

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

**INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS (UNAUDITED)**

**FOR THE NINE MONTH PERIOD  
ENDED 30 SEPTEMBER 2014**

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

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the nine month period ended 30 September 2014

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## REVIEW REPORT

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

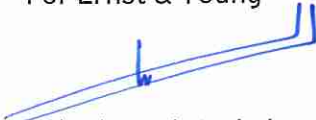
### Scope of review

We have reviewed the accompanying interim consolidated balance sheet of National Petrochemical Company - a Saudi Joint Stock Company - ("Petrochem") and its subsidiaries as at 30 September 2014, the related interim consolidated statement of income for the three and nine month periods ended 30 September 2014 and interim consolidated statement of cash flows and changes in equity for the nine-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 Organization 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: 3 Muharram 1436H  
(27 October 2014)

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2014

(Amounts in SR'000)

|  | <i>Note</i> | <i>2014</i>       | <i>2013</i>       |
|--|-------------|-------------------|-------------------|
| <b>ASSETS</b>  |             |                   |                   |
| <b>CURRENT ASSETS</b>  |             |                   |                   |
| Cash and cash equivalents  |             | 1,258,445         | 571,975           |
| Short term deposit   |             | 576,000           | -                 |
| Accounts receivable  |             | 1,020,139         | 561,135           |
| Cash margins, prepayments and other assets                       |             | 64,328            | 94,826            |
| Due from related parties   | 4           | 123,986           | 158,431           |
| Inventories  | 5           | 1,452,064         | 787,600           |
| <b>TOTAL CURRENT ASSETS</b>                                      |             | <b>4,494,962</b>  | <b>2,173,967</b>  |
| <b>NON-CURRENT ASSETS</b>  |             |                   |                   |
| Employee loans   |             | 58,003            | 24,822            |
| Project under construction                                       | 6           | 23,571            | 863,635           |
| Deferred charges   |             | 70,424            | 82,504            |
| Property, plant and equipment                                    |             | 17,831,478        | 17,721,641        |
| <b>TOTAL NON-CURRENT ASSETS</b>                                  |             | <b>17,983,476</b> | <b>18,692,602</b> |
| <b>TOTAL ASSETS</b>  |             | <b>22,478,438</b> | <b>20,866,569</b> |
| <b>LIABILITIES AND EQUITY</b>                                    |             |                   |                   |
| <b>CURRENT LIABILITIES</b>                                       |             |                   |                   |
| Accounts payables  |             | 274,348           | 218,796           |
| Accrued expenses and other liabilities                           |             | 507,455           | 354,793           |
| Amount due to a related party                                    | 4           | 196,781           | 95,042            |
| Current portion of term loans                                    | 7           | 1,135,502         | 715,502           |
| Short term loan  |             | -                 | 430,000           |
| Zakat  | 8           | 110,698           | 65,795            |
| <b>TOTAL CURRENT LIABILITIES</b>                                 |             | <b>2,224,784</b>  | <b>1,879,928</b>  |
| <b>NON-CURRENT LIABILITIES</b>                                   |             |                   |                   |
| Sukuk and term loans   | 7           | 12,600,077        | 12,535,580        |
| Subordinated loan from a non-controlling partner in a subsidiary | 9           | 1,131,798         | 1,000,548         |
| Employees' terminal benefits                                     |             | 30,694            | 18,792            |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                             |             | <b>13,762,569</b> | <b>13,554,920</b> |
| <b>TOTAL LIABILITIES</b>   |             | <b>15,987,353</b> | <b>15,434,848</b> |
| <b>EQUITY</b>  |             |                   |                   |
| <b>SHAREHOLDERS' EQUITY</b>                                      |             |                   |                   |
| Share capital  | 10          | 4,800,000         | 4,800,000         |
| Statutory reserve  |             | 1,780             | 1,780             |
| Accumulated losses   |             | (98,732)          | (755,541)         |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                |             | <b>4,703,048</b>  | <b>4,046,239</b>  |
| Non-controlling interest   |             | 1,788,037         | 1,385,482         |
| <b>TOTAL EQUITY</b>  |             | <b>6,491,085</b>  | <b>5,431,721</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                              |             | <b>22,478,438</b> | <b>20,866,569</b> |

The attached notes 1 to 16 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 and nine month periods ended 30 September 2014

(Amounts in SR'000)

|  | Note | For the three month<br>period ended 30 September |                  | For the nine month<br>period ended 30 September |                  |
|--|------|--|------------------|---|------------------|
|  |      | 2014   | 2013             | 2014  | 2013             |
| Sales  |      | 1,952,469  | 1,117,371        | 5,628,236                                       | 2,950,702        |
| Cost of sales  |      | (1,283,938)                                      | (1,156,130)      | (3,942,559)                                     | (2,594,217)      |
| <b>GROSS PROFIT (LOSS)</b>                                       |      | <b>668,531</b>                                   | <b>(38,759)</b>  | <b>1,685,677</b>                                | <b>356,485</b>   |
| <b>EXPENSES</b>  |      |  |                  |   |                  |
| Selling and distribution   |      | (130,252)  | (67,771)         | (359,522)                                       | (199,287)        |
| General and administrative                                       |      | (85,063)   | (64,326)         | (226,877)                                       | (183,282)        |
| <b>INCOME (LOSS) FROM MAIN OPERATIONS</b>                        |      | <b>453,216</b>                                   | <b>(170,856)</b> | <b>1,099,278</b>                                | <b>(26,084)</b>  |
| Financial charges, net   |      | (44,643)   | (43,315)         | (126,649)                                       | (144,025)        |
| <b>INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST AND ZAKAT</b>   |      | <b>408,573</b>                                   | <b>(214,171)</b> | <b>972,629</b>                                  | <b>(170,109)</b> |
| Non-controlling interest share in net income of the subsidiaries |      | (148,005)  | 73,154           | (354,129)                                       | 58,616           |
| <b>INCOME (LOSS) BEFORE ZAKAT</b>                                |      | <b>260,568</b>                                   | <b>(141,017)</b> | <b>618,500</b>                                  | <b>(111,493)</b> |
| Zakat  | 8    | (16,381)   | (9,189)          | (36,262)  | (29,206)         |
| <b>NET INCOME (LOSS) FOR THE PERIOD</b>                          |      | <b>244,187</b>                                   | <b>(150,206)</b> | <b>582,238</b>                                  | <b>(140,699)</b> |
| <b>EARNINGS (LOSS) PER SHARE FOR THE PERIOD (SR)</b>             | 11   |  |                  |   |                  |
| Attributable to the income (loss) from main operations           |      | 0.94   | (0.36)           | 2.29  | (0.05)           |
| Attributable to the net income (loss)                            |      | 0.51   | (0.31)           | 1.21  | (0.29)           |

The attached notes 1 to 16 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 nine month period ended 30 September 2014

(Amounts in SR'000)

|  | For the nine month<br>period ended 30 September |                 |
|--|---|-----------------|
|  | 2014  | 2013            |
| <b>OPERATING ACTIVITIES</b>                                      |   |                 |
| Income before zakat  | 618,500   | (111,493)       |
| Adjustments for:   |   |                 |
| Employees' terminal benefits, net                                | 9,001   | 4,629           |
| Depreciation and amortization                                    | 605,628   | 624,706         |
| Non-controlling interest share in net income of the subsidiaries | 354,129   | (58,616)        |
| Changes in operating assets and liabilities:                     |   |                 |
| Accounts receivable  | (332,115)                                       | (313,804)       |
| Cash margins, prepayments and other assets                       | (5,241)   | (41,632)        |
| Inventories  | (521,107)                                       | (358,496)       |
| Accounts payable   | (24,692)  | (126,339)       |
| Accrued expenses and other liabilities                           | 198,909   | 272,089         |
| Related parties, net   | 104,014   | 58,221          |
| Zakat paid   | (462)   | (3,800)         |
| <b>Net cash from (used in) operating activities</b>              | <b>1,006,564</b>                                | <b>(54,535)</b> |
| <b>INVESTING ACTIVITIES</b>                                      |   |                 |
| Short term deposit   | (576,000)                                       | -               |
| Project under construction                                       | (23,571)  | -               |
| Addition of property, plant and equipment                        | (63,500)  | (499)           |
| <b>Net cash used in investing activities</b>                     | <b>(663,071)</b>                                | <b>(499)</b>    |
| <b>FINANCING ACTIVITIES</b>                                      |   |                 |
| Proceeds from sukuk and (repayment of) term loans, net           | 842,244   | (207,293)       |
| Short term loan received   | (600,000)                                       | 430,000         |
| Subordinate loan from a non-controlling partner                  | -   | 236,252         |
| <b>Net cash from financing activities</b>                        | <b>242,244</b>                                  | <b>458,959</b>  |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>                     | <b>585,737</b>                                  | <b>403,925</b>  |
| Cash and cash equivalents at the beginning of the period         | 672,708   | 168,050         |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>        | <b>1,258,445</b>                                | <b>571,975</b>  |

The attached notes 1 to 16 form part of these interim consolidated financial statements.



INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Amounts in SR'000)

The attached notes 1 to 16 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)

30 September 2014

### 1. ORGANIZATION AND ACTIVITIES

National Petrochemical Company ("Petrochem") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010246363 dated 8 Rabi Al Awal 1429H (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 23 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. A subsidiary is an entity in which Petrochem has a direct or indirect investment of more than 50% of the voting capital and/or over which it exercise effective management control.

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.

Non- controlling interest in the net assets of consolidated subsidiaries is identified separately from Petrochem's shareholder equity therein. Non- controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

The subsidiaries included in these interim consolidation financial statements are as follows:

| Subsidiaries companies                  | Shareholding % |      | Country of Incorporation |
|---|----------------|------|--------------------------|
|   | 2014           | 2013 |                          |
| Saudi Polymers Company ("SPCo")         | 65             | 65   | Saudi Arabia             |
| Gulf Polymers Distribution Company FZCO | 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. At 1 October 2012, SPCo completed its trial operation and announced the commercial production.

Saudi polymers plant (the "Plant") has faced certain interruption in production during 2013 due to certain technical problems in certain production units. Further, an unscheduled disruption of production has been announced during March 2014 for 10 days due to disruption of feedstock system.

#### GULF POLYMERS DISTRIBUTION COMPANY FZCO ("GPDCo")

Is a free zone limited liability company registered in the Dubai Airport Free Zone, in United Arab Emirates dated 12 Rabi Awal 1432 H (corresponding to 15 February 2011) with a capital of AED 2 million. GPDCo is activity is restricted to selling and storing SPCo's polymer products.



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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-CONTINUED  
30 September 2014

## 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 2013. 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 2013.

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 and cash on hand and short term deposits with original maturities of three months or less from the date of purchase.

### *Accounts receivable*

Accounts receivable are stated at the invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the receivable amount is considered doubtful. Bad debts are written off as incurred.

### *Inventories*

Inventories are stated at the lower of cost and net realizable value. Cost is determined as follows:

|  |   |  |
|--|---|--|
| Raw materials, spare parts and catalysts | - | purchase cost on a weighted average basis.   |
| Work in progress & Finished goods        | - | cost of direct materials and labor plus attributable overheads based on a normal level of activity |

### *Property, plant and equipment/Depreciation*

Property, plant 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.

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

|                                |         |       |                        |   |                             |
|--------------------------------|---------|-------|------------------------|---|-----------------------------|
| Plant and equipments           | 5- 25   | years | Vehicles               | 4 | years                       |
| Buildings                      | 20      | years | Leasehold improvements | 5 | years or the term of lease, |
| Office equipment and furniture | 3.33-10 | years |                        |   | which shorter               |

### *Project under construction*

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

### *Deferred charges/ amortization*

Deferred charges comprise agency and upfront fees on term loans 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, and thereafter, is charged to the interim consolidated statement of income.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-CONTINUED  
30 September 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Impairment of non-current assets*

Periodically, the carrying amounts of non-current assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. 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 recognized 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 recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized as income immediately in the interim consolidated statement of income.

*Accounts payable and accruals*

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

*Provisions*

Provisions are recognized 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 Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on accrual basis. The provision is charged to the interim consolidated statement of income on estimated basis during interim periods, 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. Foreign partners in 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 interim consolidated balance sheet date.

*Borrowing costs*

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

*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.

*Revenue recognition*

Sales represent the invoiced value of goods supplied. Sales from sale of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably; normally on delivery to the customer. Other income is recognized when incurred.

*Expenses*

Selling expenses are those that specifically relate to delivery and marketing. All other expenses –except cost of sales- are allocated on a consistent basis to general and administrative expenses in accordance with allocation factors determined as appropriate by the management.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-CONTINUED  
30 September 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*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.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the interim consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at average exchange rates during the interim period. Component of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Exchange differences arising from such translations, if material, are included in the cumulative translation adjustment account under equity in the interim consolidated balance sheet.

*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.

4. RELATED PARTIES TRANSACTIONS

The following are the details of major related parties transactions during the period :

(Amounts in SR '000)

| Related party                           | Nature of transaction              | Amount of transaction |         |
|---|------------------------------------|-----------------------|---------|
|   |                                    | 2014                  | 2013    |
| Majority shareholder                    | Bank guarantee commissions charged | 1,047                 | 671     |
|   | Finance commissions charged        | 1,090                 | 446     |
|   | Shared services provided           | 819                   | 819     |
|   | Investment in Sukuk                | 130,000               | -       |
| Non-controlling partner in a subsidiary | Proceeds from subordinated loan    | -                     | 236,252 |
|   | Marketing fees                     | 231,236               | 120,746 |
| Affiliated companies                    | Services provided                  | 640,792               | 515,057 |
|   | Sales                              | 376,723               | 395,878 |
|   | Purchases                          | 1,146,617             | 727,698 |

Amounts due from / to related parties are shown in the interim consolidation balance sheet.



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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-CONTINUED  
30 September 2014

5. INVENTORIES

| (Amounts in SR '000) | 2014             | 2013           |
|----------------------|------------------|----------------|
| Finished goods       | 993,999          | 481,366        |
| Spare parts          | 289,756          | 150,018        |
| Raw materials        | 138,843          | 128,288        |
| Catalyst             | 29,466           | 27,928         |
|                      | <u>1,452,064</u> | <u>787,600</u> |

6. PROJECTS UNDER CONSTRUCTION

As of 30 September 2014 and 2013, the balance comprises cost of the construction of additional units and facilities for Saudi polymers plant (the "Plant").

7. SUKUK AND TERM LOANS

- SUKUK:  
On 25 Shaban 1435H, (corresponding to 23 June 2014), Petrochem issued Sukuk amounting to SR 1.2 billion at a par value of SR 1,000,000 each with no discount or premium. The Sukuk issuance bears a variable rate of return at (SIBOR) plus %1.7 margin, payable semi-annually. The Sukuk is due at maturity at par value on its expiry date of 20 Shawal 1440 H (corresponding 23 June 2019).
- TERM LOAN:  
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 machinery and equipment 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. 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 2013, and zakat was settled accordingly. The DZIT has raised zakat assessment for the year 2008 which resulted a difference of SR 53 million. Petrochem has filed an appeal against this assessment before the Higher Appeal Committee, which issued its ruling during the current period in the favor of Petrochem.

Petrochem and its zakat consultant have filed an appeal against the claim for the year 2010 which resulted in a difference of SR 74.42 million. The Committee has issued its ruling, reducing the claim by the amount of SR 74.10 million. The Company and DZIT appealed against the ruling before The Higher Appeal Committee. The management believes that the ultimate outcome of this appeal will be in the favor of Petrochem.

Also Petrochem and its zakat consultant have filed an appeal against the claim for the year 2012 which resulted in a difference of SR 35 million. The management believes that the provision made is adequate to cover any differences that may arise from this claim.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-CONTINUED  
30 September 2014

**9. SUBORDINATED LOAN FROM THE NON-CONTROLLING PARTNER IN A SUBSIDIARY**

This represent subordinated loan from Arabian Chevron Petrochemical Company Limited (the “non-controlling partner”), which is a commission free loan granted from the partners to SPCo in proportion of their shareholding in the company, and its settlement is subject to the minimum level required to be maintained by the terms of the loan facility agreements granted by SIDF (Note 7).

**10. SHARE CAPITAL**

Share capital of Petrochem is divided into 480 million shares (2013: 480 million shares) of SR 10 each.

**11. EARNINGS PER SHARE**

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

**12. 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.

**13. 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 proposed capital increase.

Petrochem’s and its subsidiaries local bankers have issued, on their behalf and during the normal course of business cycle, bank guarantees of SR 860.24 million which included SR 860 million from SPCo to the benefit of Saudi Aramco Company for feedstock cost (2013: SR 913 million included SR 860 million from SPCo to the benefit of Saudi Aramco Company for feedstock cost).

**14. SEGMENTAL INFORMATION**

In respect of performance appraisal and allocation of resources, Petrochem’s management is of the opinion that all activities and operations of Petrochem and its subsidiaries comprise single operating segment i.e. petrochemical sector. Therefore, financial reports are issued only for geographical segments.

Operating assets of Petrochem and its subsidiaries are located in the Kingdom of Saudi Arabia. Petrochem and its subsidiaries sales are geographically distributed between domestic sales in the Kingdom by 7%, overseas sales to Asia by 58% and to European countries and Africa by 35%.

**15. CAPITAL COMMITMENTS**

The balance of unused capital expenditure approved by the board of directors in connection with the construction of additional units and facilities for Saudi Polymers plant was SR 200 million (2013: SR Nil).

**16. COMPARATIVE FIGURES**

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