

**SAUDI INDUSTRIAL INVESTMENT GROUP  
(A SAUDI JOINT STOCK COMPANY)**

**THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2009  
TOGETHER WITH LIMITED AUDITORS' REPORT**



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

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

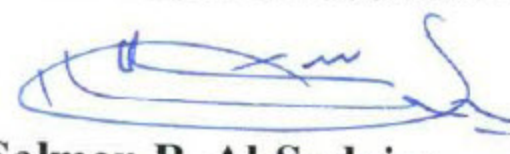
We have examined the accompanying Interim consolidated balance sheet of **SAUDI INDUSTRIAL INVESTMENT GROUP (A Saudi Joint Stock Company)** as of March 31, 2009 and the related statements of income, cash flows and changes in shareholders' equity for the three months period then ended, and the notes from 1 to 9 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 owns 95% from its shares) for the period ended March 31, 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 three months period ended March 31, 2009 to be in conformity with generally accepted accounting principles.



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**SAUDI INDUSTRIAL INVESTMENT GROUP**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED BALANCE SHEET (UN-AUDITED)**  
**AS OF MARCH 31, 2009**  
**(In Thousands Saudi Riyals)**

	<b><u>Un-audited</u></b> <b><u>31/03/2009</u></b>	<b><u>Un-audited</u></b> <b><u>31/03/2008</u></b>
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and bank balances (Note 4)	3,010,697	622,920
Accounts receivable	197,505	277,330
Inventory (Note 2b)	158,553	150,900
Investments in government bonds (Note 2c)	33,032	501,608
Accrued revenue	12,497	20,175
Prepayments and other assets	53,921	376,575
Deferred subscribing expenses, net (Note 2d)	<u>-</u>	<u>18,684</u>
Total current assets	3,466,205	1,968,192
Deferred expenses, net (Note 2e)	92,487	29,894
Projects under construction (Note 5)	2,858,416	2,191,645
Long term investments (Note 2f)	-	2,211,397
Property and equipment, net (Note 2g)	<u>2,963,653</u>	<u>999,290</u>
Total assets	<u>9,380,761</u>	<u>7,400,418</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
Current Liabilities:		
Accounts payable	678,290	431,692
Current portion of long term loans	55,265	-
Accrued expenses and other liabilities (Note 6)	<u>89,773</u>	<u>31,265</u>
Total current liabilities	823,328	462,957
Long Term Loans	3,394,940	1,411,875
End of Service Benefits (Note 2h)	<u>16,327</u>	<u>12,217</u>
Total liabilities	<u>4,234,595</u>	<u>1,887,049</u>
Shareholders' Equity:		
Paid-up capital	4,500,000	4,500,000
Statutory reserve	184,465	193,334
Retained earnings	<u>461,701</u>	<u>820,035</u>
Total shareholders' equity	<u>5,146,166</u>	<u>5,513,369</u>
Total liabilities and shareholders' equity	<u>9,380,761</u>	<u>7,400,418</u>

The accompanying notes from (1) to (9) are an integral part of these interim consolidated financial statements



**SAUDI INDUSTRIAL INVESTMENT GROUP**  
**(A Saudi Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF INCOME (UN-AUDITED)**  
**FOR THE PERIOD ENDED MARCH 31, 2009**  
**(In Thousands Saudi Riyals)**

	<b><u>Un-audited</u></b> <b><u>From 01/01/2009</u></b> <b><u>To 31/03/2009</u></b>	<b><u>Un-audited</u></b> <b><u>From 01/01/2008</u></b> <b><u>To 31/03/2008</u></b>
Sales (Note 2i)	<b>439,557</b>	552,122
Costs of sales (Note 2j)	<b><u>(440,675)</u></b>	<u>(390,868)</u>
Gross (loss) profit	<b>(1,118)</b>	161,254
General and administrative and marketing expenses (Note 2j)	<b><u>(34,269)</u></b>	<u>(31,531)</u>
Net operation (loss) profit	<b>(35,387)</b>	129,723
Finance charges	<b>(8,951)</b>	(10,829)
Other income (Note 2i)	<b><u>17,101</u></b>	<u>22,454</u>
Net results from the other operation	<b>8,150</b>	11,625
Net (loss) profit for the period before Zakat	<b>(27,237)</b>	141,348
Accrued Zakat for the period (Note 2k)	<b><u>(23,250)</u></b>	<u>(3,904)</u>
Net (loss) profit for the period	<b><u>(50,487)</u></b>	<u>137,444</u>
Net (loss) profit per share (Note 7)	<b><u>(0,11)</u></b>	<u>0,36</u>

The accompanying notes from (1) to (9) 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 MARCH 31, 2009**  
**(In Thousands Saudi Riyals)**

	<b>Un-audited From 01/01/2009 To 31/03/2009</b>	<b>Un-audited From 01/01/2008 To 31/03/2008</b>
<b>Cash Flows from Operating Activities:</b>		
Net (loss) profit for the period	(50,487)	137,444
<b>Adjustments to reconcile net (loss) profit to net cash used in operating activities:</b>		
Depreciation for the period	44,447	17,967
Amortization for the period	1,065	3,142
Prior years adjustments	(575)	300
Gain on sale of property and equipment	(60)	-
End of Service Benefits	(303)	(338)
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(87,994)	(193,457)
Inventory	(16,977)	16,490
Accrued Revenue	46,871	(2,024)
Deferred subscribing expenses	-	(17,904)
Prepayments and other assets	(2,709)	(247,617)
Accounts payable	669,967	330,348
Accrued expenses and other liabilities	<u>(605,893)</u>	<u>(321,101)</u>
Net cash used in operating activities	<u>(2,648)</u>	<u>(276,750)</u>
<b>Cash Flows from Investing Activities:</b>		
Transfer and Purchase of property and equipment	(1,082)	(89)
Proceeds from sale of property and equipment	60	-
Net change in Investments in Government bonds	221,676	-
Long term investment	-	(2,209,397)
Net change in Deferred Expenses	(6,541)	1,656
Projects Under Construction	<u>(622,865)</u>	<u>68,451</u>
Net cash used in investing activities	<u>(408,752)</u>	<u>(2,139,379)</u>
<b>Cash Flows from Financing Activities:</b>		
Net change in loans	719,024	40,000
Increase in Capital	<u>-</u>	<u>2,250,000</u>
Net cash provided by financing activities	<u>719,024</u>	<u>2,290,000</u>
<b>Net increase (decrease) in cash and bank balances</b>	<b>307,624</b>	<b>(126,129)</b>
Cash and bank balances at beginning of the period	<u>2,703,073</u>	<u>749,049</u>
<b>Cash and bank balances at end of the period</b>	<u><b>3,010,697</b></u>	<u><b>622,920</b></u>

The accompanying notes from (1) to (9) 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 MARCH 31, 2009**  
**(In Thousands Saudi Riyals)**

	<b>Un-audited From 01/01/2009 To 31/03/2009</b>	<b>Un-audited From 01/01/2008 To 31/03/2008</b>
<b>Paid-up capital:</b>		
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>
<b>Statutory reserve:</b>		
Beginning of the period	184,465	179,590
Transfer from retained earnings	<u>-</u>	<u>13,744</u>
End of the period	<u>184,465</u>	<u>193,334</u>
<b>Retained earnings:</b>		
Beginning of the period	512,763	696,035
Transfer to statutory reserve	-	(13,744)
Prior years' adjustments	(575)	300
Net income for the period	<u>(50,487)</u>	<u>137,444</u>
End of the period	<u>461,701</u>	<u>820,035</u>
<b>Total shareholders' Equity</b>	<u><b>5,146,166</b></u>	<u><b>5,513,369</b></u>

The accompanying notes from (1) to (9) 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 MARCH 31, 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 four thousand and five hundred million 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 March 31, 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 without control and National Petrochemical Company – Petrochem in which the company owns 95% of their owner's equity and the local affiliated limited liability companies in which the company owns more than 50% of the owner's equity):

a) Saudi Chevron Phillips Company --

Saudi Chevron Phillips Company (S.C.P.C) 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 (J.C.P.C) 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, 2008. 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 2,200 million), Saudi Industrial Investment Group owns 95 % 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.

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 March 31, 2009, 2008 and its affiliate companies according to the unaudited interim financial statement for the affiliate companies as of March 31, 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 owns 95% from its shares) 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 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).

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 during the priority rights' subscriptions period for the purpose of augmenting the company's capital. These expenses are amortized using the straight-line method over a period of 10 months in the year 2008 only.

e) Deferred expenses --

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

f) Long term investments --

Long term investments represent shares in companies owned by the company in different percentages, Investments in which the Company's share do not exceed 20% are shown at cost. Investments in which the Company's share ranges between 20% to 50% are accounted for using the equity method, whereas investments in which the Company's share exceeds 50% of the capital are accounted for using the consolidation method, We have not issued the consolidated financial statements of the National petrochemical company-Petrochem, since the financial statements for the period ending 31 March 2008 were not available as the company was established in 3/3/1429H (corresponding to 11/3/2008).



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 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 March 31, 2009 and 2008 do not give an accurate resemblance of the actual results of the whole year's operations.

#### **4. CASH AND BANKS BALANCES**

Cash and banks balances comprised of the following as of March 31:

	<u>In Thousands Saudi Riyals</u>	
	<u>Un-audited</u>	<u>Un-audited</u>
	<u>2009</u>	<u>2008</u>
Cash and banks balances	354,114	177,134
Time deposits	2,656,583	445,786
	<u>3,010,697</u>	<u>622,920</u>

#### **5. PROJECTS UNDER CONSTRUCTION**

It represents the Company's shares in the development of Saidi 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.

#### **6. ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities comprise of the following as of March 31:

	<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	23,250	3,904
Accrued Zakat for the year 2008	9,128	-
Compensations for		
priority rights' subscriptions	3,187	3,255
Accrued dividends distribution	2,324	1,972
Accrued Zakat for the year 2007	-	21,746
Others	51,884	388
	<u>89,773</u>	<u>31,265</u>

#### **7. NET (LOSSES) EARNING PER SHARE**

The earning per share for the period was determined after making the proper adjustments, according to the SOCPA standards for the shares 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 period ending March 31, 2008, when the number of shares in question was 384, 750,000 share.

#### **8. CAPITAL COMMITMENTS**

Saudi Industrial Investment Group has SAR 48,94 million of unused capital expenditure commitment as of March 31, 2009 (SAR 32,45 million as of March 31, 2008) regarding to being a partner in Saudi Chevron Phillips Company by 50%.

Saudi Industrial Investment Group has SAR 9,56 million of unused capital expenditure commitment as of March 31, 2009 (SAR 315 million as of March 31, 2008) regarding to being a partner in Jubail Chevron Phillips Company by 50%.

National Petrochemical Company-Petrochem, has a commitment of USD 750 million (SAR 2,812,500,000) towards each of the Saudi Polymers Company, as it is the project's company, and Smitumu Mitsu Bank as it is the representative of the crediting banks. This commitment stands for a bank letter of guarantee for the company's contribution in the capital of the Saudi polymers Company, in which the company owns 50% of its shares, against the pledge of a time deposit amounting to USD 375 million (SAR 1,406,250,000).

National Petrochemical Company-Petrochem has SAR 6,56 Billion of unused capital expenditure commitment as of March 31, 2009 regarding to being a partner in Saudi Polymers Company by 50% for petrochemical plant construction.

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 letter of guarantee, for Chevron Phillips Company, relating to uplift of feedstock for plant from a suppliers. The share of the group from the letter totaled SAR 162,5 million as of March 31, 2009 (0 in 2008).

The company is contingently liable for letter of guarantee, for Jubail Chevron Pillips, relating to uplift of feedstock for plant from a suppliers. The share of the group from the letter totaled SAR 424,5 million as of March 31, 2009 (0 in 2008).

## **9. GENERAL**

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