

**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 2012**

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 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 30 September 2012, the related interim consolidated statement of income for the three and nine month periods ended 30 September 2012, and interim consolidated statements of cash flows and changes in shareholders' 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 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: 1 Dhual-Hijjah 1433H
(17 October 2012)

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2012

(Amounts in SR'000)

	Notes	2012	2011
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		780,460	1,853,856
Due from a related party		158,175	468
Inventories		395,688	-
Cash margins and other assets		242,095	66,204
TOTAL CURRENT ASSETS		1,576,418	1,920,528
NON-CURRENT ASSETS			
Project under construction	4	19,194,899	17,661,345
Deferred charges		116,895	160,471
Property and equipment		572	825
TOTAL NON-CURRENT ASSETS		19,312,366	17,822,641
TOTAL ASSETS		20,888,784	19,743,169
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other liabilities		289,387	23,223
Current portion of term loans	7	207,291	-
Zakat provision	5	71,174	30,869
TOTAL CURRENT LIABILITIES		567,852	54,092
NON-CURRENT LIABILITIES			
Long term accounts payable	6	207,720	227,769
Amounts due to related parties		84,485	4,086
Term loans	7	13,251,083	13,081,198
Subordinated loan from a non-controlling partner	8	518,861	14,861
Employees' terminal benefits		12,664	7,483
TOTAL NON-CURRENT LIABILITIES		14,074,813	13,335,397
TOTAL LIABILITIES		14,642,665	13,389,489
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	9	4,800,000	4,800,000
Statutory reserve		1,780	1,780
Accumulated losses		(208,853)	(122,677)
TOTAL SHAREHOLDERS' EQUITY		4,592,927	4,679,103
Non controlling interest		1,653,192	1,674,577
TOTAL EQUITY		6,246,119	6,353,680
TOTAL LIABILITIES AND EQUITY		20,888,784	19,743,169

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 2012
(Amounts in SR'000)

	Notes	For the three month period ended 30 September 2012	2011	For the nine month period ended 30 September 2012	2011
General and administrative expenses		(32,712)	(5,390)	(97,163)	(16,381)
OPERATIONAL LOSS		(32,712)	(5,390)	(97,163)	(16,381)
Interest income from time deposit		1,420	1,716	7,136	8,107
Other income	10	50,775	-	50,775	-
INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST AND ZAKAT		19,483	(3,674)	(39,252)	(8,274)
Non-controlling interest share in net (income) loss of the subsidiaries		(8,856)	1,169	12,299	2,913
INCOME (LOSS) BEFORE ZAKAT		10,627	(2,505)	(26,953)	(5,361)
Zakat	5	(10,752)	(10,082)	(30,595)	(30,114)
NET LOSS FOR THE PERIOD		(125)	(12,587)	(57,548)	(35,475)
LOSS PER SHARE FOR THE PERIOD (SR)	11				
Attributable to the operational loss		(0.07)	(0.01)	(0.20)	(0.03)
Attributable to the net loss		(0.00003)	(0.03)	(0.12)	(0.07)

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 2012

(Amounts in SR'000)

	<i>Nine-month period ended 30 September 2012</i>	<i>Nine-month period ended 30 September 2011</i>
OPERATING ACTIVITIES		
Loss before zakat	(26,953)	(5,361)
Adjustments for:		
Employees' terminal benefits, net	5,029	4,557
Depreciation	306	295
Non-controlling interest share in net loss of the subsidiaries	(12,299)	(2,913)
Changes in operating assets and liabilities:		
Cash margins and other assets	(176,162)	(54,167)
Inventories	(339,584)	-
Accounts payable, accrued expenses and other liabilities	251,595	(39,719)
Related parties, net	(107,288)	1,360
Zakat paid	-	(40,330)
Net cash used in operating activities	(405,356)	(136,278)
INVESTING ACTIVITIES		
Purchase of property and equipment	(29)	(37)
Project under construction	(1,146,814)	(1,618,525)
Net cash used in investing activities	(1,146,843)	(1,618,562)
FINANCING ACTIVITIES		
Proceeds from term loans	121,597	1,504,837
Non-controlling interest	-	718
Subordinate loans proceeds from a non-controlling partner	504,002	-
Net cash from financing activities	625,599	1,505,555
DECREASE IN CASH AND CASH EQUIVALENTS	(926,600)	(249,285)
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	780,460	1,853,856

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 CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

For the nine-month period ended 30 September 2012

(Amounts in SR'000)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance as at 1 January 2012	4,800,000	1,780	(151,305)	4,650,475
Net loss for the period	-	-	(57,548)	(57,548)
Balance as at 30 September 2012	4,800,000	1,780	(208,853)	4,592,927
Balance as at 1 January 2011	4,800,000	1,780	(87,202)	4,714,578
Net loss for the period	-	-	(35,475)	(35,475)
Balance as at 30 September 2011	4,800,000	1,780	(122,677)	4,679,103

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 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 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. 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:

Subsidiaries companies	Shareholding %		Country of Incorporation
	2012	2011	
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. SPCo finished its trial operation at the end of the period and announced the commercial production subsequent to the date of the interim balance sheet.

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 activity is restricted to selling and storing SPCo's polymer products. GPDCo did not start its commercial activities yet.

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.

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

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

30 September 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories

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

Raw materials, spare parts and chemical stimuli	-	purchase cost on a weighted average basis.
Finished goods	-	cost of direct materials and labor plus attributable overheads based on a normal level of activity

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 direct costs and 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.

Impairment of 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.

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

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

30 September 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Differences, if any, resulting from the final Zakat assessments are adjusted in the year of their finalization. Foreign shareholders 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 interim 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, 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

Income from bank deposits is recognized on an accrual basis.

General and administration expenses

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

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.

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

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

30 September 2012

4. PROJECT UNDER CONSTRUCTION

Project under construction comprises cost of construction works under progress of polymers plant (the "Plant"), which completed its trial operation at the end of the current period, announced its commercial production subsequent to the date of the interim financial statements.

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 final zakat assessments up to 2010. Petrochem has filed an appeal against the assessment for the year 2008 before the Higher Appeal Committee, with differences of SR 53 million. The appeal 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.

Petrochem and its zakat consultant have filed an appeal against the assessment for the year 2010 before the DZIT against some items excluded from that assessment which resulted in a difference of SR 74 million. 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.

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 (2010: 480 million shares).

10. OTHER INCOME

Other income mainly represents net profit earned from sale of products during the trial production period of the polymers plant.

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

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

30 September 2012

11. LOSS PER SHARE

Loss per share is calculated by dividing loss from main operations and net loss 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 local bankers have issued, on its behalf and during the normal course of business cycle, a bank guarantee of SR 53 million to the benefit of DZIT (2011: 53).

14. SEGMENT INFORMATION

Since Petrochem or its subsidiaries have not started their commercial operations as of 30 September 2012, no segment information is available.

15. CAPITAL COMMITMENTS

There is no unutilized balance of capital expenditure approved by the board of directors in connection with the project of the Plant (2011: SR 3.5 billion).

16. COMPARATIVE FIGURES

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