Sahara Petrochemical Company and its subsidiary
(Saudi Joint Stock Company)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' LIMITED REVIEW REPORT

FOR THE PERIOD ENDED
30 JUNE 2011

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LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF SAHARA PETROCHEMICAL COMPANY (SAUDI JOINT STOCK COMPANY)

Scope of limited review:

We have reviewed the accompanying consolidated interim balance sheet of Sahara Petrochemical Company (Saudi Joint Stock Company) and its subsidiary as at 30 June 2011, and the related consolidated interim statements of income for the three months and the six months and the consolidated interim cash flows statement for the six months period then ended. These consolidated interim financial statements were prepared by the parent company and submitted to us together with 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 Organization for Certified Public Accountants (SOCPA). The limited review consists principally of applying analytical procedures to financial data and information 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 of limited review:

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

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19 Sha'aban 1432H
20 July 2011

Alkhobar

CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)

As At 30 June 2011

	2011 *SR 000*	*2010* *SR 000*
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**194,558**	373,877
Inventory	**257,307**	110,998
Accounts receivable, other receivables and prepayments	**709,433**	403,951
TOTAL CURRENT ASSETS	**1,161,298**	888,826
NON-CURRENT ASSETS		
Projects development costs	**272,021**	58,826
Investment in associates	**1,740,794**	1,402,115
Construction work in progress	**43,580**	4,129,387
Property, plant and equipment	**4,035,148**	21,693
TOTAL NON-CURRENT ASSETS	**6,091,543**	5,612,021
TOTAL ASSETS	**7,252,841**	6,500,847
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST		
CURRENT LIABILITIES		
Accounts payable and accruals	**581,601**	225,838
Retentions payable	**-**	56,187
Current portion of term loans and bridge loan	**351,995**	78,070
Zakat provision	**12,441**	1,800
TOTAL CURRENT LIABILITIES	**946,037**	361,895
NON-CURRENT LIABILITIES		
Advances against Islamic facilities	**975,339**	1,006,484
Term loans	**1,162,215**	1,291,065
Fair value of interest rate swaps	**84,760**	102,145
Employees' terminal benefits	**22,787**	17,053
TOTAL NON-CURRENT LIABILITIES	**2,245,101**	2,416,747
TOTAL LIABILITIES	**3,191,138**	2,778,642
SHAREHOLDERS' EQUITY AND MINORITY INTEREST		
Share capital	**2,925,300**	2,925,300
Statutory reserve	**40,631**	7,715
Retained earnings	**736,108**	347,738
Change in fair value of interest rate swaps	**(132,361)**	(17,612)
TOTAL SHAREHOLDERS' EQUITY	**3,569,678**	3,263,141
Minority interest	**492,025**	459,064
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTEREST	**4,061,703**	3,722,205
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST	**7,252,841**	6,500,847

The attached notes form part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF INCOME (UN-AUDITED)
Period ended 30 June 2011

	Interim period from 1April to 30 June		*Period from the beginning of the year to 30 June*	
	2011 SR 000	*2010 SR 000*	***2011 SR 000***	*2010 SR 000*
Sales	**721,330**	-	**721,330**	-
Cost of sales	**(560,316)**	-	**(560,316)**	-
GROSS PROFIT	**161,014**	-	**161,014**	-
EXPENSES				
Selling and distribution	**(21,527)**	-	**(21,527)**	-
General and administration	**(4,267)**	(867)	**(8,581)**	(4,510)
INCOME/(LOSS) FROM MAIN OPERATIONS	**135,220**	(867)	**130,906**	(4,510)
Other income	**138**	381	**162**	717
Financial charges	**(24,136)**	-	**(24,136)**	-
INCOME / (LOSS) BEFORE SHARE IN RESULTS OF AN ASSOCIATE	**111,222**	(486)	**106,932**	(3,793)
Share in results of an associate	**133,554**	101,580	**250,501**	221,211
INCOME BEFORE MINORITY INTEREST AND ZAKAT	**244,776**	101,094	**357,433**	217,418
Minority interest	**(28,613)**	-	**(28,613)**	-
Income Before Zakat	**216,163**	101,094	**328,820**	217,418
Zakat	**(7,185)**	(300)	**(19,874)**	(600)
NET INCOME FOR THE PERIOD	**208,978**	100,794	**308,946**	216,818
Earnings (Loss) per share (From main operations)	**0.46**	(0.00)	**0.45**	(0.02)
Earnings per share (From net income)	**0.71**	0.34	**1.06**	0.74
Weighted average number of shares outstanding (in thousand)	**292,530**	292,530	**292,530**	292,530

The attached notes form part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
Period ended 30 June 2011

	Period from the beginning of the year to 30 June	
	2011	***2010***
	SR 000	***SR 000***
OPERATING ACTIVITIES		
Income before zakat	**328,820**	217,418
Adjustments for:		
Depreciation	**51,919**	2,461
Employees' terminal benefits, net	**2,903**	3,550
Financial charges	**24,136**	-
Share in results of an associate	**(250,501)**	(221,211)
Minority interest	**28,613**	-
Murabaha income	**(43)**	(645)
	185,847	1,573
Changes in operating assets and liabilities		
Receivable	**(254,782)**	(249,526)
Inventories	**(86,086)**	(6,573)
Payables	**132,569**	34,056
Cash used in operations	**(22,452)**	(220,470)
Financial charges paid	**(24,136)**	-
Zakat paid	**(9,833)**	-
Net cash used in operating activities	**(56,421)**	(220,470)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(104,302)**	(78,252)
Additions to projects development cost	**(146,296)**	-
Murabaha income	**43**	645
Investment in associates	**-**	(53,900)
Net cash used in investing activities	**(250,555)**	(131,507)
FINANCING ACTIVITIES		
Loans, net	**129,503**	99,669
Minority interest	**207,967**	70,316
Net cash from financing activities	**337,470**	169,985
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**30,494**	(181,992)
Cash and cash equivalents at the beginning of the period	**164,064**	555,869
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**194,558**	373,877

The attached notes form part of these consolidated interim financial statements.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) - continued
Period ended 30 June 2011

SUPPLEMENTARY CASH FLOWS INFORMATION:

	Period from the beginning of the year to 30 June	
Non-cash transactions are as follows:	***2011***	*2010*
	SR	*SR*
Net change in fair value of interest rate swaps	**(44,089)**	107,933
Transfer from the construction work in progress to the inventory	**56,654**	-
Transfer from the construction work in progress to projects development costs	**9,755**	-
Reversal of accruals from the construction work in progress	**103,982**	-
Transfer of property and plant form the construction work in progress to the property, plant and equipment	**4,063,276**	-

The attached notes form part of these consolidated interim financial statements.

1 ACTIVITIES

Sahara Petrochemical Company ("the parent company") is a Saudi Joint Stock Company registered under commercial registration number 1010199710 dated 19 Jumada'I 1425H (corresponding to 7 July 2004). The authorized, issued and fully paid share capital of the parent company is SR 2,925,300,000 divided into 292,530,000 shares of SR 10 each.

The board of directors of Sahara Petrochemicals Company has recommended applying for the Capital Market Authority (CMA) and the Ministry of Commerce and Industry and the Extraordinary General Assembly (EGM) to increase the share capital of the company by way of a right issue amounting to SR 1,462,650,000 to finance expansions and future projects of the company. The number of shares and its price shall be determined after obtaining all the approvals of CMA and EGM of Sahara Petrochemical Company at the end of Tadawul day of the EGM date.

The principal activities of the parent company and its subsidiary ("the Group") are to invest in industrial projects, especially in the petrochemical and chemical fields and to own and execute projects necessary to supply raw materials and utilities. The Group incurs costs on projects under development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the Group will be transferred to separate companies when they are established.

Al Waha Petrochemical Company ("the subsidiary"), is a Saudi limited liability company registered under commercial registration number 2055007751, and is owned 75% by Sahara Petrochemical Company and 25% by Basell Arabia Investments. The performance testing of the plant has been completed successfully during March 2011, and the company's commercial operations have commenced effective 1 April 2011.

The parent company also owns a 32.55% share in Tasnee and Sahara Olefins Company (the "Associate"), a closed Saudi Joint Stock Company,(with initial contribution of SR 781.2 million). This associated company owns 75% share of Saudi Ethylene and Polyethylene Company which has commenced its commercial production effective 1 June 2009. The parent company has 22% share in Saudi Acrylic Acid Company, a Saudi limited liability company, with direct contribution in the company of SR 136,4 million. The parent company owns indirect share through Tasnee and Sahara Olefins Company (the "Associate") referred to above, which has a stake in this company of 65%. The company has not started its commercial operations yet.

The parent company's headquarters are located in Riyadh, where the branch and the industrial facilities are located at Jubail Industrial City, Kingdom of Saudi Arabia.

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Basis of consolidation of interim financial statements
The consolidated interim financial statements include the interim financial statements of Sahara Petrochemical Company and its subsidiary which is controlled by the company as prepared at 30 June. Control is achieved over the investee company when the parent company has the power to control the financial and operating policies of the investee company.

All significant inter-group transactions and balances have been eliminated in preparing the consolidated interim financial statements.

Accounting convention
The consolidated interim financial statements are prepared under the historical cost convention modified to include the measurement at fair value of interest rate swaps contracts.

Use of estimates
The preparation of the interim 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 financial statements and the reported amounts of revenues and expenses during the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents consists of bank balances, cash on hand, short term murabahat and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Accounts receivable
Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Inventories
Inventories comprise of spare parts and finished goods and are stated at the lower of cost or market value. Costs of manufactured goods include raw materials, direct labor and manufacturing overheads. The cost of spare parts and finished goods are arrived at using the weighted average cost method. Appropriate provisions are made for slow moving and redundant inventories.

Investment in associates
Investment in associates is accounted for using the equity method.

Projects development costs
Projects development costs represent mainly legal, feasibility studies, and other related costs incurred by the group for the development of industrial projects and are accounted for at cost. Upon successful incorporation of the new companies, costs associated with the projects are transferred to the respective companies. When certain projects are considered to be not feasible, the related costs are written off immediately.

Construction work in progress
Construction work in progress are recognized at cost of materials and services needed to fabricate the plant and equipment plus salaries and other costs that can be specifically identified as necessary costs to have the plant and equipment ready for its intended use and other overheads allocated on a systematic basis, as well as capitalized borrowing costs. The cost of construction work in progress is reduced by the net proceeds from sale of products during the commissioning phase.

Borrowing costs
Borrowing costs are recorded generally as period costs when incurred. Borrowing costs directly attributable to the construction of qualifying assets are capitalized. The capitalization starts when the construction work is in progress and the expenses and borrowing costs are incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. In case portion of the loan are deposited in Murabahat investment or deposits, the financial income earned is credited to the capitalized borrowing costs.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent impairment of non-current assets
At the end of each fiscal year, the group reviews the carrying values of property, plant and equipment and other non-current assets to determine whether there is any indication that those assets have suffered impairment. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The carrying value of the asset (or generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

Where an impairment loss subsequently reverses, the carrying value of the asset (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 loss been recognized for the asset (cash generating unit) in prior years. The reversal of impairment loss is recognized as income once identified.

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.

Zakat
Zakat is provided for in the consolidated interim financial statements based on the period share of the estimated zakat for the whole year. Differences between the estimated zakat for the interim period and the zakat provision that is calculated based on the detailed calculation of the zakat base at year end are accounted for at that time.

Employees' terminal benefits
Provision is made for amounts payable under the employments contract applicable to employees' accumulated periods of service at the consolidation interim balance sheet date.

Foreign currencies transactions
Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidation interim balance sheet date. All differences are taken to the consolidated interim statement of income.

Derivative financial instruments
Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated interim statement of income as they arise.

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the consolidated interim balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the consolidated interim statement of income. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which is also immediately recognized in the consolidated interim statement of income.

A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a recognized asset or liability, an unrecognized firm commitment or a forecasted transaction. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognized initially directly in equity. Subsequently, the amount is included in the consolidated interim statement of income in the same period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will adjust the recorded carrying amount of the acquired asset or liability.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease contracts
Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewords of ownership to the lessee. All other leases are classified as operating leases. All assets owned under capital lease agreements are recorded as assets at the lower of the present value of the minimum lease payments or fair market value of the asset at the date of the commencement of the lease. The difference between the gross lease obligation and the lower of the present value of the minimum lease payments and the fair market value of the asset at the commencement of the lease are considered financial costs and charged to the consolidated interim statement of income during the lease term to achieve a consistent rate of allocation over the remaining lease obligation for each accounting period.

Rentals payable under operating leases are charged to the consolidated statement of income over the lease term on a straight-line basis.

Revenue recognition
The group markets its products through marketers. Sales are made directly to final customers and also to the Marketers' distribution platforms. The sales through the distribution platforms are recorded at provisional prices at the time of shipments, which are later adjusted based on actual selling prices received by the Marketers from their final customers. Adjustments are made as they become known to the group. Local and export sales are recognized at the time of delivery of the product at the loading terminals located at the plant and at the King Fahd Industrial Port in Jubail Industrial City.

Expenses
Selling and distribution expenses are those that specifically relate to warehousing and shipping costs as well as allowance for doubtful debts. All the period expenses except for production costs and financial charges are classified as general and administration expenses.

Earning (loss) per share
Basic earnings per share from net income are calculated by dividing the net results for the period by the weighted average of number of shares outstanding during the period.

Basic earnings (loss) per share from main operations are calculated by dividing income (loss) from main operations for the period by the weighted average of number of shares outstanding during the period.

Segmental Analysis
A segment is a distinguishable component of the company that is engaged 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. As substantial portion of the group's sales is made outside the Kingdom and all the group's products are considered within one business segment. Hence, no segmental analysis was presented.

Fair values
The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Results of the interim period
The parent Company has made all necessary adjustments which are important in order to present fairly in all material respects the consolidated interim financial position and results of operations. The consolidated interim financial results may not be considered an accurate basis for the actual results for the whole year.

3 CAPITAL COMMITMENTS

The group has future capital expenditures as at 30 June 2011 amounting to SR 795 million (30 June 2010 - SR 201 million).