

**NATIONAL PETROCHEMICAL COMPANY - PETROCHEM
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009
TOGETHER WITH LIMITED AUDITORS' REPORT**

**AUDITORS' REPORT ON THE REVIEW OF INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**SHAREHOLDERS OF
NATIONAL PETROCHEMICAL COMPANY - PETROCHEM
(A Saudi Closed Joint Stock Company)**

We have examined the accompanying Interim consolidated balance sheet of **NATIONAL PETROCHEMICAL COMPANY - PETROCHEM (A Saudi Closed Joint Stock Company)** as of March 31, 2009 and the related statements of income, cash flows and changes in shareholders' equity for the three months period then ended, and the notes from 1 to 11 which are an integral part of these interim consolidated financial statements, Which have been prepared by the company and submitted to us together with all the information and explanations which we requested. These consolidated financial statements are the responsibility of the Company's management. We examined the consolidated the interim financial statements based on financial data submitted to us from the company's affiliate company (Saudi Polymers Company which the Company owns 50% of its shares) for the period ended March 31, 2009. These consolidated financial statements are the responsibility of the Company.

Our examination was limited to the Interim consolidated financial statements of **NATIONAL PETROCHEMICAL COMPANY - PETROCHEM (A Saudi Closed Joint Stock Company)** and was conducted in accordance with the Saudi Organization for Certified Public Accountants standard on interim consolidated financial statements. The limited examination consists principally of analytical procedures applied to financial data and inquiries of the Company's personnel responsible for 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 regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our limited review, we are not aware of any material modifications that should be made to the interim consolidated financial statements for the three months period ended March 31, 2009 to be in conformity with generally accepted accounting principles.



AlAzem & AlSudairy
Certified Public Accountants



Salman B. Al-Sudairy
License No. 283

15 Rabei Al Thani 1430H (April 11, 2009)
Riyadh, Saudi Arabia

NATIONAL PETROCHEMICAL COMPANY - PETROCHEM**(A Saudi Closed Joint Stock Company)****CONSOLIDATED BALANCE SHEET (UNAUDITED)****AS OF MARCH 31, 2009****(In Thousands Saudi Riyals)****ASSETS**

Current Assets:

Banks balances (Note 4)	1,725,724
Accrued Revenue from time deposit	4,187
Prepayments and other assets	<u>1,636</u>

Total current assets 1,731,547

Deferred Expenses (Note 2b)	71,364
Projects Under Construction (Note 5)	2,762,644
Property and Equipment, net (Note 2c)	<u>1,508</u>

Total assets 4,567,063

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:

Accrued expenses and other liabilities	241
Zakat provision (Note 2d)	<u>13,306</u>

Total current liabilities 13,547

Long term payable	390,126
Due to an affiliate company (Note 6)	113
Long Term Loans (Note 7)	1,953,330
End of Service Benefits (Note 2e)	<u>17</u>

Total liabilities 2,357,133

Shareholders' Equity:

Paid-up capital (Note 8)	2,200,000
Statutory reserve	1,780
Retained earnings	<u>8,150</u>

Total shareholders' equity 2,209,930

Total liabilities and shareholders' equity 4,567,063

The accompanying notes from (1) to (11) are an integral part of these interim consolidated financial statements

NATIONAL PETROCHEMICAL COMPANY - PETROCHEM
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009
(In Thousands Saudi Riyals)

For the three months
From 1 January up to 31 March
(Unaudited)

General and administrative expenses (Note 2f)	<u>(981)</u>
Net operating losses for the period	(981)
Finance charges	(616)
Other income (Notes 2g and 9)	<u>7,031</u>
Net profit for the period before Zakat	5,434
Accrued Zakat for the period (Note 2d)	<u>(13,306)</u>
Net losses for the period	<u>(7,872)</u>
Net losses for the period per share	<u>(0,04)</u>

The accompanying notes from (1) to (11) are an integral part of these interim consolidated financial statements

NATIONAL PETROCHEMICAL COMPANY - PETROCHEM
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009
(In Thousands Saudi Riyals)

From 1/1/2009
To 31/03/2009

Cash Flows from Operating Activities:

Net losses for the period (7,872)

**Adjustments to reconcile net losses to
net cash provided by operating activities:**

Depreciation for the period 60

Zakat provision for the period 13,306

End of Service Benefits for the period 6

Changes in assets and liabilities:

Accrued Revenue from time deposit 29,758

Prepayments and other assets (41)

Long term payable 54,842

Accrued expenses and other liabilities 241

Net cash provided by operating activities 90,300

Cash Flows from Investing Activities:

Purchase of property and equipment (917)

Projects Under Construction (603,758)

Deferred Expenses (6,541)

Net cash used in investing activities (611,216)

Cash Flows from Financing Activities:

Net change in Due to an affiliate company (398)

Proceeds from Long Term Loans 734,024

Net cash provided by financing activities 733,626

Net increase in banks balances 212,710

Banks balances at beginning of the period 1,513,014

Banks balances at end of the period 1,725,724

The accompanying notes from (1) to (11) are an integral part of these interim consolidated financial statements

NATIONAL PETROCHEMICAL COMPANY - PETROCHEM
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009
(In Thousands Saudi Riyals)

	<u>From 01/01/2009</u> <u>To 31/03/2009</u>
Paid-up capital (Note 8)	<u>2,200,000</u>
Statutory reserve	<u>1,780</u>
Retained earnings:	
Beginning of the period	16,022
Net losses for the period	<u>(7,872)</u>
End of the period	<u>8,150</u>
Total shareholders' Equity	<u>2,209,930</u>

The accompanying notes from (1) to (11) are an integral part of these interim consolidated financial statements

NATIONAL PETROCHEMICAL COMPANY - PETROCHEM
(A Saudi Closed Joint Stock Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009
(In Thousands Saudi Riyals)

1. GENERAL

National Petrochemical Company - Petrochem is a Saudi Closed Joint Stock Company. The Company is registered in the Kingdom of Saudi Arabia under the commercial registration No. 1010246363 dated 08/03/1429H (corresponding to 16/03/2008).

The principal activities of the Company are enhancing the growth, development, establishing, operating, managing and maintaining petrochemical, gas, petroleum and other industrial factories. Wholesale and retail trading in petrochemical materials and products, owning lands, real estate and buildings for the company's benefit.

The accompanying interim consolidated financial statements for the period ended March 31, 2009, comprise the Company's accounts and its Affiliated Company (Saudi Polymers Company) in which the company owns 50% of owner's equity:

– Saudi Polymers Company --

Saudi Polymers Company is a Saudi mixed limited liability Company (capital SAR 187.5 million), located in Al Jubail Industrial City, National Petrochemical Company - Petrochem owns 50 % of Saudi Polymers Company shares and 50 % is owned by Arabian Chevron Phillips Petrochemical Limited Company, The Company produces the following products (ethylene, propylene, 1-Hexene, high density and low density polyethylene, polypropylene, and polystyrene).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in Saudi Arabia. The following is a summary of the Company's significant accounting policies:

a) Consolidation base --

The accompanying interim consolidated financial statements comprise the National Petrochemical Company - Petrochem financial statement as of March 31, 2009 and its affiliate company according to the unaudited interim financial statement for the affiliate company as of March 31, 2009 and for the purpose of preparing the interim consolidated financial statements, all affiliate balances and transaction were settled between the Company and them.

The interim financial statements of the company and those of its affiliate were consolidated based on the congenital consolidation international criterion which is not in conflict with Saudi Standards.

b) Deferred expenses --

Deferred expenses are amortized using the straight-line method over a period of 10 years.

c) Property and equipment --

Property and equipment are stated at net cost of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentage rates:

Motor vehicles	25%
Lease hold improvements	20%
Computers	15%

d) Zakat --

Zakat is an obligation payable by the Company. Estimated Zakat is provided for in the accompanying financial statements and charged to the statement of income, in accordance with Zakat standard issued by the Saudi Organization for Certified Public Accountants. Zakat calculation is made quarterly according to the accrual accounting concept. Any differences between Zakat provision and final settlement at the end of the year are settled.

e) End of service benefits --

Benefits payable to the employees at the end of their services are provided for in accordance with the guidelines set by the Saudi Arabian Labor Law.

f) Expenses --

Expenses incurred by the Company comprise of selling and marketing expenses, general and administrative expenses, and production costs. Production costs include raw materials, direct labor and indirect manufacturing expenses. All expenses related to marketing, selling and distribution of finished goods are classified under a separate line item as selling and marketing expenses. Other direct and indirect management expenses, which are not related to production or selling and marketing functions, are classified as general and administrative expenses. Un-allocated expenses, if any, are distributed between general and administrative expenses, selling and marketing expenses, and production costs using fixed basis.

g) Revenue recognition --

Revenue is recognized when goods are delivered and invoices are issued to customers. Other income is recorded when earned.

h) Transfer of foreign currencies--

The accompanying financial statements are denominated in Saudi Riyals. Appropriate exchange rates have been used to translate transactions or balances denominated in foreign currencies. The related losses or gains were reported in the statement of income.

3. ADJUSTMENTS RELATED TO THE PERIOD

The company's management has prepared all the adjustments needed to fairly present the financial position and the results of its operations; however the results of its operations for the period ended March 31, 2009 does not give an accurate resemblance of the actual results of the whole year operations.

4. BANKS BALANCES

Banks balances comprised of the following as of March 31, 2009:

	<u>In Thousands Saudi Riyals</u>
Cash on banks	248,224
Time deposits	<u>1,477,500</u>
	<u>1,725,724</u>

5. PROJECTS UNDER CONSTRUCTION

Projects under construction represent the Company's share in establishing Saudi Polymers Company project. The cost of this project is expected to exceed SAR 20.8 Billion in cost. This project is scheduled to be launched at the end of 2011.

6. DUE TO AN AFFILIATE COMPANY

Due from an affiliate company balance represents the amount due to **Saudi Industrial Investment Group (A Saudi Joint Stock Company)** for the period ended March 31, 2009.

7. LONG TERM LOAN

Long term loans represent the withdrew part of 1,219 thousand million SAR from the commercial banks loans (totaling 4,629 thousand million) which are approved to be granted to the Saudi Polymers Company from commercial bank, to finance factory construction. The loan is granted against the pledge of factory's property and equipment. Loan payments are due within 6 months of project's operational phase which is scheduled to be around the end of 2011. Total loans approved for granting and were not drawn totaled 1,500 thousand million SAR from PIF (Public Investment Fund), and 300 million SAR from SIDF (Saudi Industrial Development Fund), also against the pledge of property and equipment.

8. CAPITAL

The Capital of the company is 2,200,000,000 two billion and two hundred million Saudi Riyals, divider to 220,000,000 two hundred million and twenty thousand shares equal value, at a book value of Saudi Riyals 10 per share, and all is cash normal share:

	<u>%</u>	<u>Number of Shares</u>	<u>Amount</u>
Saudi Industrial Investment Group (J.S.C)	95 %	209,000,000	2,090,000,000
Saudi Benzene Company (L.L.C)	1,25 %	2,750,000	27,500,000
Saudi Cyclohexane Company (L.L.C)	1,25 %	2,750,000	27,500,000
Saudi Nylon Company (L.L.C)	1,25 %	2,750,000	27,500,000
Saudi Paraxylene Company (L.L.C)	1,25 %	2,750,000	27,500,000
Total	<u>100 %</u>	<u>220,000,000</u>	<u>2,200,000,000</u>

9. OTHER REVENUE

Other revenue balance for the period ended March 31, 2009 represents time deposits interest.

10. CAPITAL COMMITMENTS

- National Petrochemical Company-Petrochem, has a commitment of USD 750 million (SAR 2,812,500,000) towards each of Saudi Polymers Company, as the project's company, and Smitumu Mitsu Bank as it is the representative of the lending banks. This commitment stands for a bank letter of guarantee for the company's contribution in the equity of the Saudi polymers Company, which is half owned by the company, against the pledge of a time deposit amounting to USD 375 million (SAR 1,406,250,000).
- National Petrochemical Company-Petrochem has SAR 6,56 Billion of unused capital expenditure commitment as of March 31, 2009 regarding to being a partner in Saudi Polymers Company by 50% for petrochemical plant construction.

11. GENERAL

The figures in the consolidated financial statements are rounded to the nearest thousand Saudi Riyal.