

**Saudi Industrial Investment Group
and Its Subsidiaries
(A Saudi Joint Stock Company)**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

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

SAUDI INDUSTRIAL INVESTMENT GROUP 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 Saudi Industrial Investment Group
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Industrial Investment Group (the "Company") - a Saudi Joint Stock- Company and its subsidiaries (the "Group") 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 the Group'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 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 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: 7 Jumada Al-Thani 1434H
(17 April 2013)

Saudi Industrial Investment Group 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 (Restated, note 15)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,032,168	2,861,509
Amounts due from related parties		186,904	171,691
Accounts receivable, prepayments and other assets		394,085	84,497
Inventories		773,749	118,434
TOTAL CURRENT ASSETS		2,386,906	3,236,131
NON-CURRENT ASSETS			
Employee loans		23,968	12,169
Deferred charges		99,978	138,187
Subordinated loan to jointly controlled projects		228,750	75,000
Investments in jointly controlled projects	5	2,984,894	2,347,821
Projects under construction	4	931,690	18,327,354
Property, plant and equipment		18,104,617	1,500
TOTAL NON-CURRENT ASSETS		22,373,897	20,902,031
TOTAL ASSETS		24,760,803	24,138,162
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable, accruals and other liabilities		509,822	28,039
Amounts due to related parties		29,613	-
Zakat provision	6	153,487	158,662
Current portion of term loans	7	565,044	-
TOTAL CURRENT LIABILITIES		1,257,966	186,701
NON-CURRENT LIABILITIES			
Long term accounts payable		-	239,510
Term loans	7	12,893,331	13,399,935
Subordinated loan from non-controlling partner	8	928,361	146,111
Employees' terminal benefits		13,946	9,400
TOTAL NON-CURRENT LIABILITIES		13,835,638	13,794,956
TOTAL LIABILITIES		15,093,604	13,981,657
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	9	4,500,000	4,500,000
Statutory reserve		362,245	308,379
Retained earnings		1,267,277	1,375,482
TOTAL SHAREHOLDERS' EQUITY		6,129,522	6,183,861
Non-controlling interest		3,537,677	3,972,644
TOTAL EQUITY		9,667,199	10,156,505
TOTAL LIABILITIES AND EQUITY		24,760,803	24,138,162

The attached notes 1 to 16 form part of these interim consolidated financial statements.

Saudi Industrial Investment Group 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)

	Notes	2013	2012 (Restated, note 15)
Sales		689,103	-
Cost of sales		(516,710)	-
GROSS PROFIT		172,393	-
Share in earnings of jointly controlled projects, net		74,650	229,653
Selling and distribution expenses		(52,772)	-
General and administrative expenses		(60,343)	(24,767)
INCOME FROM MAIN OPERATIONS		133,928	204,886
Financial charges		(51,687)	-
Other income		2,168	6,240
INCOME BEFORE NON-CONTROLLING INTEREST AND ZAKAT		84,409	211,126
Non-controlling interest share in net (income) loss of the subsidiaries		(107)	18,085
INCOME BEFORE ZAKAT		84,302	229,211
Zakat	6	(24,414)	(28,116)
NET INCOME FOR THE PERIOD		59,888	201,095
EARNINGS PER SHARE FOR THE PERIOD (SR)	10		
Attributable to the income from main operations		0,30	0,46
Attributable to the net income		0,13	0,45

The attached notes 1 to 16 form part of these interim consolidated financial statements.

Saudi Industrial Investment Group and Its Subsidiaries
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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>Retained earnings</i>	<i>Total</i>
Balance as at 31 December 2011 (Audited)	4,500,000	308,379	1,174,387	5,982,766
Net income for the period	-	-	201,095	201,095
Balance as at 31 March 2012 (Unaudited)	<u>4,500,000</u>	<u>308,379</u>	<u>1,375,482</u>	<u>6,183,861</u>
Balance as at 31 December 2012 (Audited)	4,500,000	362,245	1,207,389	6,069,634
Net income for the period	-	-	59,888	59,888
Balance as at 31 March 2013 (Unaudited)	<u>4,500,000</u>	<u>362,245</u>	<u>1,267,277</u>	<u>6,129,522</u>

The attached notes 1 to 16 form part of these interim consolidated financial statements.

Saudi Industrial Investment Group and Its Subsidiaries (A Saudi Joint Stock Company)

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

1. ORGANIZATION AND ACTIVITIES

Saudi Industrial Investment Group (the "Company") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration number 1010139946 dated 10 Sha'aban 1416H (corresponding to 1 January 1996). The Company was formed pursuant to the Ministry of Commerce and Industrial's resolution numbered 291 dated 29 Jumad Thani 1416 H (corresponding to 23 November 1995).

The Company is engaged in enhancing the growth and development of the industrial base of the Kingdom, mainly the petrochemicals industry, opening more channels for the exportation of the products and more ways for private sector in the Kingdom to enter into other industries by using petrochemical products after obtaining the required licenses the relevant authorities.

2. BASIS OF CONSOLIDATION

These interim consolidated financial statements include the interim financial statements of the Company and its subsidiaries (the "Group"), as adjusted by the elimination of significant inter-company balances and transactions.

The financial statements of the subsidiaries are prepared using accounting policies which are consistent with those of the Company. The financial statements of the subsidiary companies are consolidated from the date on which the Company is able to exercise effective management control over the subsidiary companies. A subsidiary is an entity in which the Company has a direct or indirect equity investment of more than 50% or over which it exercise effective management control.

Non- controlling interest in the net assets of consolidated subsidiaries is identified separately from the Company'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 subsidiary companies are as follows:

		Shareholding %		Country of Incorporation
		2013	2012	
National Petrochemical Company ("Petrochem")*	Subsidiary	50	50	Saudi Arabia
Saudi Nylon Company, Saudi Benzene Company, Saudi Paraxylene Company and Saudi Cyclohexane Company (the "Local Entities")**	Subsidiaries	-	100	Saudi Arabia

* The subsidiaries of Petrochem are as follows:

		Shareholding %		Country of Incorporation
		2013	2012	
Saudi Polymers Company ("SPCo")	Subsidiary	65	65	Saudi Arabia
Gulf Polymers Distribution Company FZCO ("GPDCo")	Subsidiary	65	65	United Arab of Emirates

** During the year 2010, the Company has resolved to liquidate the Local Entities, having their purpose been achieved, i.e. incorporation of Petrochem. Legal formalities of liquidation were completed during the year 2012.

Saudi Industrial Investment Group 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)

Property, plant and equipment / Depreciation

Property, plant and equipment are stated at cost net of accumulated depreciation except for Platinum (precious metal) which is stated at cost. Expenditure for maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation of property, plant and equipment 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 for the calculation of depreciation are as follows:

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

Investment in jointly controlled projects

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, i.e the strategic financial and operating policies and 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 project. The Group share in the jointly controlled project is accounted under equity method whereby the group share in the jointly controlled project is carried in the interim consolidated balance sheet at cost as adjusted by post-incorporation changes in the Company's share in the net assets of the jointly controlled entity, less any impairment in the value of individual investment, if any.

Impairment of non-current assets

The Group periodically reviews the carrying amounts of its long term assets 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, the Group estimates 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 or not by the supplier or service provider.

Provisions

Provisions are recognized when the Group 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. The foreign partner in subsidiaries is 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.

Saudi Industrial Investment Group 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)

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.

Fair value

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

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net income in each year. The Company may resolve to discontinue such transfers when it builds up a reserve equal to one half of the capital. The reserve is not available for distribution.

Dividends

Final dividends are recognized 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

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

The Group share in the jointly controlled projects result is accounted under equity method.

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.

Operating leases

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

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 interim consolidated 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 the Group 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. The Head Office segment incorporates the financial information related to activities under construction.

Saudi Industrial Investment Group and Its Subsidiaries (A Saudi Joint Stock Company)

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

4. PROJECTS UNDER CONSTRUCTION

This item comprises cost of construction works of Saudi polymers project (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 plant thereafter has ceased its commercial production due to some technical problems in some of its units. The plant announced the gradual resumption of its commercial production during the current quarter.

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

5. INVESTMENTS IN JOINTLY CONTROLLED PROJECTS

These comprises the Company's investments in the following companies which are incorporated and operating in the Kingdom of Saudi Arabia:

Joint venture	Shareholding %
Saudi Chevron Philips ("SCP")	50%
Jubail Chevron Philips ("JCP")	50%
Petrochemical Conversion Company ("PCC")	50%

The following summarize the investments movement during the period ended at 31 March:

(Amounts in SR '000)	2013	2012
At the beginning of the period	2,910,244	2,305,668
Share of income (*)	74,650	229,653
Dividends	-	(187,500)
At the end of the period	2,984,894	2,347,821

(*) During the current period, there was scheduled and un-scheduled cessation in these projects for the purpose of the regular maintenance, this has impacted the financial results for the period.

6. ZAKAT

Zakat is provided and charged to the interim consolidated statement of income on an estimate basis. Differences resulting from the final zakat calculation are adjusted at year end.

Zakat returns have been filed with the Department of Zakat and Income Tax ("DZIT") for all prior years up to 2011. The DZIT has raised the final zakat assessments up to 2006 and the Company has agreed on DZIT's assessments up to 2001. The Company has filed an appeal against the assessments for the years 2002 and 2003 before the Higher Appeal Committee, also, the Company appealed before DZIT for the years 2004 to 2006 against disallowance of certain items included in the assessments which resulted in a difference of SR 24.4 million and SR 17.5 million, respectively. As per the management's assessment, the Company has made a provision for items under appeal of SR 34 million.

Saudi Industrial Investment Group and Its Subsidiaries (A Saudi Joint Stock Company)

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

6. ZAKAT - continued

As for Petrochem, 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.

In addition to the above, 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.

7. TERM LOANS

The balance of term loan represents the utilized amounts from term loan facilities obtained by SPCo ("Borrower") from a syndicate local and foreign commercial banks, Public Investment Fund ("PIF") and Saudi Industrial Development Fund ("SIDF"), to finance its project.

The loans are secured by various guarantees including the pledge of the true plants and equipment and pledge on bank accounts of the plant. These loans carry commission at normal commercial rates with identical risks.

The Borrower is required to comply with covenants stipulated for in all the loan facility agreements.

8. SUBORDINATED LOAN FROM THE NON-CONTROLLING PARTNER

This item represents portion of Arabian Chevron Petrochemical Company Limited (the "non-controlling partner") in the non-interest bearing loan granted to SPCo. The repayment of the loan is subject to terms set out in the SIDF loan agreement.

9. SHARE CAPITAL

Share capital is divided into 450 million shares (2012: 450 million shares). Each share is SR 10.

10. EARNINGS PER SHARE

Earnings per share are calculated by dividing income from main operations and net income for the period by the number of outstanding shares.

11. INTERIM RESULTS

The interim results of operations for the interim periods may not be an accurate indication of the annual results of operations.

12. CONTINGENT LIABILITIES

During the normal course of business, the Group's bankers have issued, on its behalf, bank guarantees amounted to SR 3.2 billion (2012: SR 3.2 billion). Some of these contingent liabilities are secured partially or in full against cash security or cash margin.

Saudi Industrial Investment Group and Its Subsidiaries
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) - CONTINUED
31 March 2013

13. SEGMENTAL INFORMATION

These are attributable to the 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 Group's operations consist from the following business segments:

- Saudi Chevron Philips ("SCP")
Engaged in produce and sell aromatics, solvents and cyclohexane.
- Jubail Chevron Philips ("JCP")
Engaged in manufacturing and selling styrene, mogas blend stock, aromatic benzene, fuel oil, ethyl benzene, ethylene, propylene, liquefied petroleum gas and aromax feed.
- Petrochem
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.
- Head office
Represents Head Office operation and related activities under construction.

For the three months ended at 31 March 2013

Amounts in SR '000	SCP	JCP	Petrochem	Head office	Elimination and reconciliation of financial statements consolidation	Total
Sales	-	-	689,103	-	-	689,103
Gross margin (loss)	-	-	172,393	-	-	172,393
Net income (loss)	62,383	(18,823)	(1,333)	(14,215)	31,876	59,888
Total assets	1,493,511	925,474	20,831,607	6,831,844	(5,321,633)	24,760,803
Total liabilities	-	-	15,201,127	118,250	(225,773)	15,093,604

For the period ended at 31 March 2012 (Restated, note 15)

Amounts in SR '000	SCP	JCP	Petrochem	Head office	Elimination and reconciliation of financial statements consolidation	Total
Sales	-	-	-	-	-	-
Gross margin	-	-	-	-	-	-
Net income (loss)	155,767	(74,165)	(21,630)	(17,954)	159,077	201,095
Total assets	1,483,785	789,412	20,147,414	6,380,286	(4,662,735)	24,138,162
Total liabilities	-	-	13,860,348	121,804	(495)	13,981,657

Saudi Industrial Investment Group and Its Subsidiaries
(A Saudi Joint Stock Company)

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

14. 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.

15. CHANGES IN ACCOUNTING POLICIES

In May 2011, the International Accounting Standard Board (IASB) issued its International Financial Reporting Standard (IFRS 11), Joint Arrangements. IFRS 11 requires entities to account for its investments in joint ventures using the equity method and removes the proportionate consolidation set out in International Accounting Standard (IAS 31), Interest in Joint Ventures, which has been previously adopted by Saudi Organization for Certified Public Accountants ("SOCPA") and applied by the Company in 2012 and prior years. The Company's share in assets, liabilities, income and expenses of joint ventures is consolidated on line to line basis of each item with their corresponding items in the Group financial statements. IFRS 11 is effective for the annual periods starting on or after 1 January 2013. The Company chosen to adopt this standard with effect from this quarter and the comparative figure has been restated to conform with current period presentation as required by the standard.

Following is the effect of this restatement in comparative figures:

Amounts in SR '000	Total as Previously Reported SR	Adjustment SR	As Restated SR
a) Effect in the interim consolidation balance sheet			
Current assets	4,786,196	(1,550,065)	3,236,131
Non-current assets	21,260,562	(358,531)	20,902,031
Current liabilities	(1,040,224)	853,523	(186,701)
Non-current liabilities	(14,850,029)	1,055,073	(13,794,956)
b) Effect in the interim consolidation balance sheet			
Revenue	1,240,208	(1,240,208)	-
Cost of sales	(965,349)	965,349	-
Gross profit	274,859	(274,859)	-
Income from main operation	209,020	(4,134)	204,886

16. COMPARATIVE FIGURES

In addition to the restatements of set out in note 15 above. Certain of the prior year amounts have been reclassified to conform with the presentation in the current period.