

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

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

PERIOD ENDED 31 MARCH 2010

**REVIEW REPORT TO THE SHAREHOLDERS OF
YANBU NATIONAL PETROCHEMICAL COMPANY - YANSAB
(A SAUDI JOINT STOCK COMPANY)
ON THE INTERIM 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 2010 and the related interim statements for income, cash flows and changes in shareholders' equity for the three month period then ended, which have been prepared by the company's management and submitted to us together with all the information and explanations which we required. Our review was conducted in accordance with Saudi Organization for Certified Public Accountants (SOCPA) standard on interim financial information. A review is limited primarily to analytical procedures applied to financial data and inquiries of company 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
Registration No. 356



27 Rabi Thani 1431 H
12 April 2010

Jeddah

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

INTERIM BALANCE SHEET (UNAUDITED)

As at 31 March 2010

		<i>31 March 2010 SR'000</i>	<i>31 March 2009 SR'000</i>
	<i>Note</i>		
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	415,991	1,608,653
Advances to suppliers and other receivables	4	1,392,221	148,866
Inventories	5	806,920	54,050
TOTAL CURRENT ASSETS		2,615,132	1,811,569
NON-CURRENT ASSETS			
Property, plant and equipment	6	18,677,348	17,588,787
Pre-operating expenses	7	197,619	200,000
Deferred charges	8	106,710	118,248
Other non-current assets		27,261	34,125
TOTAL NON-CURRENT ASSETS		19,008,938	17,941,160
TOTAL ASSETS		21,624,070	19,752,729
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	9	211,901	59,115
Accruals and provisions	10	777,319	801,173
Current portion of term loans	11	915,717	668,737
TOTAL CURRENT LIABILITIES		1,904,937	1,529,025
NON-CURRENT LIABILITIES			
Term loans	11	11,540,500	12,456,263
Term loan from majority shareholder	14	2,165,618	-
Employees' end of service benefits		85,871	78,755
TOTAL NON-CURRENT LIABILITIES		13,791,989	12,535,018
TOTAL LIABILITIES		15,696,926	14,064,043
SHAREHOLDERS' EQUITY			
Share capital	12	5,625,000	5,625,000
Statutory reserve	13	39,973	14,030
Retained earnings		262,171	49,656
TOTAL SHAREHOLDERS' EQUITY		5,927,144	5,688,686
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		21,624,070	19,752,729

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 month period ended 31 March 2010

	<i>Note</i>	2010 SR'000	2009 SR'000
Sales		688,591	-
Cost of sales		(363,161)	-
Gross Profit		325,430	-
General and administration expenses		(15,045)	(8,237)
INCOME FROM MAIN OPERATIONS/(LOSS) BEFORE OPERATION		310,385	(8,237)
Finance cost		(37,515)	-
Other Income		407	-
INCOME / (LOSS) BEFORE ZAKAT		273,277	(8,237)
Zakat		(13,843)	-
NET INCOME / (LOSS) FOR THE PERIOD		259,434	(8,237)
Weighted number of shares outstanding (in thousands)	12	562,500	562,500
Earning / (loss) per share			
Earning per share on income from main operations / (loss) before operation - SR		0.55	(0.01)
Earning per share on net income / loss for the period - SR		0.46	(0.01)

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 month period ended 31 March 2010

	<i>Note</i>	2010 SR'000	2009 SR'000
OPERATING ACTIVITIES			
Income / (loss) before zakat		273,277	(8,237)
Adjustments for:			
Depreciation		77,729	-
Amortisation		3,343	-
Provision for employees' terminal benefits		4,910	3,121
		<u>359,259</u>	<u>(5,116)</u>
Changes in working capital:			
Inventories		(69,103)	(46,243)
Receivables		(527,289)	26,989
Payables		211,636	(241,998)
		<u>(384,756)</u>	<u>(261,252)</u>
Cash used in operating activities		(25,497)	(266,368)
Employees' terminal benefits paid		(146)	(5,198)
		<u>(25,643)</u>	<u>(271,566)</u>
INVESTING ACTIVITIES			
Capital work in progress		(179,242)	(480,651)
Other non-current assets		4,827	(113)
		<u>(174,415)</u>	<u>(480,764)</u>
FINANCING ACTIVITIES			
Proceeds from term loans		-	1,327,954
Loan from a shareholder		10,418	-
		<u>10,418</u>	<u>1,327,954</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(189,640)	(575,624)
Cash and cash equivalents at the beginning of the period		605,631	1,033,029
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	415,991	1,608,653

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 month period ended 31 March 2010

	<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 2009	5,625,000	14,030	28,680	5,667,710
Net income for the period	-	-	259,434	259,434
Transfer to statutory reserve	-	25,943	(25,943)	-
Balance at 31 March 2010	5,625,000	39,973	262,171	5,927,144
Balance at 31 December 2008	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

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)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 March 2010

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% are owned by others and 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 2010.

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 collection of the 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 determined on a weighted average basis. Cost of inventory under process and finished goods including the cost of raw materials, labour and a reasonable portion of manufacturing overhead expenses.

Property, plant and equipment

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 FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2010

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Capital Work in Progress

Capital work in progress, representing plants under construction, is recorded at cost. Included in such costs are the costs of equipment, material, testing cost during test runs 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 plant and purchase of machinery and equipment during the construction period are capitalized.

Pre-operating expenses

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

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 shipped by the Company during the period, net of any trade and quantity discounts. Generally sales are reported net of marketing and distribution expenses incurred in accordance with executed marketing and off-take agreements.

Expenses

Production costs and direct expenses are classified as cost of sales. All other expenses are classified as general and administrative expenses.

Zakat

Zakat is provided for in accordance with Saudi Arabia fiscal regulations. The provision is charged to the income statement and is calculated at the quarter end.

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.

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 FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2010

3 CASH AND CASH EQUIVALENTS

	<i>2010</i> <i>SR'000</i>	<i>2009</i> <i>SR'000</i>
Murabaha commodity placements and time deposits	386,250	1,477,500
Current accounts	29,741	131,153
	<u>415,991</u>	<u>1,608,653</u>

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

4 ADVANCES TO SUPPLIERS AND OTHER RECEIVABLES

	<i>2010</i> <i>SR'000</i>	<i>2009</i> <i>SR'000</i>
Amounts due from related parties (see note below)	1,361,313	87,828
Advances to suppliers and contractors	6,973	47,413
Other receivables	23,935	13,625
	<u>1,392,221</u>	<u>148,866</u>

In addition to the balances arising from commercial transactions, included in this balance are the sale amount of products and advances for the purchase of operating materials (see note 14)

5 INVENTORIES

	<i>2010</i> <i>SR'000</i>	<i>2009</i> <i>SR'000</i>
Finished goods	462,074	-
Raw materials	89,838	-
Spare parts	255,008	54,050
	<u>806,920</u>	<u>54,050</u>

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2010

6 PROPERTY, PLANT AND EQUIPMENT

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

Building & Leasehold improvements	33 years
Plant & equipment	20 years
Furniture	10 years
Vehicles	4 years
Computers & software	5 years
Laboratory & safety equipment	5 years

	<i>Buildings & leasehold improvements SR'000</i>	<i>Machinery & equipment SR'000</i>	<i>Furniture SR'000</i>	<i>Vehicles SR'000</i>	<i>Computers & software SR'000</i>	<i>Laboratories & safety equipment SR'000</i>	<i>Capital work in progress SR'000</i>	<i>Total SR'000</i>
Cost								
At the beginning of the period	-	-	-	-	-	-	18,575,835	18,575,835
Additions	-	-	-	-	-	-	179,242	179,242
Transfers	170,670	18,201,254	11,363	11,710	58,186	41,322	(18,494,505)	-
At the end of the period	170,670	18,201,254	11,363	11,710	58,186	41,322	260,572	18,755,077
Depreciation								
At the beginning of the period	-	-	-	-	-	-	-	-
Charge for the period	431	75,301	94	244	970	689	-	77,729
At the end of the period	431	75,301	94	244	970	689	-	77,729
Net book amounts:								
At 31 March 2010	170,239	18,125,953	11,269	11,466	57,216	40,633	260,572	18,677,348

a) Capital work in progress includes work of SR 260 million represents auxiliary new projects and staff houses construction program.

b) Borrowing costs relating to months of January and February have been capitalized and the capital work in progress.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2010

6 PROPERTY, PLANT AND EQUIPMENT (continued)

- c) The plants are situated on land leased from the Royal Commission in 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.

7 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. The amortization of pre-operating expenses started on 1 March 2010.

8 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, using the effective interest rate, over the period of long term financing agreements. The amortized portion that occurred during the construction period amounting to SR 35.6 million as at 28 February 2010, has been capitalized. The portion of amortization of March 2010 has been charged to the interim income statement when the company started its operations.

9 ACCOUNTS PAYABLE

	<i>2010</i> <i>SR'000</i>	<i>2009</i> <i>SR'000</i>
Suppliers and contractors	160,257	7,761
Amount due to a shareholder and a related party (note 14)	51,644	51,354
	<u>211,901</u>	<u>59,115</u>

10 ACCRUALS AND PROVISIONS

	<i>2010</i> <i>SR'000</i>	<i>2009</i> <i>SR'000</i>
Accrued expenses	415,376	605,641
Amounts due to a shareholder and related parties (note 14)	343,126	195,532
Zakat payable	13,843	-
Other payables	4,974	-
	<u>777,319</u>	<u>801,173</u>

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2010

11 TERM LOANS

Term loans comprise:

	<i>2010</i> <i>SR'000</i>	<i>2009</i> <i>SR'000</i>
Public Investment Fund (PIF) (see note (a) below)	3,801,187	4,001,250
The Commercial, ECA, SACE and ECGD loans (see note (b) below)	5,670,060	5,948,250
Islamic financing facilities (see note (c) below)	2,984,970	3,175,500
	<u>12,456,217</u>	<u>13,125,000</u>
Less:		
Current portion for long term loans (see notes (a), (b) and (c) below)	(915,717)	(668,737)
	<u>11,540,500</u>	<u>12,456,263</u>
Financial legal advisory, legal and arrangement fees, net of amortisation (see note 8)	(106,711)	(118,248)
	<u><u>11,433,789</u></u>	<u><u>12,338,015</u></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) During 2007, the above loans obtained 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 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 plants. 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, a portion equivalent to their share in 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 were due on 30 June 2009, and last installment was due on 30 June 2018.

During the first quarter of 2009 the company withdraw the remaining balance of contracted bank facilities and loans including the facilities for working capital requirements.

The term loans are secured on 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.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

For the period ended 31 March 2010

12 SHARE CAPITAL

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

13 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 company transferred 10% from the net income for the three month period ended 31 March 2010.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
For the period ended 31 March 2010

14 RELATED PARTY TRANSACTIONS AND BALANCES

Related party	Nature of transactions	Amount of transaction		Balance	
		For the period ended		At 31 March	
		2010	2009	2010	2009
		SR'000	SR'000	SR'000	SR'000
<i>Amounts due from related parties</i>					
Saudi Basic Industries Corporation (SABIC) – (a shareholder)	Sale of products	1,213,083	-	1,237,387	71,149
	Advances for purchase of materials, product sales and other transactions	18,225	22,939	50,617	16,679
Affiliates	Sale of products	69,662	-	73,309	-
	Long term advance for freight charges	-	-	7,500	7,500
				<u>1,368,813</u>	<u>95,328</u>
<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	(350,140)	(63,930)	(269,800)	(128,144)
	Loan from a shareholder	(2,165,618)	-	(2,165,618)	-
Affiliates	Other	(144,846)	(34,339)	(124,970)	(118,742)
				<u>(2,560,388)</u>	<u>(246,886)</u>

The company obtained a loan from the above shareholder in accordance with the retention of shareholding and support agreement with the main shareholder (SABIC). The term loan which carries borrowing charges at commercial rates is fully payable within three years commencing on the date of withdrawal and the first installment is due on 30 June 2012.