
Obligations under Ijara financing arrangements	12	2,553,102	-
Employees' end of service benefits		101,691	85,871
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>13,565,489</b>	<b>13,791,989</b>
<b>TOTAL LIABILITIES</b>		<b>15,991,063</b>	<b>15,696,926</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	5,625,000	5,625,000
Statutory reserve	15	253,093	39,973
Retained earnings		2,180,242	262,171
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,058,335</b>	<b>5,927,144</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>24,049,398</b>	<b>21,624,070</b>

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

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

INTERIM INCOME STATEMENT (UNAUDITED)

For the period ended 31 March 2011

	<i>Note</i>	<i>For the three month period ended 31 March</i>	
		<i>2011 SR'000</i>	<i>2010 SR'000</i>
Sales		2,077,275	688,591
Cost of sales		(1,185,818)	(363,161)
<b>Gross profit</b>		<b>891,457</b>	<b>325,430</b>
General and administration		(53,399)	(15,045)
<b>INCOME FROM MAIN OPERATIONS</b>		<b>838,058</b>	<b>310,385</b>
Finance charges		(101,991)	(37,515)
Other income		4,693	407
<b>INCOME BEFORE ZAKAT</b>		<b>740,760</b>	<b>273,277</b>
Zakat		(22,914)	(13,843)
<b>NET INCOME FOR THE PERIOD</b>		<b>717,846</b>	<b>259,434</b>
Weighted number of shares outstanding (in thousands)	14	562,500	562,500
<b>Earning per share</b>			
Attributable to income from main operations - SR		1.49	0.55
Attributable to net income for the period - SR		1.28	0.46

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

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

**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**

For the period ended 31 March 2011

	<i>Note</i>	<b>31 March 2011 SR'000</b>	<b>31 March 2010 SR'000</b>
<b>OPERATING ACTIVITIES</b>			
Income before zakat		740,760	273,277
Adjustments for:			
Provision for employees' terminal benefits		4,357	4,910
Depreciation		240,133	77,729
Provision for slow moving inventory		8,958	-
Amortisation of intangible assets		101,991	37,515
Finance charges		10,027	3,343
		<b>1,106,226</b>	<b>396,774</b>
Changes in working capital:			
Inventories		(145,312)	(69,103)
Receivables		(301,406)	(527,289)
Payables		54,634	174,121
		<b>714,142</b>	<b>(25,497)</b>
Cash from/(used in) operating activities		(519)	(146)
Employees' terminal benefits paid		(1,267)	-
Zakat paid		(14,025)	-
Finance charges paid		<b>698,331</b>	<b>(25,643)</b>
Net cash from/(used in) operating activities			
<b>INVESTING ACTIVITIES</b>			
Payments for Murabaha commodity placements		(315,000)	-
Payments for purchase of property, plant and equipment		(34,072)	(179,242)
Other non-current assets		3,328	4,827
		<b>(345,744)</b>	<b>(174,415)</b>
Net cash used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Proceeds from a shareholder loan		-	10,418
		<b>-</b>	<b>10,418</b>
Net cash from financing activities			
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>352,587</b>	<b>(189,640)</b>
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>	<b>3</b>	<b>1,142,322</b>	<b>415,991</b>

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

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

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the period ended 31 March 2011

	<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 31 December 2010	5,625,000	181,308	1,534,181	7,340,489
Income for the period	-	-	717,846	717,846
Transfer to statutory reserve	-	71,785	(71,785)	-
<b>Balance at 31 March 2011</b>	<b>5,625,000</b>	<b>253,093</b>	<b>2,180,242</b>	<b>8,058,335</b>
Balance at 31 December 2009	5,625,000	14,030	28,680	5,667,710
Income for the period	-	-	259,434	259,434
Transferred to retained earnings	-	25,943	(25,943)	-
<b>Balance at 31 March 2010</b>	<b>5,625,000</b>	<b>39,973</b>	<b>262,171</b>	<b>5,927,144</b>

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

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period ended 31 March 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 or publicly traded.

The company is engaged in the manufacturing of petrochemical products in accordance with company's Articles of Association and other Saudi Arabian applicable regulations. The company commenced its 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 a 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)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
For the period ended 31 March 2011

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**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 beginning of commercial operations of 1 March 2010.

*Deferred charges*

Deferred charges relate to financial, legal advisory 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. Generally, 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 31 March 2011

**3 CASH AND CASH EQUIVALENTS**

	<i>31 March 2011 SR'000</i>	<i>31 March 2010 SR'000</i>
Murabaha commodity placements and time deposits	1,117,500	386,250
Current accounts	24,822	29,741
	<u>1,142,322</u>	<u>415,991</u>

Murabaha commodity placements and time deposits are maintained with local and foreign banks and are due within three months.

**4 MURABAHA COMMODITY PLACEMENTS**

Murabaha commodity placements represent placements of original maturity exceeding three months.

**5 ADVANCES TO SUPPLIERS AND OTHER RECEIVABLES**

	<i>31 March 2011 SR'000</i>	<i>31 March 2010 SR'000</i>
Amounts due from majority shareholder (see note 13)	2,280,983	1,288,004
Amounts due from related parties	30,288	73,309
Advances to suppliers and contractors	-	6,973
Other receivables	69,921	23,935
	<u>2,381,192</u>	<u>1,392,221</u>

**6 INVENTORIES**

	<i>31 March 2011 SR'000</i>	<i>31 March 2010 SR'000</i>
Finished goods	566,280	462,074
Raw materials	207,711	89,838
Spare parts and industrial catalysts	263,414	255,008
	<u>1,037,405</u>	<u>806,920</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)  
For the period ended 31 March 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 31 March 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 Dhul Al-Hija 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 of net book value amounting to SR 2,775 million (2010: SR 2,775 million) held under Ijara financing arrangement with certain banks (note 12).

**8 INTANGIBLE ASSETS**

	<i>31 March 2011 SR'000</i>	<i>31 March 2010 SR'000</i>
Pre-operating expenses (see note (a) below)	169,048	197,619
Deferred charge (see note (b) below)	95,175	106,710
	<u>264,223</u>	<u>304,329</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 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 1 March 2010.

b) *Deferred charges*

These represent financial legal advisory 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>31 March 2011 SR'000</i>	<i>31 March 2010 SR'000</i>
Suppliers and contractors	258,814	160,257
Amount due to a shareholder and a related party (note 13)	53,210	51,644
	<u>312,024</u>	<u>211,901</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 2011

**10 ACCRUALS AND PROVISIONS**

	<i>31 March 2011 SR'000</i>	<i>31 March 2010 SR'000</i>
Accrued expenses	614,323	415,376
Amounts due to a majority shareholder (note 13)	476,746	343,126
Zakat payable	61,936	13,843
Other payables	13,636	4,974
	<u>1,166,641</u>	<u>777,319</u>

**11 TERM LOANS**

Term loans comprise:

	<i>31 March 2011 SR'000</i>	<i>31 March 2010 SR'000</i>
Public Investment Fund (PIF) (see note (a) below)	3,401,062	3,801,187
Commercial and Export Credit Agencies (ECA) loans (see note (b) below)	5,364,104	5,670,060
Islamic financing facilities (see note (c) below)	-	2,984,970
	<u>8,765,166</u>	<u>12,456,217</u>
Less:		
Current portion for long term loans (see notes (b) and (c) below)	(724,624)	(915,717)
	<u>8,040,542</u>	<u>11,540,500</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 obtained were from a consortium of banks in three loans, of which two loans limited to SR 5,948 million and guaranteed by Export Credit Agencies (ECA), Servizi Assicurativi Del Commercio Estero and Export Credits Guarantee Department (ECGD) to finance the partial construction of plants and working capital. The loans which carry commission at commercial rates are repayable in semi-annual variable instalments with the first instalment payable on 30 June 2009 and the last instalment payable on 30 June 2018.
- c) In previous 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 portion of project cost at the completion of withdrawal date (22 November 2010) was (see note 12) delivered to the Original Islamic Facility Participants 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% for the life 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 31 March 2011

**12 OBLIGATION UNDER IJARA FINANCING ARRANGEMENTS**

	<i>31 March 2011 SR'000</i>	<i>31 March 2010 SR'000</i>
Obligation under Ijara financing arrangements	2,775,387	-
Less: The current portion of obligations under Ijara financing arrangements	(222,285)	-
	<u>2,553,102</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.

The minimum Ijara principal for the five years subsequent to 31 December 2010 are as follows:

	<i>SR'000</i>
2011	222,285
2012	317,550
2013	357,244
2014	365,182
2015	431,868
Thereafter	1,081,258
	<u>2,775,387</u>

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**  
For the period ended 31 March 2011

a) 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 withdrawal and the first instalment is due on 30 June 2012.

**14 SHARE CAPITAL**

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

**15 STATUTORY RESERVE**

As required by Saudi Arabian Regulations for Companies the company must set aside 10% of net income for the year 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 company transferred 10% of the net income for the year ended 31 December 2010.