

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

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 June 2010, the related interim consolidated statements of income for the three month and six month periods ended 30 June 2010, and interim consolidated statements of cash flows and changes in shareholders' equity for the six-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 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 as of and for the three and six months period ended 30 June 2010 for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339



Riyadh: 5 Sha'aban 1431H
(17 July 2010)

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

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

As at 30 June 2010

		2010	2009
	Note	In Thousand Saudi Riyal	In Thousand Saudi Riyal
ASSETS			
Current assets			
Cash and cash equivalents		2,325,822	1,359,054
Accrued income, prepayments and others		2,411	3,002
Total current assets		2,328,233	1,362,056
Non-current assets			
Construction work in progress	4	13,739,074	4,168,806
Deferred charges		214,500	70,405
Property and equipment		1,265	1,422
Total non-current assets		13,954,839	4,240,633
TOTAL ASSETS		16,283,072	5,602,689
LIABILITIES AND EQUITY			
Current liabilities			
Zakat		81,447	26,628
Non-current liabilities			
Accrued expenses and others	5	594,474	597,137
Term loans	6	9,237,345	2,781,331
Subordinated debt from minority shareholder	7	1,601,094	-
Employees' terminal benefits		1,460	23
Total non-current liabilities		11,434,373	3,378,491
Total liabilities		11,515,820	3,405,119
EQUITY			
Shareholders' equity			
Share capital	8	4,800,000	2,200,000
Statutory reserve		1,780	1,780
Accumulated losses		(125,130)	(4,210)
Total shareholders' equity		4,676,650	2,197,570
Minority interests		90,602	-
Total equity		4,767,252	2,197,570
TOTAL LIABILITIES AND EQUITY		16,283,072	5,602,689

The accompanying notes form an integral 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 six month periods ended 30 June 2010

		<i>For the three-month ended</i>		<i>For the six-month ended</i>	
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
		<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>Note</i>	<i>In Thousand Saudi Riyal</i>	<i>In Thousand Saudi Riyal</i>	<i>In Thousand Saudi Riyal</i>	<i>In Thousand Saudi Riyal</i>
General and administration expenses		(2,320)	(785)	(5,665)	(1,766)
LOSS FROM MAIN OPERATIONS		(2,320)	(785)	(5,665)	(1,766)
Income on bank deposits		2,003	2,240	5,418	9,271
Financial charges		(5)	(493)	(5)	(1,109)
(LOSS) INCOME BEFORE MINORITY INTERESTS AND ZAKAT		(322)	962	(252)	6,396
Minority interests share in loss of a subsidiary		383	-	1,138	-
INCOME BEFORE ZAKAT		61	962	886	6,396
Zakat	9	(37,679)	(13,322)	(81,447)	(26,628)
NET LOSS FOR THE PERIOD		(37,618)	(12,360)	(80,561)	(20,232)
LOSS PER SHARE (SR)	10	(0.01)	(0.00)	(0.01)	(0.01)
Attributable to loss from main operations		(0.01)	(0.00)	(0.01)	(0.01)
Attributable to net loss for the period		(0.08)	(0.06)	(0.16)	(0.09)

The accompanying notes form an integral 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 six month period ended 30 June 2010

	2010	2009
	In Thousand Saudi Riyal	In Thousand Saudi Riyal
OPERATING ACTIVITIES		
Income before Zakat	886	6,396
Adjustments for:		
Depreciation and amortization	9,638	2,061
Employees' terminal benefits, net	648	12
Minority interests share in loss of a subsidiary	(1,138)	-
Changes in operating assets and liabilities:		
Accrued income, prepayments and others	1,632	32,538
Accrued expenses and others	(372,173)	261,722
Zakat paid	(53,052)	-
Net cash (used in) from operating activities	(413,559)	302,729
INVESTING ACTIVITIES		
Purchase of property and equipment, net	(11)	(914)
Construction work in progress	(2,569,526)	(2,009,920)
Deferred charges	(90,000)	(7,500)
Net cash used in investing activities	(2,659,537)	(2,018,334)
FINANCING ACTIVITIES		
Proceeds from term loans	1,562,400	1,562,025
Due to an affiliate	55	(380)
Proceeds from Subordinated debt from minority shareholder	564,375	-
Net cash from financing activities	2,126,830	1,561,645
DECREASE IN CASH AND CASH EQUIVALENTS	(946,266)	(153,960)
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	2,325,822	1,359,054

The accompanying notes form an integral part of these interim consolidated financial statements.

National Petrochemical Company (Petrochem) and its Subsidiary
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

For the six-month period ended 30 June 2010

	Attributable to shareholders' equity					
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Total shareholders' equity</i>	<i>Minority interest</i>	<i>Total equity</i>
	In Thousand Saudi Riyal	In Thousand Saudi Riyal	In Thousand Saudi Riyal	In Thousand Saudi Riyal	In Thousand Saudi Riyal	In Thousand Saudi Riyal
30 June 2010						
Balance as at 1 January 2010	4,800,000	1,780	(44,569)	4,757,211	91,740	4,848,951
Net loss for the period	-	-	(80,561)	(80,561)	(1,138)	(81,699)
Balance as at 30 June 2010	4,800,000	1,780	(125,130)	4,676,650	90,602	4,767,252
30 June 2009						
Balance as at 1 January 2009	2,200,000	1,780	16,022	2,217,802	-	2,217,802
Net loss for the period	-	-	(20,232)	(20,232)	-	(20,232)
Balance as at 30 June 2009	2,200,000	1,780	(4,210)	2,197,570	-	2,197,570

The accompanying notes form an integral 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 June 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. Petrochem was formed pursuant to a decree numbered 53K issued by Ministry of Commerce and Industry dated 16 Safar 1429H, corresponding to 24 February 2008. Petrochem is engaged in enhancing the growth and development, establishing, operating, managing and maintaining petrochemical, gas, petroleum and other industrial factories, wholesale and retail trading in petrochemical materials and products, owning land, real estate and buildings for its benefits.

Saudi Polymers Company ("the Subsidiary") is engaged in producing and selling engine fuel mix, fuel oil, ethylene, propylene, hexene, gasoline, polyethylene (both high and low density), polyethylene, polypropylene and polystyrene.

2. BASIS OF CONSOLIDATION

The interim consolidated financial statements are comprised of 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 long term equity investment of more than 50% of the voting capital or over which it exerts effective management control. The financial statements of the Subsidiary are prepared using accounting policies which are consistent with those of the Petrochem. The Subsidiary is consolidated from the date on which the Petrochem is able to exercise effective management control until such time as control ceases.

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

During the third quarter of 2009, capital of the Subsidiary, increased from SR 187.5 million to SR 267.9 million. This increase in capital changed the ownership percentage of Petrochem in the Subsidiary from 50% to 65%. Consequently, from the third quarter of 2009, Petrochem started consolidating the financial statements of the Subsidiary, which were previously 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 in conformity with those described in the annual 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 include cash and short term deposits with original maturities of three months or less.

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 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (Continued)

The estimated years of depreciation of the principal classes of assets 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 subcontractor costs, cost of materials and services needed to construct the plant, borrowing costs, salaries and other costs that can be specifically identified as necessary costs to have the plant ready for its intended use and other overheads allocated on a systematic basis. Such cost are capitalized and depreciated upon substantial completion of the plant.

Deferred charges/amortization

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

Impairment

Petrochem periodically reviews the carrying amounts of its long term tangible assets to determine whether there is any indication that those assets have suffered impairment. If any 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, Petrochem estimates 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.

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.

Use of estimates

The preparation of the interim consolidated financial statements by management requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. The actual results ultimately may differ from these estimates.

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.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) - Continued

30 June 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' terminal benefits

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

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to 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 consolidated statement of income.

Foreign currency translation

Transactions in foreign currencies are translated into Saudi Riyals at the rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim consolidated statement of income.

Revenue recognition

Income on bank deposits is recognized on an accrual basis.

General and administrative 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. The plant is expected to be completed and begin its testing phase by end of 2011.

5. ACCRUED EXPENSES AND OTHERS

Long term accrued expenses and others are due for settlement in 2011; however, the management expects that the settlement of these balance will be refinanced by long term liabilities. Accordingly, such balances are reclassified as long term liability.

6. TERM LOANS

The term loans represent drawn part of SR 13,459 million (30 June 2009: SR 9,237 million) loan facilities obtained from various commercial banks, Saudi Industrial Development Fund (SIDF) and Public Investment Fund (PIF). These loans are obtained by the Subsidiary to finance the construction of the petrochemical plant. The loan is secured by assignment of residual proceeds of plant and equipment, charge and assignment over secured project documents, charge and assignment over offshore project bank accounts, pledge and assignment over onshore project bank accounts and pledge and assignment over Petrochem's project bank account. The loans obtained from commercial banks are subject interest ranging from Libor plus 0.5% to 1.15%. The loans obtained from SIDF and PIF are subject to interest at the rate varying from 4.15% to 8.33% and 7% to 9% respectively of the 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 scheduled in the third quarter of 2011. The full repayment shall be completed by 2021.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited) - Continued

30 June 2010

7. SUBORDINATED DEBT FROM MINORITY SHAREHOLDER

Subordinated debt from minority shareholder (Arabian Chevron Phillips Petrochemical Company Limited) is commission free loan 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 June 2010 (2009: 220 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.

Petrochem and its Subsidiary have filed its zakat returns with the Department of Zakat and Income Tax (DZIT) up to 2009, and settled the zakat dues accordingly.

10. LOSS PER SHARE

The loss per share are calculated for the period ended 30 June 2010 by dividing loss from main operations and net loss for the period by the number of outstanding shares at 30 June 2010 amounting to 480 million shares (30 June 2009: 220 million shares).

11. INTERIM RESULTS

The results of operations of Petrochem and its Subsidiary for the interim periods may not be an accurate indication of the results of the full year operations.

12. SEGMENT INFORMATION

Since Petrochem has not started the operations as of 30 June 2010, no segment information is available.

13. CAPITAL COMMITMENTS

The balance of unused capital expenditure commitment approved by the board of directors in connection with the construction of a petrochemical plant was SR 9.1 billion at 30 June 2010 (30 June 2009: SR 4.9 billion).

14. COMPARATIVE FIGURES

Certain of the prior period figures have been re-classified to conform with the current period's presentation.