

**Saudi Industrial Investment Group and Its
Subsidiaries**

(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

**FOR THE NINE-MONTH PERIOD
ENDED 30 SEPTEMBER 2010**

SAUDI INDUSTRIAL INVESTMENT GROUP AND ITS SUBSIDIARIES
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2010

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LIMITED 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 - A Saudi Joint Stock Company ("the Company") and its subsidiaries ("the Group") as at 30 September 2010, the related interim consolidated statement of income for the three and nine-month periods ended 30 September 2010, and interim consolidated statements of cash flows and changes in shareholders' equity for the nine-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 Organisation 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 to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For Ernst & Young



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Certified Public Accountant
Registration No. 354



Riyadh: 11 Dhul-Qida 1431H
(19 October 2010)

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

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

As at 30 September 2010

(Amounts in SR'000)

	Note	2010	2009
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,972,617	5,591,712
Accounts receivable, net		336,008	391,969
Inventories		301,393	192,279
Prepayments and other assets		78,055	109,118
Investment in governmental bonds		-	33,032
TOTAL CURRENT ASSETS		4,688,073	6,318,110
NON-CURRENT ASSETS			
Property, plant and equipment		2,721,217	2,880,311
Construction work in progress	4	15,199,825	9,571,048
Deferred charges		273,018	151,916
TOTAL NON-CURRENT ASSETS		18,194,060	12,603,275
TOTAL ASSETS		22,882,133	18,921,385
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable		296,519	1,579,873
Current portion of long term loans	5	161,739	78,220
Accrued expenses and other liabilities		303,790	94,360
TOTAL CURRENT LIABILITIES		762,048	1,752,453
NON-CURRENT LIABILITIES			
Long term accounts payable		906,194	50,763
Term loans	5	11,677,214	8,434,779
Subordinated loan from minority shareholder	6	1,601,096	834,621
Employees' terminal benefits		25,213	18,639
TOTAL NON-CURRENT LIABILITIES		14,209,717	9,338,802
TOTAL LIABILITIES		14,971,765	11,091,255
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	7	4,500,000	4,500,000
Statutory reserve		215,066	184,465
Retained earnings		777,637	672,319
TOTAL SHAREHOLDERS' EQUITY		5,492,703	5,356,784
Minority interests		2,417,665	2,473,346
Total equity		7,910,368	7,830,130
TOTAL LIABILITIES AND EQUITY		22,882,133	18,921,385

The Attached notes 1 to 15 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 and nine-month periods ended 30 September 2010

(Amounts in SR'000)

	Note	For the three-month ended 30 September 2010	30 September 2009	For the nine-month ended 30 September 2010	30 September 2009
Sales		1,049,784	1,203,464	3,309,947	2,521,023
Cost of sales		(901,031)	(1,012,663)	(2,839,698)	(2,196,817)
GROSS PROFIT		148,753	190,801	470,249	324,206
Selling, general and administration expenses		(75,757)	(43,125)	(147,690)	(104,932)
INCOME FROM MAIN OPERATIONS		72,996	147,676	322,559	219,274
Other income (expenses)		6,760	6,923	(3,222)	31,436
Financial charges		(5,224)	(5,695)	(14,748)	(24,731)
Loss on exchange		-	(409)	-	(409)
INCOME BEFORE MINORITY INTERESTS AND ZAKAT		74,532	148,495	304,589	225,570
Minority interests share in net loss of subsidiaries		1,858	20,137	43,278	20,137
INCOME BEFORE ZAKAT		76,390	168,632	347,867	245,707
Zakat	8	(30,435)	(32,138)	(133,400)	(85,779)
NET INCOME FOR THE PERIOD		45,955	136,494	214,467	159,928
EARNINGS PER SHARE (SR)	9				
Attributable to income from main operations		0.16	0.33	0.72	0.49
Attributable to net income for the period		0.10	0.30	0.48	0.36

The Attached notes 1 to 15 form part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

For the nine-month period ended 30 September 2010

(Amounts in SR, 000)

	2010	2009
OPERATING ACTIVITIES		
Income before zakat	347,867	225,570
Adjustments for:		
Depreciation and amortization	281,469	151,532
Employees' terminal benefits, net	4,976	2,009
Gain on sale of property, plant and equipment	-	(60)
Prior year adjustments	-	(372)
Minority interests	(43,278)	20,137
	<u>591,034</u>	<u>398,816</u>
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and others current assets	164,752	(286,541)
Inventories	(97,374)	(50,703)
Accounts payable, accrued liabilities and other payables	(3,445)	970,245
Long term payable	(84,161)	50,763
Zakat paid	(79,060)	(85,779)
	<u>491,746</u>	<u>996,801</u>
Net cash from operating activities		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(129,216)	(6,314)
Proceeds from sale of property, plant and equipment	-	94
Investment in governmental bonds	33,032	221,676
Deferred charges, net	(139,052)	(77,906)
Construction work in progress	(3,910,302)	(7,335,497)
	<u>(4,145,538)</u>	<u>(7,197,947)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Subordinated loan from minority shareholders	564,377	6,616,439
Term loans	2,701,243	2,473,346
Dividends paid	(225,000)	-
	<u>3,040,620</u>	<u>9,089,785</u>
Net cash from financing activities		
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(613,172)</u>	<u>2,888,639</u>
Cash and cash equivalents at the beginning of the period	4,585,789	2,703,073
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>3,972,617</u></u>	<u><u>5,591,712</u></u>

The Attached notes 1 to 15 form part of these interim consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

For the nine-month period ended 30 September 2010

(Amounts in SR, 000)

	Shareholders' equity			Total shareholders' equity	Minority interest
	Share capital	Statutory reserve	Retained earnings		
30 September 2010					
Balance as at 1 January 2010	4,500,000	215,066	788,170	5,503,236	2,460,943
Net income for the period	-	-	214,467	214,467	(43,278)
Dividends (note 14)	-	-	(225,000)	(225,000)	-
Balance as at 30 September 2010	4,500,000	215,066	777,637	5,492,703	2,417,665
30 September 2009					
Balance as at 1 January 2009	4,500,000	184,465	512,763	5,197,228	-
Change in accounting policy	-	-	(372)	(372)	-
Minority interest	-	-	-	-	2,493,483
Net income for the period	-	-	159,928	159,928	(20,137)
Balance as at 30 September 2009	4,500,000	184,465	672,319	5,356,784	2,473,346

The Attached notes 1 to 15 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) 30 September 2010

1. ORGANIZATION AND ACTIVITIES

Saudi Industrial Investment Group ("the Company") is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration numbered 1010139946 dated 10 Shabaan 1416H (corresponding to 1 January 1996). The Company was formed pursuant to the Ministry of Commerce and Industrial's resolution numbered 29 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, its subsidiaries and joint ventures ("the Group"), as adjusted by the elimination of significant inter-company balances and transactions. 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. A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity which is subject to joint control. The financial statements of the subsidiaries and joint ventures are prepared using accounting policies which are consistent with those of the Company.

The subsidiaries' financial statements are consolidated from the date on which the Company is able to exercise effective management control over the subsidiaries.

In the interim consolidated financial statements, the Company reports its interests in jointly controlled entities using proportionate consolidation, whereby the Company's share in the assets, liabilities, income and expenses of jointly controlled entities is consolidated on a line-by-line basis with the equivalent items in the Company's financial statements.

The subsidiary and joint controlled companies included in these interim financial statements are as follows:

		Direct and indirect shareholding %		Accounting treatment
		2010	2009	
National Petrochemical Company (Petrochem) and its subsidiary*	Subsidiary	50.00	50.00	Full Consolidation
Saudi Nylon Company**	Subsidiary	100.00	100.00	Full Consolidation
Saudi Benzene Company**	Subsidiary	100.00	100.00	Full Consolidation
Saudi Paraxylene Company**	Subsidiary	100.00	100.00	Full Consolidation
Saudi Cyclohexane Company**	Subsidiary	100.00	100.00	Full Consolidation
Saudi Chevron Philips	Joint venture	50.00	50.00	Proportionate consolidation
Jubail Chevron Philips	Joint venture	50.00	50.00	Proportionate consolidation

All subsidiaries and joint venture are incorporated in the Kingdom of Saudi Arabia.

* During the third quarter of 2009, the capital of Petrochem was increased. The additional capital was offered for subscriptions by public. The direct and indirect ownership of the Company in Petrochem was reduced from 100% to 50%.

** During the year 2010, Saudi Industrial Investment Group has resolved to liquidate Saudi Nylon Company, Saudi Paraxylene Company, Saudi Cyclohexane Company and Saudi Benzene Company; having their purpose being achieved; i.e. incorporation of Petrochem. The legal formalities of liquidation proceedings of these subsidiary companies are under progress.

Saudi Industrial Investment Group And Its Subsidiaries
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
- Continued
30 September 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard on Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted by Group in preparing its interim consolidated financial statements, summarized below, are consistent with those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2009. The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended 31 December 2009. The figures in these interim consolidated financial statements are rounded to nearest thousand.

Accounting convention

The interim consolidated financial statements are prepared under the historical cost convention.

Use of estimates

The preparation of the interim consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. The actual results ultimately may differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consists of bank balances, cash on hand, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Accounts receivable

Accounts receivable are stated at the invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when the collection of the receivable amount is considered doubtful. Bad debts are written off as incurred.

Inventories

Inventories are stated at the lower of cost and market value. Cost is determined as follows:

- Raw materials, spares and catalysts - purchase cost on a weighted average basis.
- Finished goods - cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation except for freehold land and construction work in progress which are stated at cost. Expenditure for maintenance and repairs is expensed, while expenditure for improvement is capitalized. Depreciation 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:

	Years
Plant and equipments	5- 20
Buildings	20
Office equipment and furniture	3 33-10
Vehicles	4
Leasehold improvements	5

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

- Continued

30 September 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction work in progress

Construction work in progress includes main contractors and subcontractors cost, cost of materials and services deemed necessary for the construction of the plant, borrowing costs, salaries and other costs that can be specifically identified as necessary costs to have the plant ready for its intended use and other overheads allocated on a systematic basis. Such cost are capitalized and depreciated upon substantial completion of the plant.

Deferred charges/amortization

Deferred charges comprise agency and upfront fees and are amortized over the period of the related loans. The amortization is capitalized in the cost of the plant under construction.

Deferred charges also include the expenditure incurred by Petrochem for capital increase in 2009 which was amortized on a straight line basis during the remaining of the same year.

Impairment of financial assets

The Group periodically reviews the carrying amounts of its long term tangible assets to determine whether there is any indication that those assets have suffered an impairment. 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 recognised 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 recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised as income immediately in the interim consolidated statement of income.

Accounts payable and accruals

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

Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the 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 an accrual basis. The provision is charged to the interim consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the interim consolidated financial statements.

Employees' terminal benefits

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date.

Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset are capitalised up to the stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, thereafter, such costs are charged to the interim consolidated statement of income.

Saudi Industrial Investment Group And Its Subsidiaries
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
- Continued
30 September 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 balance sheet date are retranslated at the rate prevailing at that date. All differences are taken to the interim consolidated statement of income.

Revenue recognition

Sales represent the invoiced value of goods supplied by the Group during the period 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.

Earnings on bank deposits are recognized on an accrual basis.

Selling, general and administration expenses

Selling and distribution expenses are those expenses that specifically relate to the delivery and marketing of products. All other period expenses, after the date of the commencement of commercial operations, other than cost of sales, capitalized costs incurred during the construction period, amortization of deferred charges and financial charge are classified as general and administration expenses.

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.

4. CONSTRUCTION WORK IN PROGRESS

Construction work in progress represents the costs incurred in connection with the construction of a petrochemical plant. It is anticipated that construction will be completed and the plant will commence its commissioning period at the end of 2011.

5. TERM LOANS

Term loans represent the drawn part of SR 10,488 million (30 September 2009: SR 7,044 million) out of loan facilities obtained from various commercial banks, Saudi Industrial Development Fund (SIDF) and Public Investment Fund (PIF). These loans are obtained by the Subsidiary Company to finance the construction of the petrochemical plant.

The loan is secured by assignment of residual proceeds of plant and equipment, charge and assignment over secured project documents, charge and assignment over onshore and offshore project bank accounts.

The loans obtained from commercial banks carry interest at Libor plus 0.06% to 1.15%. The loans obtained from SIDF and PIF are subject to interest at the rate varying from 4.15% to 8.33% and 7% to 9% respectively of the total facilities utilized. The Group is required to comply with certain covenants under all the loan facility agreements. Loans repayment shall commence within 6 months of the project's operational phase, which is scheduled by the end of 2011. All loans shall be fully repaid by 2021.

6. SUBORDINATED LOAN FROM MINORITY SHAREHOLDER

Subordinated loan from minority shareholder (Arabian Chevron Phillips Petrochemical Company Limited) is commission free loan granted to the subsidiary company and is repayable subject to the minimum level required to be maintained by the terms of SIDF's facility arrangements.

Saudi Industrial Investment Group And Its Subsidiaries
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

- Continued

30 September 2010

7. SHARE CAPITAL

Share capital is divided into 450 million shares of SR 10 each as of 30 September 2010 (2009: 450 million shares)

8. ZAKAT

Zakat is provided for and charged to the interim consolidated statement of income on an estimated 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 2009. 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 disallowance of certain items included in the assessment for the years 2002 to 2006, which resulted in a difference of SR 41,938,103, the appeal is still pending. As per the management's assessment, the company has made provision of SR 10.8 million for items under appeal.

As for Petrochem (the subsidiary company), zakat returns have been filed with the DZIT for 2008 and 2009 and zakat due was settled accordingly. The DZIT has raised the zakat assessment for 2008, claiming a difference of SR 53,092,939. The company filed an appeal against this assessment before the Preliminary Zakat Appeal Committee, which is still pending. The management believes that the ultimate outcome of this issue will be in the favor of the company.

9. EARNINGS PER SHARE

Earnings per share are calculated for the period ended 30 September 2010 by dividing income from main operations and net income for the period by the number of outstanding shares amounting to 450 million shares as at 30 September 2010 (30 September 2009: 450 million shares).

10. INTERIM RESULTS

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

11. CONTINGENT LIABILITIES

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 2.2 billion (30 September 2009: SR 1.8 billion) during the normal course of business.

12. SEGMENT INFORMATION

The Group, subsidiaries and joint venture's operations consist of only one segment, i.e. petrochemicals segment, which includes basic chemicals, intermediates and polymers. The Group's assets are located and its sales are mainly in Saudi Arabia.

13. CAPITAL COMMITMENTS

The balance of unused capital expenditure commitment approved by the board of directors of Saudi Polymers Company in connection with the construction of a petrochemical plant was SR 9.9 billion at 30 September 2010 (30 September 2009: SR 6.3 billion).

The balance of unused capital expenditure commitment approved by the board of directors of Saudi Chevron Phillips Company and Jubail Chevron Phillips Company in connection with construction of administrative complex in the jointly controlled entities was SR 22.3 million at 30 September 2010 (30 September 2009: SR 32.8 million).

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

- Continued

30 September 2010

14. DIVIDENDS

On 9/3/1431 H (corresponding to 23/2/2010), the board of directors has proposed to the general meeting of shareholders to distribute cash dividends at 5% of nominal value of share (SR 0.5 per share) for the year ended 2009 with total dividends of SR 225 million.

The shareholders have approved this proposal during the general meeting dated 8/6/1431 H (corresponding to 22/5/2010).

15. COMPARATIVE FIGURES

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