

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

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

FOR THE YEAR ENDED 31 DECEMBER 2011

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

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FOR THE YEAR ENDED 31 DECEMBER 2011

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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 ("Petrochem") - a Saudi Joint Stock Company - and its subsidiaries as at 31 December 2011, the related interim consolidated statement of income for the three-month period and the year ended 31 December 2011, and interim consolidated statements of cash flows and changes in shareholders' equity for the year 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: 23 Safar 1433H
(17 January 2012)

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

INTERIM CONSOLIDATED BALANCE SHEET

As at 31 December 2011

(Amounts in SR'000)

	Notes	2011 (Unaudited)	2010 (Audited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,706,655	2,103,141
Due from a related party		2,033	-
Inventories		56,104	-
Accrued income and other assets		66,627	12,037
TOTAL CURRENT ASSETS		1,831,419	2,115,178
NON-CURRENT ASSETS			
Project under construction	4	18,014,930	16,007,140
Deferred charges		149,189	196,151
Property and equipment		728	1,083
TOTAL NON-CURRENT ASSETS		18,164,847	16,204,374
TOTAL ASSETS		19,996,266	18,319,552
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other liabilities		8,299	31,252
Zakat provision	5	40,578	41,085
TOTAL CURRENT LIABILITIES		48,877	72,337
NON-CURRENT LIABILITIES			
Long term accounts payable	6	237,927	259,459
Due to a related party		34,897	2,258
Term loans	7	13,336,777	11,576,363
Subordinated loan from a non-controlling partner	8	14,859	14,859
Employees' terminal benefits		7,523	2,926
TOTAL NON-CURRENT LIABILITIES		13,631,983	11,855,865
TOTAL LIABILITIES		13,680,860	11,928,202
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	9	4,800,000	4,800,000
Statutory reserve		1,780	1,780
Accumulated losses		(151,669)	(87,202)
TOTAL SHAREHOLDERS' EQUITY		4,650,111	4,714,578
Non controlling interest		1,665,295	1,676,772
TOTAL EQUITY		6,315,406	6,391,350
TOTAL LIABILITIES AND EQUITY		19,996,266	18,319,552

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

For the three-month period and the year ended 31 December 2011

(Amounts in SR'000)

	Notes	For the three month period ended 31 December		For the year ended 31 December	
		2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Audited)
General and administrative expenses		(31,485)	(6,603)	(47,866)	(14,207)
OPERATIONAL LOSS		(31,485)	(6,603)	(47,866)	(14,207)
Interest income		2,920	3,092	11,027	11,442
LOSS BEFORE NON-CONTROLLING INTEREST AND ZAKAT		(28,565)	(3,511)	(36,839)	(2,765)
Non-controlling interest share in net loss (income) of the subsidiaries		9,282	(65)	12,195	1,203
LOSS BEFORE ZAKAT		(19,283)	(3,576)	(24,644)	(1,562)
Zakat	5	(9,709)	44,957	(39,823)	(41,071)
NET (LOSS) INCOME		(28,992)	41,381	(64,467)	(42,633)
(LOSS) EARNINGS PER SHARE (SR)	10				
Attributable to the operational loss		(0.07)	(0.01)	(0.10)	(0.03)
Attributable to the net (loss) income		(0.06)	0.09	(0.13)	(0.09)

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

For the year ended 31 December 2011

(Amounts in SR'000)

	<i>The year ended 31 December 2011 (Unaudited)</i>	<i>The year ended 31 December 2010 (Audited)</i>
OPERATING ACTIVITIES		
Loss before zakat	(24,644)	(1,562)
Adjustments for:		
Employees' terminal benefits, net	4,597	2,127
Depreciation	392	384
Non-controlling interest share in net loss of the subsidiaries	(12,195)	(1,203)
Changes in operating assets and liabilities:		
Accrued income and other assets	(54,590)	(16,390)
Inventories	(56,104)	-
Accounts payable, accrued expenses and other liabilities	(44,485)	(675,873)
Related parties, net	30,606	10,647
Zakat paid	(40,330)	(53,051)
Net cash used in operating activities	(196,753)	(734,921)
INVESTING ACTIVITIES		
Purchase of property and equipment, net	(37)	(22)
Deferred charges, paid	-	(62,205)
Project under construction	(1,960,828)	(4,837,592)
Net cash used in investing activities	(1,960,865)	(4,899,819)
FINANCING ACTIVITIES		
Proceeds from term loans	1,760,414	3,901,418
Subordinate loans proceeds from a non-controlling partner	-	564,375
Non-controlling interest	718	-
Net cash from financing activities	1,761,132	4,465,793
DECREASE IN CASH AND CASH EQUIVALENTS	(396,486)	(1,168,947)
Cash and cash equivalents at the beginning of the year	2,103,141	3,272,088
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,706,655	2,103,141
NON CASH TRANSACTION		
Subordinated loan from a non-controlling partner transferred to the capital of the subsidiary's capital (note 2)	-	1,586,235

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

For the year ended 31 December 2011

(Amounts in SR'000)

	Attributable to the shareholders' equity			Non- controlling interest
	Share capital	Statutory reserve	Accumulated losses	Total
Balance as at 31 December 2009	4,800,000	1,780	(44,569)	4,757,211
Non-controlling interest resulted from capital increase of the subsidiary	-	-	-	-
Net loss	-	-	(42,633)	(42,633)
				1,586,235
				(1,203)
Balance as at 31 December 2010 (audited)	4,800,000	1,780	(87,202)	4,714,578
Non-controlling interest	-	-	-	-
Net loss	-	-	(64,467)	(64,467)
				(12,195)
Balance as at 31 December 2011 (unaudited)	4,800,000	1,780	(151,669)	4,650,111
				1,665,295

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) 31 December 2011

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 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:

		Shareholding %		Country of Incorporation
		2011	2010	
Saudi Polymers Company ("SPCo")	Subsidiary	65	65	Saudi Arabia
Gulf Polymers Distribution Company FZCO	Subsidiary	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. Currently, SPCo is in pre-operation stage and it is expected to commence its trial commissioning during its first quarter of 2012.

During the fourth quarter ended 31 December 2010, the partners of SPCo have resolved the following:

- On 19 December 2010, the partners have resolved to increase SPCo's capital by SR 1,138 million from SR 268 million to SR 1,406 million by transferring it from the partners' subordinated loan.
- On 29 December 2010, the partners have resolved to increase SPCo's capital by SR 3,394 million from SR 1,406 million to SR 4,800 million by transferring it from the partners' subordinated loan.

The legal formalities related to such increases have been finalized during the year 2011.

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -
CONTINUED
31 December 2011

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 2010. 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 2010. 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 the interim consolidated financial statements 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.

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 comprise raw materials and catalysts and are stated at the lower of cost and market value. Cost is determined at the purchase cost on a weighted average basis.

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 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.

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 appear at cost until the asset is ready for its intended use, thereafter; it is re-classified to be as property and equipment. Project under construction includes the cost of contractors, materials, services, borrowing, salaries and other overhead allocated on systematic basis.

Deferred charges/ amortization

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

National Petrochemical Company (Petrochem) and its Subsidiaries
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) -
CONTINUED

31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of 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 impairment is recognised as income immediately in the interim consolidated statement of income.

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.

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 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 of main operations expenses, other than capitalized costs, are classified as general and administration expenses.

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

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

31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4. PROJECT UNDER CONSTRUCTION

Represents cost of construction works under progress related to the polymers plant (the "Plant"), which is completed during the year 2011. It is expected to commence its trial commissioning during its first quarter of 2012.

The Plant is constructed on a land leased from the Royal Commission for Jubail and Yanbu. The lease is initially for a period of 30 years commencing from 29 Dhu Al Qedah 1428H (corresponding to 9 December 2007) and is renewable for further periods thereafter.

The machinery and equipment of the Plant are pledged as a part of 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 zakat assessment for 2008, claiming a difference of SR 53,092,939. Petrochem has filed an appeal against this assessment before the Higher Appeal Committee, which 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.

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.

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

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

31 December 2011

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. LOSS PER SHARE

The loss per share is calculated by dividing loss from main operations and net loss by the number of shares outstanding amounting to 480 million shares (2010: 480 million shares).

11. 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.

12. CONTINGENT LIABILITIES

Petrochem's local bankers have issued, on its behalf and during the normal course of business cycle, a bank guarantee of SR 53 million (2010: nil).

13. SEGMENT INFORMATION

Since Petrochem or its subsidiaries have not started their operations as of 31 December 2011, no segment information is available.

14. COMPENSATION OF NON-CONTROLLING PARTNER

As set out in note 2 and as a result to partners resolution dated 29 December 2010 to increase SPCo's capital 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 said proposed capital increase.

15. CAPITAL COMMITMENTS

The balance of unutilized capital expenditure approved by the board of directors in connection with the project of the Plant amounted to SR 743 million (2010: SR 3.4 billion).

16. COMPARATIVE FIGURES

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