

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

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

**FOR THE NINE-MONTH PERIOD
ENDED 30 SEPTEMBER 2010**

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

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LIMITED REVIEW REPORT

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

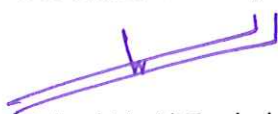
Scope of review

We have reviewed the accompanying interim consolidated balance sheet of National Petrochemical Company - A Saudi Joint Stock Company ("Petrochem") and its subsidiary as at 30 September 2010, the related interim consolidated statement of income for the three and nine month periods ended 30 September 2010, 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 the 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 to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young



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Certified Public Accountant
Registration No. 354



Riyadh: 11 Dhul-Qida 1431H
(19 October 2010)

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

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

As at 30 September 2010

(Amounts in SR'000)

	Note	2010	2009
ASSETS			
Current assets			
Cash and cash equivalents		2,488,655	4,318,321
Accrued income, prepayments and other assets		5,583	10,020
Total current assets		2,494,238	4,328,341
Non-current assets			
Construction work in progress	4	15,048,856	9,445,870
Deferred charges		207,116	137,223
Property and equipment		1,175	1,357
Total non-current assets		15,257,147	9,584,450
TOTAL ASSETS		17,751,385	13,912,791
LIABILITIES AND EQUITY			
Current liabilities			
Zakat	9	86,028	39,779
Total current liabilities		86,028	39,779
Non-current liabilities			
Long term accounts payable	5	849,787	1,121,652
Term loans	6	10,448,371	7,044,197
Subordinated loan from minority shareholder	7	1,601,096	834,621
Employees' terminal benefits		2,434	1,103
Total non-current liabilities		12,901,688	9,001,573
Total liabilities		12,987,716	9,041,352
EQUITY			
Shareholders' equity			
Share capital	8	4,800,000	4,800,000
Statutory reserve		1,780	1,780
Accumulated losses		(128,583)	(23,381)
Total shareholders' equity		4,673,197	4,778,399
Minority interests		90,472	93,040
Total equity		4,763,669	4,871,439
TOTAL LIABILITIES AND EQUITY		17,751,385	13,912,791

The Attached notes 1 to 14 form part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)

For the three and nine month periods ended 30 September 2010

(Amounts in SR'000)

	Note	<i>For the three-month ended</i> 30 September 2010	<i>30 September</i> 2009	<i>For the nine-month ended</i> 30 September 2010	<i>30 September</i> 2009
General and administration expenses		(1,934)	(2,832)	(7,604)	(5,707)
LOSS FROM MAIN OPERATIONS		(1,934)	(2,832)	(7,604)	(5,707)
Amortization		-	(5,545)	-	(5,545)
Income from bank deposits		2,932	1,904	8,350	11,175
INCOME (LOSS) BEFORE MINORITY INTERESTS AND ZAKAT		998	(6,473)	746	(77)
Minority interests share in loss of a subsidiary		130	419	1,268	419
INCOME (LOSS) BEFORE ZAKAT		1,128	(6,054)	2,014	342
Zakat	9	(4,581)	(13,151)	(86,028)	(39,779)
NET LOSS FOR THE PERIOD		(3,453)	(19,205)	(84,014)	(39,437)
LOSS PER SHARE (SR)	10				
Attributable to loss from main operations		(0.004)	(0.01)	(0.02)	(0.02)
Attributable to net loss for the period		(0.01)	(0.07)	(0.18)	(0.14)

The Attached notes 1 to 14 form part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

For the nine month period ended 30 September 2010

(Amounts in SR'000)

	2010	2009
OPERATING ACTIVITIES		
Income before Zakat	2,014	342
Adjustments for:		
Employees' terminal benefits, net	1,072	647
Depreciation and amortization	287	11,698
Prior years adjustments	-	34
Minority interests share in loss of a subsidiary	(1,268)	(419)
Changes in `operating assets and liabilities:		
Long term accounts payable	(116,241)	786,674
Accrued income, prepayments and other assets	(1,540)	19,975
Zakat paid	(53,065)	-
Net cash (used in) from operating activities	(168,741)	818,951
INVESTING ACTIVITIES		
Purchase of property and equipment, net	(17)	(934)
Deferred charges	(73,170)	(77,906)
Construction work in progress	(3,879,308)	(7,286,984)
Net cash used in investing activities	(3,952,495)	(7,365,824)
FINANCING ACTIVITIES		
Proceeds from term loans	2,773,426	6,659,512
Proceeds from Subordinated loan from minority shareholder	564,377	93,040
Due to an affiliate	-	(372)
Capital	-	2,600,000
Net cash from financing activities	3,337,803	9,352,180
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(783,433)	2,805,307
Cash and cash equivalents at the beginning of the period	3,272,088	1,513,014
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,488,655	4,318,321

The Attached notes 1 to 14 form part of these interim consolidated financial statements.

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

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

For the nine-month period ended 30 September 2010
(Amounts in SR'000)

	Attributable to the shareholders' equity				Minority Interest
	Share capital	Statutory reserve	Accumulated losses	Total shareholders' equity	
30 September 2010					
Balance as at 1 January 2010	4,800,000	1,780	(44,569)	4,757,211	91,740
Net loss for the period	-	-	(84,014)	(84,014)	(1,268)
Balance as at 30 September 2010	4,800,000	1,780	(128,583)	4,673,197	90,472
30 September 2009					
Balance as at 1 January 2009	2,200,000	1,780	16,022	2,217,802	-
Capital increase	2,600,000	-	-	2,600,000	-
Minority interest	-	-	-	-	93,459
Prior year adjustments	-	-	34	34	-
Net loss for the period	-	-	(39,437)	(39,437)	(419)
Balance as at 30 September 2009	4,800,000	1,780	(23,381)	4,778,399	93,040

The Attached notes 1 to 14 form part of these interim consolidated financial statements.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
30 September 2010

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 and its subsidiary (Saudi Polymers Company) are 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 their benefits.

Petrochem and its subsidiary are also engaged in production and sale of engine fuel, fuel oil, ethylene, propylene, hexane, gasoline, high and low density polyethylene, polypropylene and polystyrene.

2. BASIS OF CONSOLIDATION

The interim consolidated financial statements include the interim financial statements of Petrochem and its Subsidiary, 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 or over which it exercise effective management control. The financial statements of the Subsidiary are prepared using accounting policies consistent with those of Petrochem. The Subsidiary is consolidated from the date on which Petrochem is able to exercise effective management control on the Subsidiary.

Interim financial statements of the Subsidiary, a mixed limited liability company, are consolidated in the interim financial statements of Petrochem, which is owned 65% (2009: 50%) by Petrochem.

During the third quarter of 2009, the capital of the Subsidiary, has been increased from SR 187.5 million to SR 267.9 million. This increase in capital resulted in changing the ownership percentage of Petrochem in the Subsidiary from 50% to 65%. Consequently, effective in the third quarter of 2009, Petrochem started to consolidate the financial statements of the Subsidiary, which were proportionately consolidated.

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 audited consolidated financial statements for the year ended 31 December 2009. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended 31 December 2009. 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.

Cash and cash equivalents

Cash and cash equivalents consists of cash and bank balances and short term deposits with original maturities of three months or less from the date of acquisition.

Property and equipment

Property and equipment are stated at cost net of accumulated depreciation except for construction work in progress which is stated at cost. Expenditure for maintenance and repairs is expensed, while expenditure for betterments 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 remaining term of the lease.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) - Continued

30 September 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (Continued)

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

Construction work in progress

Construction work in progress includes main contractors and subcontractors cost, cost of materials and services required for the construction of the plant, borrowing costs, salaries and other costs that are deemed necessary as costs to have the plant ready for its intended use and other overheads allocated to the project. Such expenditures are capitalized and amortized when the construction of the plant is substantially completed.

Deferred charges/amortization

Deferred charges comprises agency and upfront fees and are amortized over the terms of the related loans. The amortization is capitalized in the cost of the plant under construction.

Deferred charges also include the expenditure incurred by Petrochem for capital increase in 2009 which was amortized on a straight line basis during the remaining of the same year.

Impairment of financial assets

Periodically a review of the carrying amounts of the long term tangible assets is conducted to determine whether there is any indication that those assets have suffered 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, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is computed.

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 impairment base subsequently reversed, 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 an impairment is recognised as income immediately in the interim consolidated statement of income.

Use of estimates

The preparation of the interim consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. The interim results of Petrochem and its subsidiary may not be an accurate indication of their annual results of operation.

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 has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) - Continued

30 September 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assessments are adjusted in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the interim consolidated financial statements.

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 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 currency translation

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 period expenses, other than capitalized costs, incurred during the construction period are classified as general and administration expenses.

Segment reporting

A segment is a distinguishable component of Petrochem and its Subsidiary 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.

4. CONSTRUCTION WORK IN PROGRESS

Construction work in progress represents the costs incurred in connection with the construction of a petrochemical plant. It is anticipated that construction will be completed and the plant will commence its commissioning period at the end of 2011.

5. LONG TERM ACCOUNTS PAYABLE

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

National Petrochemical Company (Petrochem) and its Subsidiary
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) - Continued

30 September 2010

6. TERM LOANS

Term loans represent the drawn portion of SR 10,448 million (30 September 2009: SR 7,044 million) out of loan facilities obtained by the subsidiary company from various commercial banks, Saudi Industrial Development Fund (SIDF) and Public Investment Fund (PIF), to finance the construction of the petrochemical plant.

The loans are secured by an assignment of residual proceeds of plant and equipment, charge and assignment over secured project documents, charge and assignment over project onshore and offshore bank accounts. The loans obtained from commercial banks carry interest at Libor plus 0.06% to 1.15%. The loans obtained from SIDF and PIF carry interest ranging between 4.15% to 8.33% and 7% to 9% respectively of the total facilities utilized.

The subsidiary is required to comply with certain covenants under all the loan facility agreements. Loans repayment shall commence within 6 months of the project's operational phase, which is anticipated to begin at the end of f 2011. Loans will be fully repaid by 2021.

7. SUBORDINATED LOAN FROM MINORITY SHAREHOLDER

Subordinated loan from minority shareholder (Arabian Chevron Phillips Petrochemical Company Limited) is commission free to the Subsidiary and is repayable subject to the minimum level required to be maintained by the terms of SIDF's facility arrangements.

8. SHARE CAPITAL

Share capital of Petrochem is divided into 480 million shares of SR 10 each as of 30 September 2010 (30 September 2009: 480 million shares).

Share Capital of Petrochem was increased through a resolution approved by shareholders' extraordinary general assembly meeting held on 23 Jumad Awal 1430H (corresponding to 18 May 2009). According to the resolution, 240 million shares at par value of SR 10 per share were offered to the general public and 20 million shares at par value of SR 10 per share were offered to the incorporators of Petrochem.

9. 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. Pursuant to the zakat consultant's advice, management has re-estimated the zakat base elements for the nine months period.

A zakat return has been filed with the Department of Zakat & Income Tax (DZIT) for 2008 and 2009, and zakat was settled accordingly. The DZIT has raised the zakat assessment for 2008, claiming a difference of SR 53,092,939.

Petrochem has filed an appeal against this assessment before the Preliminary Zakat Appeal Committee, which is still pending. The management believes that the ultimate outcome of this issue will be in the favor of Petrochem.

10. LOSS PER SHARE

The loss per share is calculated for the period ended 30 September 2010 by dividing loss from main operations and net loss for the period by the weighted average number of shares outstanding during the period amounting to 480 million shares at 30 September 2010 (30 September 2009: 275.6 million shares).

11. INTERIM RESULTS

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) - Continued

30 September 2010

12. SEGMENT INFORMATION

Since Petrochem has not started the operations as of 30 September 2010, due to non-completion of construction work, no segment information is available.

13. CAPITAL COMMITMENTS

The balance of unutilized capital expenditure approved by the board of directors in connection with the construction of a petrochemical plant amounted to SR 9.9 billion as at 30 September 2010 (30 September 2009: SR 6.3 billion).

14. COMPARATIVE FIGURES

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