

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

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

**FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2013**

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2013

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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 31 March 2013, and the related interim consolidated statements of income, cash flows and changes in shareholders' equity for the three 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: 6 Jumada Al-Thani 1434H
(16 April 2013)

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 March 2013

(Amounts in SR'000)

	Notes	2013	2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		405,544	1,549,805
Receivables, cash margins and other assets		368,122	57,895
Due from related parties		186,904	2,690
Inventories		773,749	118,434
TOTAL CURRENT ASSETS		1,734,319	1,728,824
NON-CURRENT ASSETS			
Employee loans		22,695	12,169
Project under construction	4	870,464	18,267,603
Deferred charges		99,978	138,187
Property, plant and equipment		18,104,151	631
TOTAL NON-CURRENT ASSETS		19,097,288	18,418,590
TOTAL ASSETS		20,831,607	20,147,414
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payables, accrued expenses and other liabilities		494,901	14,899
Amount due to a related party		255,386	15,456
Current portion of term loans		565,044	-
Zakat provision	5	50,458	50,312
TOTAL CURRENT LIABILITIES		1,365,789	80,667
NON-CURRENT LIABILITIES			
Long term accounts payable		-	224,471
Term loans	6	12,893,331	13,399,935
Subordinated loan from a non-controlling partner	7	928,361	146,111
Employees' terminal benefits		13,647	9,164
TOTAL NON-CURRENT LIABILITIES		13,835,339	13,779,681
TOTAL LIABILITIES		15,201,128	13,860,348
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	8	4,800,000	4,800,000
Statutory reserve		1,780	1,780
Accumulated losses		(616,175)	(172,936)
TOTAL SHAREHOLDERS' EQUITY		4,185,605	4,628,844
Non controlling interest		1,444,874	1,658,222
TOTAL EQUITY		5,630,479	6,287,066
TOTAL LIABILITIES AND EQUITY		20,831,607	20,147,414

The attached notes 1 to 14 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 month period ended 31 March 2013

(Amounts in SR'000)

	<i>Notes</i>	2013	2012
Sales		689,103	-
Cost of sales		(516,710)	-
GROSS PROFIT		172,393	-
EXPENSES			
Selling and distribution		(52,772)	-
General and administrative		(58,317)	(22,636)
TOTAL EXPENSES		(111,089)	(22,636)
INCOME (LOSS) FROM MAIN OPERATIONS		61,304	(22,636)
Financial charges		(51,687)	-
Income from time deposit		-	3,469
INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST AND ZAKAT		9,617	(19,167)
Non-controlling interest share in net (income) loss of the subsidiaries		(776)	7,269
INCOME (LOSS) BEFORE ZAKAT		8,841	(11,898)
Zakat	5	(10,174)	(9,733)
NET LOSS FOR THE PERIOD		(1,333)	(21,631)
INCOME (LOSS) PER SHARE FOR THE PERIOD (SR)	10		
Attributable to the income (loss) from main operations		0.13	(0.05)
Attributable to the net loss		(0.003)	(0.05)

The attached notes 1 to 14 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 three month period ended 31 March 2013

(Amounts in SR'000)

	2013	2012
OPERATING ACTIVITIES		
Income (loss) before zakat	8,841	(11,898)
Adjustments for:		
Employees' terminal benefits, net	(517)	1,529
Depreciation and amortization	197,619	134
Non-controlling interest share in net income (loss) of the subsidiaries	776	(7,269)
Changes in operating assets and liabilities:		
Receivables, cash margins and other assets	(64,434)	(4,131)
Inventories	(344,645)	(62,330)
Accounts payable, accrued expenses and other liabilities	86,293	(6,142)
Related parties, net	190,090	(20,831)
Zakat paid	(105)	-
Net cash from (used in) operating activities	73,918	(110,938)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(489)	-
Project under construction	-	(240,726)
Net cash used in investing activities	(489)	(240,726)
FINANCING ACTIVITIES		
Proceeds from term loans	-	63,157
Subordinate loan from a non-controlling partner	164,065	131,252
Net cash from financing activities	164,065	194,409
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	237,494	(157,255)
Cash and cash equivalents at the beginning of the period	168,050	1,707,060
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	405,544	1,549,805

The attached notes 1 to 14 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 three month period ended 31 March 2013

(Amounts in SR'000)

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Total</i>
Balance as at 31 December 2012 (Audited)	4,800,000	1,780	(614,842)	4,186,938
Net loss for the period	-	-	(1,333)	(1,333)
Balance as at 31 March 2013 (Unaudited)	4,800,000	1,780	(616,175)	4,185,605
Balance as at 31 December 2011 (Audited)	4,800,000	1,780	(151,305)	4,650,475
Net loss for the period	-	-	(21,631)	(21,631)
Balance as at 31 March 2012 (Unaudited)	4,800,000	1,780	(172,936)	4,628,844

The attached notes 1 to 14 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 March 2013

1. ORGANIZATION AND ACTIVITIES

National Petrochemical Company ("Petrochem") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010246363 dated 8 Rabi Al Awal 1429H (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. 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 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.

Non- controlling interest in the net assets of consolidated subsidiaries is identified separately from Petrochem's shareholder equity therein. Non- controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

The subsidiaries included in these financial statements are as follows:

Subsidiaries companies	Shareholding %		Country of Incorporation
	2013	2012	
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 completed its trial operation and announced the commercial production during the fourth quarter of 2012. Subsequently to this announcement, the plant has ceased its commercial production due to the some technical problems in some of its units. The company announced the gradual resumption of its commercial production at 8 Rabi' al-Awal 1434H (corresponding to 20 January 2013).

GULF POLYMERS DISTRIBUTION COMPANY FZCO ("GPDCo")

Is a free zone limited liability company registered in the Dubai Airport Free Zone, in United Arab Emirates 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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-CONTINUED
31 March 2013

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 2012. 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 2012. 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 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.

Accounts receivable

Accounts receivable are stated at the invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the receivable amount is considered doubtful. Bad debts are written off as incurred.

Inventories

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

Raw materials, spare parts and catalysts	-	purchase cost on a weighted average basis.
Work in progress & Finished goods	-	cost of direct materials and labor plus attributable overheads based on a normal level of activity

Property, plant and equipment / Depreciation

Property, plant 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:

Plant and equipments	5-25	years	Motor vehicles	4	years
Buildings	20	years	Leasehold improvements	5	years
Office equipment and furniture	3.33- 10	years			

Project under construction

Project under construction appears at cost until the asset is ready for its intended use, thereafter; it is capitalized on the related assets. 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 on term loans 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, and thereafter, is charged to 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
31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-current assets

Periodically, the carrying amounts of non-current assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. 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 recognized 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 recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized as income immediately in the interim consolidated statement of income.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized 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 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, is charged to the interim consolidated statement of income.

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.

Revenue recognition

Sales represent the invoiced value of goods supplied. Sales from sale of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably; normally on delivery to the customer. Other income is recognized when incurred.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-CONTINUED
31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

Selling expenses are those that specifically relate to delivery and marketing. All other expenses –except cost of sales- are allocated on a consistent basis to general and administrative expenses in accordance with allocation factors determined as appropriate by the management.

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.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at exchange rates prevailing at the interim consolidated balance sheet date. Revenues and expenses of the consolidated subsidiaries denominated in foreign currencies are translated into Saudi Riyals at average exchange rates during the interim period. Component of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Exchange differences arising from such translations, if material, are included in the cumulative translation adjustment account under equity in the interim consolidated balance sheet.

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.

4. PROJECT UNDER CONSTRUCTION

This item as at 31 March 2012 comprises cost of construction works of Saudi polymers plant (the “Plant”). The plant has completed its trial operation and announced its commercial production during the fourth quarter of 2012. Therefore, the balances related to the plant construction after this announcement have been transferred to the property, plant and equipment.

The outstanding balance at 31 March 2013 represents the cost of construction of additional units and facilities at the plant during the period.

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 2011, 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 appeal 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 appeal will be in the favor of Petrochem.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-CONTINUED
31 March 2013

6. 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 in all of the loan facility agreements.

7. 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 6).

8. SHARE CAPITAL

Share capital of Petrochem is divided into 480 million shares of SR 10 each (2012: 480 million shares).

9. INCOME (LOSS) PER SHARE

Income (loss) per share is calculated by dividing income (loss) from main operations and net loss by the number of shares outstanding.

10. 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.

11. 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 and its subsidiaries local bankers have issued, on its behalf and during the normal course of business cycle, bank guarantees of SR 913 million which included SR 860 million from SPCo to the benefit of Saudi Aramco Company for feedstock cost (2012: SR 913 million).

12. SEGMENTAL INFORMATION

Petrochem’s management is of the opinion that all activities and operations of Petrochem and its subsidiaries comprise single operating segment in respect of performance appraisal and allocation of resources. Since management considers all activities of Petrochem and its subsidiaries as single operating in the petrochemical sector, Therefore, financial reports are issued only for geographical segments.

Operating assets of Petrochem and its subsidiaries are located in the Kingdom of Saudi Arabia. Petrochem and its subsidiaries sales are geographically distributed between domestic sales in the Kingdom by 5%, overseas sales to Asia by 76% and to European countries and Africa by 19%.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)-CONTINUED
31 March 2013

13. CAPITAL COMMITMENTS

There is no approved capital expenditure by the board of directors during the current period (2012: SR 29.7 million) in connection with the plant construction.

14. COMPARATIVE FIGURES

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