

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

**SHAREHOLDERS OF
NATIONAL PETROCHEMICAL COMPANY - PETROCHEM
(A Saudi Closed Joint Stock Company)**

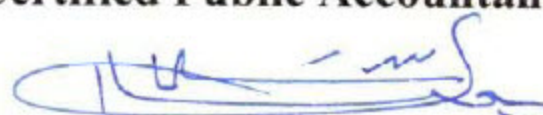
We have examined the accompanying Interim consolidated balance sheet of **NATIONAL PETROCHEMICAL COMPANY - PETROCHEM (A Saudi Closed Joint Stock Company)** as of June 30, 2009 and the related statements of income, cash flows and changes in shareholders' equity for the six months period then ended, and 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. These consolidated financial statements are the responsibility of the Company's management. We examined the consolidated the interim financial statements based on financial data submitted to us from the company's affiliate company (Saudi Polymers Company which the Company owns 50% of its shares) for the period ended June 30, 2009. These consolidated financial statements are the responsibility of the Company.

Our examination was limited to the Interim consolidated financial statements of **NATIONAL PETROCHEMICAL COMPANY - PETROCHEM (A Saudi Closed 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 six months period ended June 30, 2009 to be in conformity with generally accepted accounting principles.



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18 Rajab 1430H (July 11, 2009)
Riyadh, Saudi Arabia

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

	<u>Un-audited</u> <u>30/06/2009</u>	<u>Un-audited</u> <u>30/06/2008</u>
<u>ASSETS</u>		
Current Assets:		
Cash and bank balances (Note 4)	2,648,357	2,600,657
Accounts receivable	292,696	259,477
Inventory (Note 2b)	180,040	172,080
Investments in government bonds (Note 2c)	33,032	485,008
Accrued revenue	11,216	34,394
Prepayments and other assets	75,349	51,797
Deferred subscribing expenses, net (Note 2d)	<u>-</u>	<u>12,491</u>
Total current assets	3,240,690	3,615,904
Deferred expenses, net (Note 2e)	87,523	59,570
Projects under construction (Note 5)	4,281,535	1,045,511
Preoperating expenses, net (Note 2f)	-	8,787
Property and equipment, net (Note 2g)	<u>2,924,656</u>	<u>3,100,974</u>
Total assets	<u>10,534,404</u>	<u>7,830,746</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable	907,582	677,837
Current portion of long term loans	73,220	-
Accrued expenses and other liabilities (Note 6)	<u>60,469</u>	<u>35,128</u>
Total current liabilities	1,041,271	712,965
Long Term payable	50,763	-
Long Term Loans	4,204,986	1,659,375
End of Service Benefits (Note 2h)	<u>17,432</u>	<u>14,310</u>
Total liabilities	<u>5,314,452</u>	<u>2,386,650</u>
Shareholders' Equity:		
Paid-up capital	4,500,000	4,500,000
Statutory reserve	186,808	209,087
Retained earnings	<u>533,144</u>	<u>735,009</u>
Total shareholders' equity	<u>5,219,952</u>	<u>5,444,096</u>
Total liabilities and shareholders' equity	<u>10,534,404</u>	<u>7,830,746</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 (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2009
(In Thousands Saudi Riyals)

	Un-audited From 01/01/2009 To 31/03/2009	Un-audited From 01/01/2008 To 31/03/2008	Un-audited From 01/04/2009 To 30/06/2009	Un-audited From 01/04/2008 To 30/06/2008	Un-audited From 01/01/2009 To 30/06/2009	Un-audited From 01/01/2008 To 30/06/2008
Sales (Note 2i)	439,557	552,122	787,002	600,527	1,317,559	1,152,649
Costs of sales (Note 2j)	(440,675)	(390,868)	(743,479)	(407,017)	(1,184,154)	(797,885)
Gross (loss) profit	(1,118)	161,254	134,523	193,510	133,405	354,764
General and administrative and marketing expenses (Note 2j)	(34,269)	(31,531)	(27,579)	(55,943)	(61,807)	(87,474)
Net operation (loss) profit	(35,387)	129,723	106,944	137,567	71,598	267,290
Finance charges	(8,951)	(10,829)	(10,085)	(4,326)	(19,036)	(15,155)
Exchange losses (Note 2l)	-	-	-	(383)	-	(383)
Other income (Note 2i)	17,101	22,454	7,453	27,445	24,513	49,899
Net results from the other operation	8,150	11,625	(2,632)	22,736	5,477	34,361
Net (loss) profit for the period before Zakat	(27,237)	141,348	104,312	160,303	77,075	301,651
Accrued Zakat for the period (Note 2k)	(23,250)	(3,904)	(30,391)	(2,777)	(53,641)	(6,681)
Net (loss) profit for the period	(50,487)	137,444	73,921	157,526	23,434	294,970
Net (loss) profit per share (Note 7)	(0,11)	0,36	0,16	0,41	0,05	0,77

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

	<u>Un-audited</u> <u>From 1/1/2009</u> <u>To 30/06/2009</u>	<u>Un-audited</u> <u>From 1/1/2008</u> <u>To 30/06/2008</u>
Cash Flows from Operating Activities:		
Net income for the period	23,434	294,970
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation for the period	88,998	36,279
Amortization for the period	6,988	29,719
Prior years adjustments	(710)	300
Gain on sale of property and equipment	(60)	-
End of Service Benefits	802	1,755
Changes in assets and liabilities:		
Accounts receivable	(183,185)	(175,604)
Inventory	(38,464)	(4,690)
Accrued Revenue	48,152	(16,243)
Deferred subscribing expenses	-	(17,047)
Prepayments and other assets	(24,137)	75,442
Accounts payable	899,259	576,493
Accrued expenses and other liabilities	(635,197)	(317,238)
Long Term payable	<u>50,763</u>	<u>-</u>
Net cash provided by operating activities	<u>236,643</u>	<u>484,136</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(6,670)	(2,119,268)
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	(7,500)	(32,358)
Projects Under Construction	(2,045,984)	1,214,585
Preoperating expenses	<u>-</u>	<u>(24,787)</u>
Net cash used in investing activities	<u>(1,838,384)</u>	<u>(943,228)</u>
Cash Flows from Financing Activities:		
Net change in loans	1,547,025	287,500
Increase in Capital	-	2,250,000
Dividend distribution	-	(225,000)
Board of director bonuses distribution	<u>-</u>	<u>(1,800)</u>
Net cash provided by financing activities	<u>1,547,025</u>	<u>2,310,700</u>
Net (decrease) increase in cash and bank balances	(54,716)	1,851,608
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>2,648,357</u>	<u>2,600,657</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 JUNE 30, 2009
(In Thousands Saudi Riyals)

	<u>Un-audited</u> <u>From 1/1/2009</u> <u>To 30/06/2009</u>	<u>Un-audited</u> <u>From 1/1/2008</u> <u>To 30/06/2008</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>2,343</u>	<u>29,497</u>
End of the period	<u>186,808</u>	<u>209,087</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	(710)	300
Transfer to statutory reserve	(2,343)	(29,497)
Net profit for the period	<u>23,434</u>	<u>294,970</u>
End of the period	<u>533,144</u>	<u>735,009</u>
Total shareholders' Equity	<u>5,219,952</u>	<u>5,444,096</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 JUNE 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 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 June 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 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 (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, 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.

The National Petrochemical Company held its extraordinary General Assembly meeting on 23/5/1430 H (corresponding to 18/5/2009 G), and the assembly agreed to raise the company's capital to 4,800 million Saudi Riyal divided into 480 million shares at (10) Saudi Riyal each through a subscription of Saudi Industrial Investment Group with a total of 20 million shares and the remaining, 240 million shares, will be allocated for public offering at (10) Saudi Riyals per share, where 80 million shares will be allocated for Public Pension Agency and General Organization for Social Insurance each, and the remaining 80 million shares will be offered to the public of the Saudi natural persons. Terms of subscription period begins on 25/7/1430H (corresponding to 18/7/2009G) and continues for Seven days till 2/8/1430H (corresponding to 24/7/2009G).

The founding shareholders will own 50% of shares after the completion of the subscription, and will retain control of National Petrochemical Company shares.

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 June 30, 2009, 2008 and its affiliate companies according to the unaudited interim financial statement for the affiliate companies as of June 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 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.

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 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 June 30, 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 June 30:

	<u>In Thousands Saudi Riyals</u>	
	Un-audited	Un-audited
	<u>2009</u>	<u>2008</u>
Cash and banks balances	627,596	188,362
Time deposits	<u>2,020,761</u>	<u>2,412,295</u>
	<u>2,648,357</u>	<u>2,600,657</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 June 30:

	<u>In Thousands Saudi Riyals</u>	
	Un-audited	Un-audited
	<u>2009</u>	<u>2008</u>
Accrued Zakat for the period	53,641	6,681
Compensations for priority rights' subscriptions	3,187	3,187
Accrued dividends distribution	2,324	2,948
Accrued Zakat for the year 2007	-	21,746
Others	<u>1,317</u>	<u>566</u>
	<u>60,469</u>	<u>35,128</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 June 30, 2009, when the number of shares in question was 384, 750,000 share.

8. CAPITAL COMMITMENTS

Saudi Industrial Investment Group has SAR 38,62 million of unused capital expenditure commitment as of June 30, 2009 (SAR 54,95 million as of June 30, 2008) regarding to being a partner in Saudi Chevron Phillips Company by 50%.

Saudi Industrial Investment Group has SAR 8,06 million of unused capital expenditure commitment as of June 30, 2009 (SAR 4,12 million as of June 30, 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 4,87 Billion of unused capital expenditure commitment as of June 30, 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.

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 295 million as of June 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 422 million as of June 30, 2009.

9. GENERAL

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