

**National Petrochemical Company
(Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

**FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2012**

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2012

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REVIEW REPORT

To the shareholders of National Petrochemical Company (Petrochem)
(A Saudi Joint Stock Company)

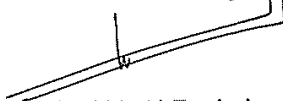
Scope of review

We have reviewed the accompanying interim consolidated balance sheet of National Petrochemical Company - a Saudi Joint Stock Company - ("Petrochem") and its subsidiaries as at 31 March 2012, and the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the three month period then ended. These interim consolidated financial statements are the responsibility of Petrochem's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organisation for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, 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.

Conclusion

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

For Ernst & Young



Fahad M. Al-Toaimi
Certified Public Accountant
Registration No. 354



Riyadh: 26 Jumad Thani 1433H
(18 April 2012)

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 March 2012

(Amounts in SR'000)

	Notes	2012	2011
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,549,805	3,018,176
Due from a related party		2,690	1,094
Inventories		118,434	-
Cash margin and other assets		70,064	12,843
TOTAL CURRENT ASSETS		1,740,993	3,032,113
NON-CURRENT ASSETS			
Project under construction	4	18,267,603	16,559,032
Deferred charges		138,187	184,392
Property and equipment		631	993
TOTAL NON-CURRENT ASSETS		18,406,421	16,744,417
TOTAL ASSETS		20,147,414	19,776,530
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other liabilities		14,899	25,803
Zakat provision	5	50,312	51,078
TOTAL CURRENT LIABILITIES		65,211	76,881
NON-CURRENT LIABILITIES			
Long term accounts payable	6	224,471	344,099
Due to a related party		15,456	6,880
Term loans	7	13,399,935	12,948,014
Subordinated loan from a non-controlling partner	8	146,111	14,861
Employees' terminal benefits		9,164	4,753
TOTAL NON-CURRENT LIABILITIES		13,795,137	13,318,607
TOTAL LIABILITIES		13,860,348	13,395,488
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	9	4,800,000	4,800,000
Statutory reserve		1,780	1,780
Accumulated losses		(172,936)	(97,722)
TOTAL SHAREHOLDERS' EQUITY		4,628,844	4,704,058
Non controlling interest		1,658,222	1,676,984
TOTAL EQUITY		6,287,066	6,381,042
TOTAL LIABILITIES AND EQUITY		20,147,414	19,776,530

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

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three month period ended 31 March 2012

(Amounts in SR'000)

		<i>For the three month period ended 31 March</i>	
	<i>Notes</i>	2012	2011
General and administrative expenses		(22,636)	(4,206)
OPERATIONAL LOSS		(22,636)	(4,206)
Interest income		3,469	3,173
LOSS BEFORE NON-CONTROLLING INTEREST AND ZAKAT		(19,167)	(1,033)
Non-controlling interest share in net loss of the subsidiaries		7,269	506
LOSS BEFORE ZAKAT		(11,898)	(527)
Zakat	5	(9,733)	(9,993)
NET LOSS FOR THE PERIOD		(21,631)	(10,520)
LOSS PER SHARE (SR)	10		
Attributable to the operational loss		(0.05)	(0.01)
Attributable to the net loss		(0.05)	(0.02)

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

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three month period ended 31 March 2012

(Amounts in SR'000)

	<i>For the three month period ended 31 March</i>	
	2012	2011
OPERATING ACTIVITIES		
Loss before zakat	(11,898)	(527)
Adjustments for:		
Employees' terminal benefits, net	1,529	1,827
Depreciation	134	101
Non-controlling interest share in net loss of the subsidiaries	(7,269)	(506)
Changes in operating assets and liabilities:		
Cash margin and other assets	(4,131)	(806)
Inventories	(62,330)	-
Accounts payable, accrued expenses and other liabilities	(6,142)	79,191
Related parties, net	(20,831)	3,528
Net cash (used in) from operating activities	(110,938)	82,808
INVESTING ACTIVITIES		
Purchase of property and equipment, net	-	(11)
Project under construction	(240,726)	(540,132)
Net cash used in investing activities	(240,726)	(540,143)
FINANCING ACTIVITIES		
Proceeds from term loans	63,157	1,371,652
Non-controlling interest	-	718
Subordinate loans proceeds from a non-controlling partner	131,252	-
Net cash from financing activities	194,409	1,372,370
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(157,255)	915,035
Cash and cash equivalents at the beginning of the period	1,707,060	2,103,141
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,549,805	3,018,176

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

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the three month period ended 31 March 2012
(Amounts in SR'000)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance as at 31 December 2011	4,800,000	1,780	(151,305)	4,650,475
Net loss for the period	-	-	(21,631)	(21,631)
Balance as at 31 March 2012	4,800,000	1,780	(172,936)	4,628,844
Balance as at 31 December 2010	4,800,000	1,780	(87,202)	4,714,578
Net loss for the period	-	-	(10,520)	(10,520)
Balance as at 31 March 2011	4,800,000	1,780	(97,722)	4,704,058

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

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
31 March 2012

1. ORGANIZATION AND ACTIVITIES

National Petrochemical Company ("Petrochem") is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under commercial registration numbered 1010246363 dated 8 Rabi Al Awal 1429 H (corresponding to 16 March 2008), and was formed pursuant to the ministry of commerce and industry's resolutions numbered 53Q dated 16 Safar 1429H (corresponding to 24 February 2008).

Petrochem is engaged in the development, establishment, operation, management and maintenance of petrochemical, gas, petroleum and other industrial plants, wholesale and retail trading in petrochemical materials and products, owning land, real estate and buildings for its benefits.

2. BASIS OF CONSOLIDATION

The interim consolidated financial statements include the interim financial statements of Petrochem and its subsidiaries, as adjusted by the elimination of significant inter-company balances and transactions. The financial statements of the subsidiaries are prepared using accounting policies consistent with those of Petrochem. The financial statements of the subsidiaries are consolidated from the date on which Petrochem is able to exercise effective management control on them.

A subsidiary is an entity in which Petrochem has a direct or indirect investment of more than 50% of the voting capital or over which it exercise effective management control.

The subsidiaries included in these financial statements are as follows:

		Shareholding %		Country of Incorporation
		2012	2011	
Saudi Polymers Company ("SPCo")	Subsidiary	65	65	Saudi Arabia
Gulf Polymers Distribution Company FZCO	Subsidiary	65	65	UAE

SAUDI POLYMERS COMPANY ("SPCo")

Is a mixed limited liability company, registered in Jubail in the Kingdom of Saudi Arabia under registration numbered 2055008886 dated 29 Dhu Al Qedah 1428H (corresponding to 9 December 2007).

SPCo is engaged in production and sale of ethylene, propylene, hexene, gasoline, high and low density polyethylene, polypropylene and polystyrene. Currently, SPCo is in pre-operation stage and it is expected to commence its commercial operations during the year 2012.

GULF POLYMERS DISTRIBUTION COMPANY FZCO ("GPDCo")

Is a free zone limited liability company registered in the Dubai Airport Free Zone dated 12 Rabi Awal 1432 H (corresponding to 15 February 2011) with a capital of AED 2 million. GPDCo's activity is restricted to selling and storing SPCo's polymer products. GPDCo did not start its commercial activities yet.

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -
CONTINUED

31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by Petrochem in preparing its interim consolidated financial statements, summarized below, are consistent with those used in the preparation of the last audited consolidated financial statements for the year ended 31 December 2011. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements and the related notes for the year ended 31 December 2011. The figures in these interim consolidated financial statements are rounded to nearest thousand.

Accounting convention

The interim consolidated financial statements are prepared under the historical cost convention.

Use of estimates

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 interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from these estimates.

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when acquired.

Inventories

Inventories comprise raw materials and catalysts and are stated at the lower of cost and market value. Cost is determined at the purchase cost on a weighted average basis.

Property and equipment / depreciation

Property and equipment are stated at cost net of accumulated depreciation. Expenditure for maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight- line method. Leasehold improvements are depreciated over the shorter of the estimated useful life or the term of the lease.

The estimated useful lives of the asset in the calculation of depreciation are as follows:

Leasehold improvements	5 years
Office furniture and equipment	4 - 6.67 years
Motor vehicles	4 years
Computers and communication devices	4-5 years

Project under construction

Project under construction appears at cost until the asset is ready for its intended use, thereafter; it is capitalized. Project under construction include the cost of contractors, materials, services, borrowing, salaries and other overhead allocated on systematic basis.

Deferred charges/amortization

Deferred charges comprise agency and upfront fees and are amortized over the period of the related loans. The amortization is capitalized in the cost of the plant under construction, until the project is ready for its intended use.

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -
CONTINUED

31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

Periodically, the carrying amounts of long term tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, estimates are made of the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognised in the interim consolidated statement of income.

Where an impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised as income immediately in the interim consolidated statement of income.

Accounts payable and accruals

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

Provisions

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

Zakat and income tax

Zakat is provided in accordance with the Regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the interim consolidated statement of income on estimate basis for the interim period and will be accurately calculated in the annual financial statements. Differences, if any, resulting from the final Zakat assessments are adjusted in the year of their finalization. The foreign partners of subsidiaries are subject to income tax which is included in non-controlling interest in the interim consolidated financial statements.

Zakat charge is computed on the basis of the Zakat base for the company and the subsidiaries separately

Employees' terminal benefits

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

Borrowing costs

Borrowing costs that are directly attributable to the interim construction of an asset are capitalised up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the interim consolidated statement of income.

Foreign currencies

Transactions in foreign currencies are translated into Saudi Riyals at the rate prevailing at the date of those transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rate prevailing at that date. All differences are taken to the interim consolidated statement of income.

Revenue recognition

Earnings on bank deposits are recognized on an accrual basis

General and administrative expenses

All operational expenses, other than capitalized costs, are classified as general and administration expenses.

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -
CONTINUED

31 March 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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

Fair value

The fair value of commission-bearing items are estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the company must transfer 10% of its income for the year after deducting accumulated losses to the statutory reserve. The company may resolve to discontinue such transfers when the reserve totals 50% of the capital. The reserve is not available for distribution.

4. PROJECT UNDER CONSTRUCTION

Project under construction comprises cost of construction works under progress of polymers plant (the "Plant"), which is in testing and trial phase. The commercial operation of the Plant is expected to start during 2012.

The Plant is constructed on land leased from the Royal Commission for Jubail and Yanbu. The lease is initially for a period of 30 years commencing from 29 Dhul-Qadah 1428H (corresponding to 9 December 2007) and is renewable for further periods thereafter.

The machinery and equipment of the plant are pledged as collaterals against loan facilities (note 7).

5. ZAKAT

Zakat is provided for and charged to the interim consolidated statement of income on an estimated basis. Differences resulting from the final zakat calculation are adjusted at year end.

Zakat returns have been filed with the Department of Zakat & Income Tax (DZIT) for all prior years up to 2010, and Zakat was settled accordingly. The DZIT has raised the zakat assessment for 2008, claiming a difference of SR 53 million. Petrochem has filed an appeal against this assessment before the Higher Appeal Committee, which is still pending. Based on the zakat consultant's opinion, the management believes that the ultimate outcome of this issue will be in the favor of Petrochem.

6. LONG TERM ACCOUNTS PAYABLE

This includes contractor's accounts payable and retention payable, and other liabilities. The management expects that the settlement of these liabilities will be refinanced through long term liabilities. Accordingly, such balances are reclassified as long term liability.

National Petrochemical Company (Petrochem) and its Subsidiaries
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -
CONTINUED

31 March 2012

7. TERM LOANS

The balance of term loans represents the utilized amounts from loan facilities obtained by SPCo from a syndication of local and foreign commercial banks, Public Investment Fund (PIF) and Saudi Industrial Development Fund (SIDF). These facilities are secured by various guarantees including pledges over the equipments and bank accounts of the Project. These loans carry varying interest rates in excess of LIBOR and are consistent with the terms of each loan facility agreement. Those loans should be repaid on semi-annual installments. SPCo is required to comply with covenants stipulated for in all of the loan facility agreements.

8. SUBORDINATED LOAN FROM THE NON-CONTROLLING PARTNER

Represents share of Arabian Chevron Petrochemical Company Limited (the "non-controlling partner") in the commission free loan granted to SPCo from partners in proportion of their ownership. The repayment of the loan subject to the minimum level required to be maintained by the terms of the loan facility arrangements granted by SIDF (note 7).

9. SHARE CAPITAL

Share capital of Petrochem is divided into 480 million shares of SR 10 each (2011: 480 million shares).

10. LOSS PER SHARE

The loss per share is calculated by dividing loss from main operations and net loss by the number of shares outstanding.

11. INTERIM RESULTS

The interim consolidated results of operations of Petrochem and its subsidiaries may not be an accurate indicator of the annual results of operations.

12. CONTINGENT LIABILITIES

During 2010, Petrochem and the non-controlling partner have resolved to increase the capital of SPCo by SR 3,394 million, which will cause the non-controlling partner to incur additional costs; the management of Petrochem has decided to compensate the non-controlling partner by making annual payments in the future based on the future earnings of SPCo, considering the non-distributable cash as a result of the said proposed capital increase.

Petrochem's local bankers have issued, on its behalf and during the normal course of business cycle, a bank guarantee of SR 53 million (2011: nil).

13. SEGMENT INFORMATION

Since Petrochem or its subsidiaries have not started their operations as of 31 March 2012, no segment information is available.

14. CAPITAL COMMITMENTS

The balance of unutilized capital expenditure approved by the board of directors in connection with the project of the Plant amounted to SR 105 million (2011: SR 1.84 billion).

15. COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform within the current period's presentation.