

**AUDITORS' REPORT ON THE REVIEW OF INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

**SHAREHOLDERS OF
SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)**

We have examined the accompanying Interim consolidated balance sheet of **SAUDI INDUSTRIAL INVESTMENT GROUP (A Saudi Joint Stock Company)** as of September 30, 2009 and the related statements of income, cash flows and changes in shareholders' equity for nine months period then ended, and the notes from 1 to 12 which are an integral part of these interim consolidated financial statements which have been prepared by the company and submitted to us together with all the information and explanations which we requested. We examined the interim consolidated financial statements based on financial data submitted to us from the company for its affiliate companies (Saudi Chevron Phillips Company and Jubail Chevron Phillips Company which the Company owns 50% from its shares and National Petrochemical Company - Petrochem which the Company and its affiliate owns 50% from its shares with control authority) for the period ended September 30, 2009. These consolidated financial statements are the responsibility of the Company's management.

Our examination was limited for the Interim consolidated financial statements of **SAUDI INDUSTRIAL INVESTMENT GROUP (A Saudi Joint Stock Company)** and was conducted in accordance with the Saudi Organization for Certified Public Accountants standard on interim consolidated financial statements. The limited examination consists principally of analytical procedures applied to financial data and inquiries of the Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit 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.

Based on our limited review, we are not aware of any material modifications that should be made to the interim consolidated financial statements for the nine months' period ended September 30, 2009 to be in conformity with generally accepted accounting principles.



**AlAzem & AlSudairy
Certified Public Accountants**

**Salman B. Al-Sudairy
License No. 283**

24 Shawal 1430H (October 12, 2009)
Riyadh, Saudi Arabia

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS OF SEPTEMBER 30, 2008
(In Thousands Saudi Riyals)

	<u>Un-audited</u> <u>30/09/2009</u>	<u>Un-audited</u> <u>30/09/2008</u>
<u>ASSETS</u>		
Current Assets:		
Cash and bank balances (Note 5)	5,591,712	2,990,466
Accounts receivable	391,969	224,437
Inventory (Note 2b)	192,279	286,519
Investments in government bonds (Note 2c)	33,032	485,008
Accrued revenue	15,287	55,302
Prepayments and other assets	85,513	209,787
Deferred subscribing expenses, net (Note 2d)	<u>8,318</u>	<u>6,263</u>
Total current assets	6,318,110	4,257,782
Deferred expenses, net (Note 2e)	151,916	56,864
Projects under construction (Note 6)	9,571,048	1,590,181
Preoperating expenses, net (Note 2f)	-	2,787
Property and equipment, net (Note 2g)	<u>2,880,311</u>	<u>3,066,683</u>
Total assets	<u>18,921,385</u>	<u>8,974,297</u>
<u>LIABILITIES AND OWNERSHIP EQUITY</u>		
Current Liabilities:		
Accounts payable	1,579,873	956,005
Current portion of long term loans	78,220	-
Accrued expenses and other liabilities (Note 7)	<u>94,360</u>	<u>37,566</u>
Total current liabilities	1,752,453	993,571
Long Term payable	50,763	-
Long Term Loans	8,434,779	2,552,500
Support loan (Note 8)	834,621	-
End of Service Benefits (Note 2h)	<u>18,639</u>	<u>15,860</u>
Total liabilities	<u>11,091,255</u>	<u>3,561,931</u>
Ownership Equity:		
Paid-up capital	4,500,000	4,500,000
Statutory reserve	200,458	205,914
Retained earnings	<u>656,326</u>	<u>706,452</u>
Total shareholders' equity	<u>5,356,784</u>	<u>5,412,366</u>
Minority equity	<u>2,473,346</u>	<u>-</u>
Total ownership equity	<u>7,830,130</u>	<u>5,412,366</u>
Total liabilities and ownership equity	<u>18,921,385</u>	<u>8,974,297</u>

The accompanying notes from (1) to (12) are an integral part of these interim consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2009
(In Thousands Saudi Riyals)

	Un-audited From 01/01/2009 To 30/06/2009	Un-audited From 01/01/2008 To 30/06/2008	Un-audited From 01/07/2009 To 30/09/2009	Un-audited From 01/07/2008 To 30/09/2008	Un-audited From 01/01/2009 To 30/09/2009	Un-audited From 01/01/2008 To 30/09/2008
Sales (Note 2i)	1,317,559	1,152,649	1,203,464	588,949	2,521,023	1,741,598
Costs of sales (Note 2j)	(1,184,154)	<u>(797,885)</u>	(1,012,663)	<u>(588,176)</u>	(2,196,817)	<u>(1,386,061)</u>
Gross profit	133,405	354,764	190,801	773	324,206	355,537
General and administrative and marketing expenses (Note 2j)	(61,807)	<u>(87,474)</u>	(43,125)	<u>(46,202)</u>	(104,932)	<u>(133,676)</u>
Net operation profit (loss)	71,598	267,290	147,676	(45,429)	219,274	221,861
Finance charges	(19,036)	(15,155)	(5,695)	(12,368)	(24,731)	(27,523)
Exchange losses (Note 2l)	-	(383)	(409)	-	(409)	(383)
Other income (Note 2i)	24,513	<u>49,899</u>	6,923	<u>29,158</u>	31,436	<u>79,057</u>
Net results from the other operation	5,477	34,361	819	16,790	6,296	51,151
Net profit (loss) for the period before Zakat and minority equity	77,075	301,651	148,495	(28,639)	225,570	273,012
Accrued Zakat for the period (Note 2k)	(53,641)	<u>(6,681)</u>	(32,138)	<u>(2,586)</u>	(85,779)	<u>(9,267)</u>
Net profit (loss) for the period before minority equity	23,434	<u>294,970</u>	116,357	<u>(31,225)</u>	139,791	<u>263,745</u>
Minority equity share in net Loss for the Affiliate company	-	-	20,137	-	20,137	-
Net profit (loss) for the period	23,434	<u>294,970</u>	136,494	<u>(31,225)</u>	159,928	<u>263,745</u>
Net profit (loss) per share (Note 9)	0,05	<u>0,77</u>	0,30	<u>(0,08)</u>	0,35	<u>0,68</u>

The accompanying notes from (1) to (12) are an integral part of these interim consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2009
(In Thousands Saudi Riyals)

	<u>Un-audited</u> <u>From 1/1/2009</u> <u>To 30/09/2009</u>	<u>Un-audited</u> <u>From 1/1/2008</u> <u>To 30/09/2008</u>
Cash Flows from Operating Activities:		
Net profit for the period	159,928	263,240
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation for the period	132,986	80,895
Amortization for the period	18,546	41,706
Prior years adjustments	(372)	300
(Gain) loss on sale of property and equipment	(60)	-
End of Service Benefits	2,009	3,305
Changes in assets and liabilities:		
Accounts receivable	(282,458)	(140,564)
Inventory	(50,703)	(119,129)
Accrued Revenue	44,081	(37,151)
Deferred subscribing expenses	(13,863)	(17,047)
Prepayments and other assets	(34,301)	(81,727)
Accounts payable	1,571,551	854,661
Accrued expenses and other liabilities	(601,306)	(314,800)
Long Term payable	<u>50,763</u>	<u>-</u>
Net cash provided by operating activities	<u>996,801</u>	<u>533,689</u>
Cash Flows from Investing Activities:		
Transfer and purchase of property and equipment	(6,314)	(2,130,412)
Proceeds from sale of property and equipment	94	-
Net change in Investments in Government bonds	221,676	16,600
Long term investment	-	2,000
Net change in Deferred Expenses	(77,906)	(29,413)
Projects Under Construction	(7,335,497)	669,915
Preoperating expenses	<u>-</u>	<u>(24,787)</u>
Net cash used in investing activities	<u>(7,197,947)</u>	<u>(1,496,097)</u>
Cash Flows from Financing Activities:		
Net change in loans	6,616,439	1,180,625
Increase in Capital	-	2,250,000
Dividend distribution	-	(225,000)
Board of director bonuses distribution	-	(1,800)
Net change in minority equity	<u>2,473,346</u>	<u>-</u>
Net cash provided by financing activities	<u>9,089,785</u>	<u>3,203,825</u>
Net increase in cash and bank balances	2,888,639	2,241,417
Cash and bank balances at beginning of the period	<u>2,703,073</u>	<u>749,049</u>
Cash and bank balances at end of the period	<u>5,591,712</u>	<u>2,990,466</u>

The accompanying notes from (1) to (12) are an integral part of these interim consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2009
(In Thousands Saudi Riyals)

	<u>Un-audited</u> <u>From 1/1/2009</u> <u>To 30/09/2009</u>	<u>Un-audited</u> <u>From 1/1/2008</u> <u>To 30/09/2008</u>
Paid-up capital:		
Beginning of the period	4,500,000	2,250,000
Increase in Capital	<u>-</u>	<u>2,250,000</u>
End of the period	<u>4,500,000</u>	<u>4,500,000</u>
Statutory reserve:		
Beginning of the period	184,465	179,590
Transfer from retained earnings	<u>15,993</u>	<u>26,324</u>
End of the period	<u>200,458</u>	<u>205,914</u>
Retained earnings:		
Beginning of the period	512,763	696,036
Dividend distribution	-	(225,000)
Board of director bonuses' distribution	-	(1,800)
Prior years' adjustments	(372)	300
Transfer to statutory reserve	(15,993)	(26,324)
Net profit for the period	<u>159,928</u>	<u>263,240</u>
End of the period	<u>656,326</u>	<u>706,452</u>
Total Shareholders Equity	<u>5,356,784</u>	<u>5,412,366</u>

The accompanying notes from (1) to (12) are an integral part of these interim consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2009
(In Thousands Saudi Riyals)

1. GENERAL

Saudi Industrial Investment Group is a Saudi Joint Stock Company founded according to the decree No. 291 issued by the Ministry of Commerce dated 29/6/1416H (corresponding to 23/11/1995). The Company is registered in the Kingdom of Saudi Arabia under the commercial registration No. 1010139946 issued in Riyadh dated 10/8/1416H (corresponding to 1/1/1996). The paid up capital of the Company is 4,500 Millions Saudi Riyals comprising of 450 Million shares at a par value of Saudi Riyals 10 per share.

The principal activities of the Company are 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 the private sector in the Kingdom to enter the industrial market depending on petrochemical products after obtaining the required licenses from authorized departments.

The accompanying interim consolidated financial statements for the period ended September 30, 2009, 2008 comprise the Company's accounts and it's Affiliated Companies (Saudi Chevron Phillips Company and Jubail Chevron Phillips Company in which the company owns 50% of their owner's equity and National Petrochemical Company – Petrochem which the company and it's affiliate owns 50% of their owner's equity with control authority and consolidated the local affiliated limited liability companies in which the company owns more than 50% of the owner's equity based on equity method):

a) Saudi Chevron Phillips Company --

Saudi Chevron Phillips Company (SCP) is a mixed Saudi limited liability Company (capital S.R 655 million), located in Al Jubail Industrial City, Saudi Industrial Investment Group owns 50 % from S.C.P.C quotas and 50 % is owned by Arabian Chevron Phillips Petrochemical Limited Company. The Company produced the following products:

- Benzene
- Cyclohexane
- Gasoline

b) Jubail Chevron Phillips Company --

Jubail Chevron Phillips Company (JCP) is a Saudi limited liability mixed company under establishment (capital SAR 300million), located in Al Jubail Industrial City. Capital was increased by transferring loans granted from partners into company's capital which equaled SAR 1,477.5 million as of December 31, 2009. Saudi Industrial Investment Group owns 50% from J.C.P.C quotas and 50% is owned by Arabian Chevron Phillips Petrochemical Limited Company. The company will be producing the following products:

- Styrene
- Propylene

c) National Petrochemical Company – Petrochem --

National Petrochemical Company – Petrochem is a Saudi Closed Joint Stock Company (capital SAR 4,800 million), Saudi Industrial Investment Group owns 47,7 % from shares the principal activities of the Company are enhancing the growth, development, establishing, operating, managing and maintaining petrochemicals, gas, petroleum and other industrial factories. Wholesale and retail trading in petrochemical materials and products, owning lands, real estate and building for the company benefit.

The National Petrochemical Company held its general assembly meeting on 23/5/1430H corresponding to 18/5/2009). Accordingly, the decision was made to increase company's capital from SAR 2,300 million to SAR 4,800 million through the subscription of Saudi Industrial Investments Group, which owns 95% of the shares before subscription and 47,7% after it, with a total of 20 million shares, and 240 million shares allocated for public offering at SAR 10 per share.

d) Local Ltd. Company --

- Saudi Nylon Company (95% from its capital amounted SAR 500 Thousand).
- Saudi Benzene Company (95% from its capital amounted SAR 500 Thousand).
- Saudi Paraxylene Company (95% from its capital amounted SAR 500 Thousand).
- Saudi Cyclohexane Company (95% from its capital amounted SAR 500 Thousand).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in Saudi Arabia. The following is a summary of the Company's significant accounting policies:

a) Consolidation base --

The accompanying interim consolidated financial statements comprise the Saudi Industrial Investment Group financial statement as of September 30, 2009, 2008 and its affiliate companies according to the unaudited interim financial statement for the affiliate companies as of September 30, 2009, 2008 (Saudi Chevron Phillips Company and Jubail Chevron Phillips Company which the Company owns 50% from its shares and National Petrochemical Company - Petrochem which the Company and its affiliate owns 50% from its shares with control authority) and for the purpose of preparing the interim consolidated financial statements, all affiliate balances and transaction were settled between the Company and them.

The consolidated financial statements for the company and its affiliate (Saudi Chevron Phillips Company and Jubail Chevron Phillips Company which the Company owns 50% from its shares) were made based on the congenital consolidation international criterion according to approval from Saudi Organization for Certified Public Accountants (SOCPA) and the consolidated financial statement for National Petrochemical Company – Petrochem was consolidated based on equity method.

b) Inventory --

Inventories comprise of finished goods, work in process and raw materials and are stated at the lower of cost or estimated net realizable value. Costs of finished goods and work in process include raw materials, direct labor and manufacturing overheads. Costs of raw materials are calculated by using the weighted average method; appropriate provisions are made for slow moving and redundant inventories.

c) Investments in Government bonds --

Investments in Government bonds comprise of investments in government development bonds which are stated at cost. Gains are recognized when earned.

d) Deferred subscribing expenses --

Deferred subscribing expenses represent costs incurred of National Petrochemical Company – Petrochem to increase capital during the third quarter 2009 and they are amortized using the straight-line method over 5 months in the year 2009 only.

e) Deferred expenses --

Deferred expenses are amortized using the straight-line method over a period of 10 years.

f) Preoperating expenses --

Preoperating expenses represent costs incurred during the formation period of the National Petrochemical Company – Petrochem and are amortized during 2008.

g) Property and equipment --

Property and equipment are stated at net cost of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentage rates:

Plant and equipments	5% - 17%
Buildings	5%
Furniture and fixtures	10% - 15%
Motor vehicles	25%
Lease hold improvements	20%
Computers	15%
Computers software	30%
Telecommunication equipments	25%

h) End of service benefits --

Benefits payable to the employees at the end of their services are provided in accordance with the guidelines set by the Saudi Arabian Labor Law.

i) Revenue recognition --

Revenue is recognized when goods are delivered and invoices are issued to customers. Other income is recorded when earned.

j) Expenses –

Expenses incurred by the Company comprise of selling and marketing expenses, general and administrative expenses, and production costs. Production costs include raw materials, direct labor and indirect manufacturing expenses. All expenses related to marketing, selling and distribution of finished goods are classified under a separate line item as selling and marketing expenses. Other direct and indirect management expenses, which are not related to production or selling and marketing functions, are classified as general and administrative expenses. Un-allocated expenses, if any, are distributed between general and administrative expenses, selling and marketing expenses, and production costs using fixed basis.

k) Zakat –

Zakat is an obligation payable by the Company. Estimated Zakat is provided for in the accompanying financial statements and charged to the statement of income, in accordance with Zakat standard issued by the Saudi Organization for Certified Public Accountants. Zakat calculation is made quarterly estimated according to the accrual accounting concept. Any differences between Zakat provision and final settlement at the end of the year are settled.

l) Transfer of foreign currencies --

The accompanying financial statements are denominated in Saudi Riyals. Appropriate exchange rates have been used to translate transactions or balances denominated in foreign currencies. There were no material exchange gains or losses during the period.

3. ADJUSTMENTS RELATED TO THE PERIOD

The company's management has prepared all the adjustments needed to fairly present The financial position and the results of its operations, however the results of its operations for the period ended September 30, 2009 and 2008 do not give an accurate resemblance of the actual results of the whole year's operations.

4. SIGNIFICANT EVENTS AFFECTING THE ACCOMPANYING INTERIM FINANCIAL STATEMENTS

- Investment decrease in affiliate –

During the third quarter of 2009 to increase capital of National Petrochemical Company – Petrochem (Joint Stock Company), increase was due to subscription of Saudi Industrial Investment Group which owns 95% of the shares before subscription and 47,7% after it, totaling 20 million shares, and 240 million shares at the general subscription for a value of SAR 10 per share.

5. CASH AND BANKS BALANCES

Cash and banks balances comprised of the following as of September 30:

	<u>In Thousands Saudi Riyals</u>	
	<u>Un-audited</u>	<u>Un-audited</u>
	<u>2009</u>	<u>2008</u>
Cash and banks balances	1,607,819	634,039
Time deposits	3,983,893	2,356,427
	<u>5,591,712</u>	<u>2,990,466</u>

6. PROJECTS UNDER CONSTRUCTION

It represents the Company's shares in the development of Saudi Polymers Company project. The cost of this project is expected to exceed SAR 20.8 Billion in cost. This project is scheduled to be launched at the end of 2011, and part of this project represents expanding costs for Saudi Chevron Phillips Company and also including advance payments for Nylon project, and special projects for Jubail Chevron Phillips Company, and transfer projects under construction for Jubail Chevron Phillips Company to Property and equipment during the month of September 2008.

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprise of the following as of September 30:

	<u>In Thousands Saudi Riyals</u>	
	<u>Un-audited</u>	<u>Un-audited</u>
	<u>2009</u>	<u>2008</u>
Accrued Zakat for the period	85,779	9,267
Compensations for		
priority rights' subscriptions	3,187	3,187
Accrued dividends distribution	2,324	2,744
Accrued Zakat for the year 2007	-	21,746
Others	3,070	622
	<u>94,360</u>	<u>37,566</u>

8. SUPPORT LOAN

Supporting loan as of 30 September 2009, stands for a loan granted from the partner Arabian Chevron Philips Petrochemical Company Ltd. To Saudi Polymers Company which equals 35% of the loan granted from the partners of Saudi Polymers Company (65% of its shares are owned by National Company for Petrochemicals – Petrochem and the remaining 35% are owned by Arabian Chevron Philips Petrochemical Company Ltd), and amounting SAR 2,385 million. This loan was granted to support the partners setting up the project of Saudi Polymers Company.

9. NET EARNING (LOSSES) PER SHARE

The earning per share for the period was determined after making the proper adjustments, according to the SOCPA standards for the share's profit. The net profit per share for the period was calculated by dividing the market price of the share before applying the priority rights, over the virtual cost of the share after applying the priority rights, and that for the year 2008, when the numbers of shares in question were 384,750,000 shares.

10. CAPITAL COMMITMENTS AND CONTINGENCIES

Saudi Industrial Investment Group has SAR 26,6 million of unused capital expenditure commitment as of September 30, 2009 (SAR 54,95 million as of September 30, 2008) regarding to being a partner in Saudi Chevron Phillips Company by 50%.

Saudi Industrial Investment Group has SAR 6,2 million of unused capital expenditure commitment as of September 30, 2009 (SAR 4,12 million as of September 30, 2008) regarding to being a partner in Jubail Chevron Phillips Company by 50%.

National Petrochemical Company - Petrochem has SAR 9,8 million Unused capital commitments intended for the establishment of Saudi Polymers Company's factory, regarding to being a partner in Saudi Polymers Company's by 65%.

The Company is contingently liable for letter of guarantee issued by local bank to the Ministry of Petroleum and Mineral Resources' benefit which are related to Nylon project against the pledge of Time deposit amounted SAR 250 millions, the letter of guarantee amounted SAR 562,5 millions.

The company is contingently liable for a letter of guarantee, which was issued by a local bank and amounted SAR 734,4 millions. Saudi Polymers Company benefit of the letter as the project's company, and Smitomo Mitso Banking Est. as the representative of funding banks, to cover additional expenses.

As a result of issuing letter of guarantee, by Chevron Phillips Company, relating to uplift of feedstock from a suppliers, Saudi Industrial Investment Group is contingently liable SAR 197,4 million as of September 30, 2009.

As a result of issuing letter of guarantee, by Jubail Chevron Phillips, relating to uplift of feedstock from a suppliers, Saudi Industrial Investment Group is contingently liable SAR 281,3 million as of September 30, 2009.

11. COMPARATIVE FIGURES

For comparative purpose, comparative figures for the period ending 30 September 2008 for the consolidated financial statements of Saudi Industrial Investment Group and it's affiliates including the National Company for Petrochemicals – Petrochem and its affiliate (Saudi Polymers Company) which was consolidated according to the international apportionment consolidation principle, which is in compliance with Saudi GAAP, where company's share as of the second quarter of 2009 totaled 50% affiliate's shares, while the shares of National Company for Petrochemicals – Petrochem for the third quarter of 2009 totaled 65%. Financial statements were consolidated according to the ownership equity method.

12. GENERAL

The figures in the interim consolidated financial statements are rounded to the nearest thousand Saudi Riyal.