

Saudi Advanced Industries Company
(A Saudi Joint Stock Company)

INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED
30 JUNE 2012

LIMITED REVIEW REPORT

To the shareholders of Saudi Advanced Industries Company
(A Saudi Joint Stock Company)


Scope of review

We have reviewed the accompanying interim balance sheet of Saudi Advanced Industries Company - A Saudi Joint Stock Company (the "Company") as at 30 June 2012 and the related interim statements of income for the three and six months periods ended 30 June 2012 and the interim statement of cash flows for the six month period then ended. These interim financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our review was limited and was conducted in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization 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 financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young


Rashid S. Al Rashoud
Certified Public Accountant
Registration No. 366



Riyadh: 28 Sha'baan 1433H
(18 July 2012)

Saudi Advanced Industries Company
(A Saudi Joint Stock Company)
INTERIM BALANCE SHEET (Unaudited)
As at 30 June 2012

	Note	2012 SR	2011 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		12,422,398	11,299,247
Prepayments and other current assets		351,884	209,322
Amount due from a related party		10,000,000	10,000,000
Investment in associated company held for sale	3	412,500,000	-
TOTAL CURRENT ASSETS		435,274,282	21,508,569
NON-CURRENT ASSETS			
Investment in a jointly controlled entity	4	74,396,089	-
Investments in available for sale securities	5	272,488,802	283,278,063
Investments in associates	6	90,601,824	528,250,213
Investment in projects under study		-	4,161,819
Property and equipment		28,879	45,982
TOTAL NON-CURRENT ASSETS		437,515,594	815,736,077
TOTAL ASSETS		872,789,876	837,244,646
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other current liabilities		912,376	361,384
Zakat provision	7	6,346,180	983,083
TOTAL CURRENT LIABILITIES		7,258,556	1,344,467
NON-CURRENT LIABILITIES			
Employees' terminal benefits		377,784	325,669
Term loan	4	70,000,000	-
TOTAL NON-CURRENT LIABILITIES		70,377,784	325,669
TOTAL LIABILITIES		77,636,340	1,670,136
SHAREHOLDERS' EQUITY			
Share capital	8	432,000,000	432,000,000
Statutory reserve	9	216,000,000	216,000,000
Capital premium	9	103,826,357	103,826,357
Retained earnings		15,510,308	45,142,021
Unrealised gains on revaluation of investments in available for sale securities	5	27,816,871	38,606,132
TOTAL SHAREHOLDERS' EQUITY		795,153,536	835,574,510
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		872,789,876	837,244,646

The attached notes 1 to 14 form part of these interim financial statements.

Saudi Advanced Industries Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME (Unaudited)

For the three and six months periods ended 30 June 2012

	Note	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2012 SR	2011 SR	2012 SR	2011 SR
(LOSSES) REVENUE					
Share in loss of associated company	6	(3,871,833)	(1,960,231)	(6,297,944)	(2,609,158)
Dividends income		1,782,659	3,375,000	1,782,659	3,375,000
TOTAL (LOSSES) REVENUE		(2,089,174)	1,414,769	(4,515,285)	765,842
General and administrative expenses		(1,014,065)	(661,125)	(2,040,645)	(1,496,377)
(LOSSES) INCOME FROM MAIN OPERATIONS		(3,103,239)	753,644	(6,555,930)	(730,535)
Other income		-	4,017	-	8,934
Finance charges		(506,100)	-	(1,000,320)	-
(LOSS) INCOME FROM CONTINUED OPERATIONS		(3,609,339)	757,661	(7,556,250)	(721,601)
DISCONTINUED OPERATIONS:					
(Loss) income from investment in associated company held for sale	6	(873,329)	3,636,696	-	5,401,329
Foreseen loss from sale of investment in associated company	3	(16,132,029)	-	(16,132,029)	-
(LOSS) INCOME BEFORE ZAKAT		(20,614,697)	4,394,357	(23,688,279)	4,679,728
Zakat	7	(5,555,611)	(204,127)	(5,686,430)	(316,690)
NET (LOSS) INCOME FOR THE PERIOD		(26,170,308)	4,190,230	(29,374,709)	4,363,038
(LOSSES) EARNINGS PER SHARE:	10				
Attributable to (loss) income from main operations		(0.08)	0.02	(0.17)	(0.02)
Attributable to (loss) income from discontinued operations		(0.39)	0.08	(0.37)	0.13
Attributable to net (loss) income for the period		(0.61)	0.10	(0.68)	0.10

The attached notes 1 to 14 form part of these interim financial statements.

Saudi Advanced Industries Company
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS (Unaudited)
For the six-month period ended 30 June 2012

	2012 SR	2011 SR
OPERATING ACTIVITIES		
(loss) income before zakat	(23,688,279)	4,679,728
Adjustments for:		
Depreciation	10,706	15,744
Foreseen loss from sale of investment in associated company	16,132,029	-
Employees' terminal benefits, net	40,563	37,091
Share in loss of associated company	6,297,944	(2,792,171)
	(1,207,037)	1,940,392
Changes in operating assets and liabilities:		
Prepayments and other current assets	6,226,288	(108,169)
Accrued expenses and other current liabilities	(1,152,954)	(42,440)
Cash from operations	3,866,297	1,789,783
Zakat paid	(598,565)	(506,150)
Net cash from operating activities	3,267,732	1,283,633
INVESTING ACTIVITIES		
Investment in projects under study	-	(519,560)
Purchase of property and equipment	(9,348)	(13,500)
Net cash used in investing activities	(9,348)	(533,060)
INCREASE IN CASH AND CASH EQUIVALENTS	3,258,384	750,573
Cash and cash equivalents at the beginning of the period	9,164,014	10,548,674
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12,422,398	11,299,247
Non-cash transactions:		
Unrealised losses on revaluation of investments in available for sale securities	-	(980,842)

The attached notes 1 to 14 form part of these interim financial statements.

1. ORGANIZATION AND ACTIVITIES

Saudi Advanced Industries Company (the "Company") is a Saudi joint stock company registered in Riyadh, Saudi Arabia under Commercial Registration Number 1010068321 dated 24 Jumada Al Awal 1408H (corresponding to 13 January 1988).

The Company is engaged in the transfer of advanced industrial technology to the Kingdom through participation in economic offset programs and other industrial projects

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim financial statements have been prepared in accordance with the Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by the Company in preparing its interim financial statements, summarized below, are in conformity with those described in the annual audited financial statements for the year ended 31 December 2011. The interim financial statements and the accompanying notes should be read in conjunction with the annual audited financial statements and the related notes for the year ended 31 December 2011.

Accounting convention

The interim financial statements are prepared under the historical cost convention except for the measurement at fair value for available for sale investments.

Use of estimates

The preparation of 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 balance sheet and the reported amounts of revenues and expenses during the reporting period. Nevertheless these estimates are based on the management experience and the current events, the actual results ultimately may differ from these estimates.

Cash and cash equivalents

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

Assets held for sale and discontinued operations

Assets classified as held for sale are measured at the lower of their carrying amount and fair value (less costs to sell). Assets are classified as held for sale within the current assets if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This classification and measurement is made when the sale is highly probable and the asset is available for immediate sale in its present condition and the assets should be expected to qualify for recognition as a completed sale within one year from the date of classification

In the interim statement of income, income (loss) from discontinued operations is reported separately from income from continuing operations.

Investments

Investments in available for sale securities

These represent investments in financial assets that are neither acquired for trading purposes nor to be held to maturity. These are stated at fair value. Differences between the fair value and the cost are reported as a separate component within shareholders' equity. Any decline other than temporary in the value of these investments is charged to the interim statement of income.

Fair value is determined by reference to the market value if an open market exists, or the use of other alternative methods. Otherwise, cost is considered to be the fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Investments in associates

Investments of 20% or more in the share capital of investees, over which the Company exercises significant influence, are considered as investments in associated companies and accounted for in the interim financial statements on the equity method basis, whereby the interest in the associated company is carried in the interim balance sheet at cost as adjusted by post-acquisition / incorporation changes in the Company's share of the net assets of the associated company, less any impairment in the value. The Company's share in the financial results of these investees is recognised in the interim statement of income.

Interest in jointly controlled entities

A joint venture is contractual arrangements whereby the Company and other parties undertake an economic activity that is subject to joint control, i.e the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as "jointly controlled entities". The Company has elected to apply the equity method of accounting for its interests in jointly controlled entities.

Under the equity method, the interest in the jointly controlled entity is carried in the interim balance sheet at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the jointly controlled entity, less any impairment in the value of individual investment.

Investment projects under study

Expenditures related to the studies conducted by the Company to determine the economic feasibility of investment opportunity are charged to this account and capitalised if it is viable. Otherwise it will be charged to the interim statement of income.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the interim statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the interim statement of income.
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Property and equipment

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

The carrying values of property 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, being the higher of their fair value less costs to sell and their value in use.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the suppliers and service providers or not.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The liabilities are charged to the interim statement of income on an estimate basis during the interim periods, which will be reassessed more accurately based on the annual financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

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 balance sheet date.

Statutory reserve

As required by the Saudi Arabian regulations for companies, the Company must set aside 10% of its net income to the statutory reserve in each year until it has built up a reserve equal to one half of the capital. This having been achieved, the Company has resolved to discontinue such transfers. The reserve is not available for distribution.

Dividends

Final dividends are recognised as liabilities at the time of their approval by the shareholders' General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Revenue recognition

Share in earnings (losses) of associated companies is recognised based on the equity method. Dividends income from investments in available for sale securities is recognised when the right to receive the dividends is established. Other income is recognised when earned.

General and administrative expenses

Due to the nature of the Company's activities, all expenses are classified as general and administrative expenses.

Operating leases

Operating lease payments are recognised as an expense in the interim statement of income on a straight-line basis over the lease term.

Foreign currency transactions

Transactions in foreign currencies are translated into Saudi Riyals at the rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the exchange rates prevailing at the balance sheet date. All differences are taken to the interim statement of income.

Discontinued operations

A discontinued operation is a clearly distinguishable component of the Company's business that is abandoned or terminated pursuant to a single plan.

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in selling products /providing services (business segment) or in selling products /providing services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments.

3. INVESTMENT IN ASSOCIATED COMPANY HELD FOR SALE

During the period ended 30 June 2012, the Company has signed a share sale agreement to sell its investment in NPS Bahrain for Oil and Gas Wells Services (an associated company), at its carrying value as at 31 December 2011, for an amount of SR 412,500,000 (US \$ 110 million). This resulted in a foreseen loss of SR 16,132,029 as shown below. Consequently, such investment was classified as "investment in associated company held for sale" within the current assets. Also the results of the investment operations for the current and comparative periods were presented under the "discontinued operations" caption in the interim statement of income. The underlying legal formalities required to enforce the share sale transaction are still in progress.

	SR
Share in sale price	412,500,000
Less: Carrying value of the investment as at 31 December 2011	(428,632,029)
Foreseen loss from sale of investment in an associated company	<u>(16,132,029)</u>

4. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

During 2011, the Company has entered into a joint venture agreement with National Industrialization Company for the establishment of "TASNEE and SAIC Polyol and Derivatives Company", a jointly controlled entity. The amount of the investment of the joint venture capital comprises capitalised expenditure related to the study of the project and the Company's share of 50% of interests in the capital of the joint venture which has been obtained through a loan from local bank being repayable over three years and carries commission at normal commercial rates. The loan is secured by a pledge of 3,017,242 shares in Yanbu National Petrochemical Company (Yansab) - Available for sale investments.

5. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES

	<i>Quoted SR</i>	<i>Unquoted SR</i>	<i>Total SR</i>
<u>Cost :</u>			
At the beginning and end of the period	<u>116,039,941</u>	<u>128,631,990</u>	<u>244,671,931</u>
<u>Valuation adjustments:</u>			
At the beginning and end of the period	<u>27,816,871</u>	<u>-</u>	<u>27,816,871</u>
Carrying amounts:			
At 30 June 2012	<u>143,856,812</u>	<u>128,631,990</u>	<u>272,488,802</u>
At 30 June 2011	<u>154,646,073</u>	<u>128,631,990</u>	<u>283,278,063</u>

Quoted investments represent the Company's investment in Yanbu National Petrochemical Company (Yansab), a Saudi listed joint stock company. During 2011, a portion of the Company's shares in Yansab has been pledged as collateral against a bank loan (Note 4).

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)-(Continued)
30 June 2012

5. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES (continued)

Unquoted investments represent the Company's investments in the following companies which are all incorporated in the Kingdom of Saudi Arabia:

<i>Company</i>	<i>Shareholding %</i>	<i>2012 SR</i>	<i>2011 SR</i>
Industrialization and Energy Services Company	3.38%	67,499,990	67,499,990
Arabian Industrial Fibers Company (Ibn Rushd) (*)	0.62%	53,160,000	53,160,000
Al Salam Aircraft Company Limited	10%	19,940,000	19,940,000
Gulf Salt Company Limited	11.18%	5,032,000	5,032,000
		145,631,990	145,631,990
Other than temporary decline in value of investments (*)		(17,000,000)	(17,000,000)
		128,631,990	128,631,990

(*) The Company's share in the accumulated losses of Arabian Industrial Fibers Company (Ibn Rushd), as of 31 December 2011, amounted to SR 36.4 million (31 December 2010: SR 34.5 million), while the loss of other than temporary decline for that investment amounted to SR 17 million. The Company's management has reviewed the financial position and future cash flows and financial performance of Arabian Industrial Fibers Company (Ibn Rushd), and concluded that there is no further loss of other than temporary decline in value against this investment.

6. INVESTMENTS IN ASSOCIATES

Investments in associates represent the Company's investments in the following companies:

<i>Company</i>	<i>Type of company</i>	<i>Shareholding %</i>
NPS Bahrain for Oil and Gas Wells Services (Bahrain)	Limited liability	20%
Al Obaikan Glass Company (Saudi Arabia)	Closed joint stock	40%

The movement during the period is summarised as follows:

	<i>NPS Bahrain for Oil and Gas Wells Services SR</i>	<i>Al Obaikan Glass Company SR</i>	<i>Total 2012 SR</i>	<i>Total 2011 SR</i>
At the beginning of the period	428,632,029	96,899,768	525,531,797	525,458,042
Transfer to investment held for sale (Note 3)	(428,632,029)	-	(428,632,029)	-
Share in losses	-	(6,297,944)	(6,297,944)	(2,609,158)
Share in income from investment held for sale	-	-	-	5,401,329
At the end of the period	-	90,601,824	90,601,824	528,250,213

7. ZAKAT

The Company has finalised its zakat assessments with the Department of Zakat and Income Tax (DZIT) for all years up to 2006. The Company has filed the zakat returns for the years from 2007 to 2011 and settled zakat dues accordingly. However, the assessments for those years have not yet been raised by the DZIT. The Company has appealed against certain items disallowed by DZIT for 2010, which resulted in differences amounting to SR 10,509,411. Such appeal is still pending.

8. SHARE CAPITAL

The share capital is divided into 43,200,000 shares (2011: 43,200,000 shares) of SR 10 each.

9. CAPITAL PREMIUM

This represents the total increase over the par value of shares associated with bear rights issued in 2007, less related issuance cost.

During first half of 2011, the Board of Directors has resolved to transfer SR 208,177,232 of the share premium to the statutory reserve which reached 50% of the capital.

10. (LOSSES) EARNINGS PER SHARE

The (losses) earnings per share is calculated based on the number of outstanding shares at the end of the period. The outstanding number of shares at 30 June 2012 and 2011 were 43,200,000 shares.

11. SEGMENT INFORMATION

These are attributable to the Company's business segment approved by management to be used as a basis for the financial reporting and are in consistent with the internal reporting process.

The Company is organised into the following business segments:

Petroleum and energy services	: Include investments in NPS Bahrain for Oil and Gas Wells Services and Industrialization and Energy Services Company.
Petrochemicals	: Include investments in Yanbu National Petrochemical Company (Yansab), Arabian Industrial Fibers Company (Ibn Rushd) and TASNEE and SAIC Polyol and Derivatives Company.
Glass industry	: Includes investment in Al Obeikan Glass Company.
Other	: Include the head office operations and investments in Al Salam Aircraft Company Limited and Gulf Salt Company Limited.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)-(Continued)
30 June 2012

11. SEGMENT INFORMATION (continued)

The Company's total (losses) revenues, net (loss) income, total assets and total liabilities by business segments are as follows:

	Petroleum and energy services SR	Petrochemicals SR	Glass industry SR	Other SR	Total SR
30 June 2012 (Unaudited)					
Total losses	(12,757,029)	-	(6,297,944)	(1,592,341)	(20,647,314)
Net loss	(17,006,615)	(3,252,715)	(7,100,070)	(2,015,309)	(29,374,709)
Total assets	480,000,000	254,412,901	90,601,824	47,775,151	872,789,876
Total liabilities	-	70,000,000	-	7,636,340	77,636,340

	Petroleum and energy services SR	Petrochemicals SR	Glass industry SR	Other SR	Total SR
30 June 2011 (Unaudited)					
Total revenues (losses)	8,776,329	-	(2,609,158)	-	6,167,171
Net income (loss)	7,713,392	(411,158)	(2,829,970)	(109,226)	4,363,038
Total assets	493,277,753	190,806,073	102,472,450	50,688,370	837,244,646
Total liabilities	-	-	-	1,670,136	1,670,136

Included in Petroleum and Energy Services segment is the total assets for discontinued operations amounting SR 412,500,000 (2011: SR 425,777,763) and net losses of SR 19,784,017, (2011: total revenues and net income of SR 5,401,329 and SR 4,483,844, respectively)

12. CONTINGENT LIABILITIES

The Company has contingent liabilities arising from letters of guarantee issued by the Company in the favor of an investee company against the Saudi Industrial Development Fund (SIDF) loan amounting to SR 91.6 million (2011: SR 91.6 million).

13. INTERIM RESULTS

The results of operations for the interim periods may not be an accurate indication of the results of operation of the full year.

14. COMPARATIVE FIGURES

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