

**SAHARA PETROCHEMICAL COMPANY AND ITS SUBSIDIA
(Saudi Joint Stock Company)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' LIMITED REVIEW REPORT**

**FOR THE PERIOD ENDED
30 SEPTEMBER 2010**

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

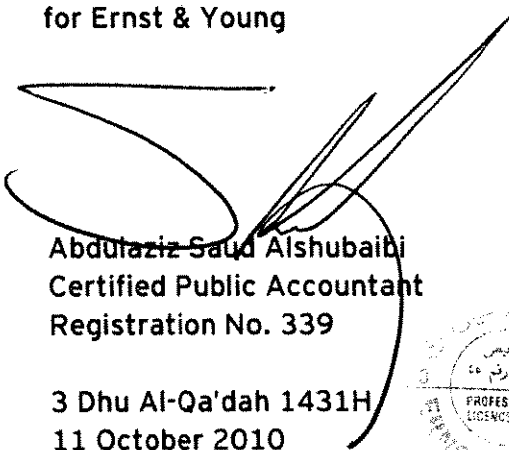
Scope of limited review:

We have reviewed the accompanying consolidated interim balance sheet of Sahara Petrochemical Company (Saudi Joint Stock Company) and its subsidiary as at 30 September 2010, and the related consolidated interim statements of income for the three months and the nine months period and the consolidated interim cash flows for the nine months period then ended, which were prepared by the parent company 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 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



Abdulaziz Saud Alshubaiti
Certified Public Accountant
Registration No. 339

3 Dhu Al-Qa'dah 1431H
11 October 2010

Alkhobar



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

CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)

As At 30 September 2010

	2010 SR 000	2009 SR 000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	355,878	1,525,844
Inventory	394,654	58,808
Accounts receivable, other receivables, and prepayments	<u>109,942</u>	<u>33,495</u>
TOTAL CURRENT ASSETS	<u>860,474</u>	<u>1,618,147</u>
NON-CURRENT ASSETS		
Projects development costs	70,898	33,699
Investment in associates	1,385,838	925,927
Construction work in progress	4,147,826	3,960,376
Motor vehicles and equipment	<u>21,753</u>	<u>13,526</u>
TOTAL NON-CURRENT ASSETS	<u>5,626,315</u>	<u>4,933,528</u>
TOTAL ASSETS	<u>6,486,789</u>	<u>6,551,675</u>
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST		
CURRENT LIABILITIES		
Accounts payable and accruals	243,995	113,634
Retentions payable	56,187	81,969
Current portion of advances against Islamic facilities	93,070	31,118
Bridge loan		762,000
Zakat provision	<u>2,100</u>	<u>900</u>
TOTAL CURRENT LIABILITIES	<u>395,352</u>	<u>989,621</u>
NON-CURRENT LIABILITIES		
Advances against Islamic facilities	990,911	906,842
Term loans	1,276,065	1,326,145
Fair value of interest rate swaps	121,559	104,636
Employees' terminal benefits	<u>18,606</u>	<u>12,180</u>
TOTAL NON CURRENT LIABILITIES	<u>2,407,141</u>	<u>2,349,803</u>
TOTAL LIABILITIES	<u>2,802,493</u>	<u>3,339,424</u>
SHAREHOLDERS' EQUITY AND MINORITY INTEREST		
Share capital	2,925,300	2,925,300
Statutory reserve	7,715	69
Retained earnings	416,422	84,428
Change in fair value of interest rate swaps	<u>(119,349)</u>	<u>(159,128)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>3,230,088</u>	<u>2,850,669</u>
Minority interest	<u>454,208</u>	<u>361,582</u>
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTEREST	<u>3,684,296</u>	<u>3,212,251</u>
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST	<u>6,486,789</u>	<u>6,551,675</u>

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

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

CONSOLIDATED INTERIM STATEMENT OF INCOME (UN-AUDITED)

Period ended 30 September 2010

	<i>Interim period from 1 July to 30 September</i>		<i>Period from the beginning of the year to 30 September</i>	
	<i>2010 SR 000</i>	<i>2009 SR 000</i>	<i>2010 SR 000</i>	<i>2009 SR 000</i>
General and administration expenses	<u>(2,824)</u>	<u>(5,472)</u>	<u>(7,334)</u>	<u>(30,594)</u>
LOSS FROM MAIN OPERATIONS	(2,824)	(5,472)	(7,334)	(30,594)
Murabaha income	921	-	1,566	-
Other income	25	-	58	-
Right issue costs	-	(36,554)	-	(36,554)
Share in results of an associate	<u>70,901</u>	<u>86,776</u>	<u>292,112</u>	<u>92,239</u>
INCOME BEFORE MINORITY INTEREST AND ZAKAT	69,023	44,750	286,402	25,091
Minority interest	<u>-</u>	<u>(190)</u>	<u>-</u>	<u>(96)</u>
INCOME BEFORE ZAKAT	69,023	44,560	286,402	24,995
Zakat	<u>(300)</u>	<u>(300)</u>	<u>(900)</u>	<u>(900)</u>
NET INCOME FOR THE PERIOD	<u>68,723</u>	<u>44,260</u>	<u>285,502</u>	<u>24,095</u>
Earnings per share (From net results)	<u>0.23</u>	<u>0.21</u>	<u>0.98</u>	<u>0.12</u>
(Loss) per share (From main operations)	<u>(0.01)</u>	<u>(0.03)</u>	<u>(0.03)</u>	<u>(0.16)</u>
Weighted average number of shares outstanding (in thousands)	<u>292,530</u>	<u>208,049</u>	<u>292,530</u>	<u>194,425</u>

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

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

Period ended 30 September 2010

	<i>Period from the beginning of the year to 30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>SR 000</i>	<i>SR 000</i>
OPERATING ACTIVITIES		
Income before zakat	286,402	24,995
Adjustments for:		
Depreciation	3,692	1,879
Employees' terminal benefits, net	5,103	4,574
Share in results of an associate	(292,112)	(92,239)
Minority interest	-	96
Right issue costs	-	36,554
Murabaha income	(1,566)	-
	1,519	(24,141)
Changes in operating assets and liabilities :		
Receivable	(240,229)	(30,173)
Inventories	(5,517)	(58,808)
Payables	52,213	(28,956)
Net cash used in operating activities	(192,014)	(142,078)
INVESTING ACTIVITIES		
Additions to long term assets	(110,054)	(514,489)
Murabaha income	1,566	-
Investment in associates	(53,900)	(100,741)
Net cash used in investing activities	(162,388)	(615,230)
FINANCING ACTIVITIES		
Loans, net	84,096	804,223
Minority interest	70,315	(24,407)
Increase of share capital	-	1,050,300
Net cash from financing activities	54,411	1,830,116
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(199,991)	1,072,808
Cash and cash equivalents at the beginning of the period	555,869	453,036
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	355,878	1,525,844

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

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) 30 September 2010

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 before the capital increase was SR 1,875,000,000 divided into 187,500,000 shares of SR 10 each.

On 1 Ramadan 1430H (corresponding to 22 August 2009) the shareholders of the parent company agreed in their extraordinary general assembly meeting held in Riyadh to increase the share capital of Sahare Petrochemical Company ("the parent company") by way of a rights issue amounting to SR 1,050,300,000 limited to the existing shareholders registered in the records of the parent company at the end of trading on the day of meeting corresponding to 22 August 2009. Number of shares issued in the rights offering was 105,030,000 shares in the price of SR 10 each and without any premium. The subscription price for the additional shares was set at SR 10, SR 12, SR 14 and SR 16. Thus, the share capital of the parent company became 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 and the Ministry of Commerce and Industry and the General Assembly to increase the share capital of the company by way of a rights issue amounting to SR 1,584,600,000 to finance expansions and future projects of the company.

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, its contribution amounting to SR 1,161 million. The subsidiary company is still in the commissioning phase as at 30 September 2010.

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. During 2009, the parent company has invested in Saudi Acrylic Acid Company, a Saudi limited liability company, with a direct share of 15% of the capital, where the direct contribution amounted to SR 82.5 million. The parent company has increased its share in Saudi Acrylic Acid Company to 22% during the period, where its direct contribution in the company became 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 interim 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:

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) - continued
30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 September. 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.

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

Raw material and spare parts are stated at the lower of cost and market value.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Motor vehicles and equipment

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

The carrying values of motor vehicles and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Expenditure for repair and maintenance are charged to income. Improvements that increase the value or materially extend the useful life of the related assets are capitalized.

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.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, the parent company must aside 10% of its consolidated annual net income until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution.

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.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) - continued
30 September 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

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.

Expenses

All the period expenses are classified as general and administration expenses.

Lease contracts

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards 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.

Earning (loss) per share

Basic earnings (loss) per share from net results 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 results 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 group 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. Segmental analysis is not disclosed until the group of companies commences the commercial operations.

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.

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) - continued
30 September 2010

3. CASH AND CASH EQUIVALENTS

	<i>2010</i> <i>SR 000</i>	<i>2009</i> <i>SR 000</i>
Cash in banks	63,274	141,348
Short term Murabaha	<u>292,604</u>	<u>1,384,496</u>
	<u>355,878</u>	<u>1,525,844</u>

The short term Murabaha are maintained in Saudi Riyals and US Dollar with local commercial banks and has a maturity dates of less than 3 months.

4. CAPITAL COMMITMENTS

The group has future capital expenditures as at 30 September 2010 amounting to SR 200 million (30 September 2009 : SR 44 million).