

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

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED)**

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 June 2010, the related interim consolidated statements of income for the three month and six month periods ended 30 June 2010, and interim consolidated statements of cash flows and changes in shareholders' equity for the six-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 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 as of and for the three and six months period ended 30 June 2010 for them 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: 7 Sha'aban 1431H
(19 July 2010)

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

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)

As at 30 June 2010

		2010	2009
	Note	In Thousand Saudi Riyals	In Thousand Saudi Riyals
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,776,767	2,648,357
Accounts receivable, net		271,045	292,696
Inventories		173,964	180,040
Prepayments and other assets		106,868	86,565
Investment in governmental bonds		-	33,032
TOTAL CURRENT ASSETS		4,328,644	3,240,690
NON-CURRENT ASSETS			
Property, plant and equipment		2,763,352	2,924,656
Projects under construction	4	13,886,517	4,281,535
Deferred charges		270,116	87,523
TOTAL NON-CURRENT ASSETS		16,919,985	7,293,714
TOTAL ASSETS		21,248,629	10,534,404
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable		267,303	310,849
Current portion of long term loans	5	150,670	60,469
Accrued expenses and other liabilities		119,430	73,220
TOTAL CURRENT LIABILITIES		537,403	444,538
NON-CURRENT LIABILITIES			
Long term accounts payable and accruals		645,253	647,496
Term loans	5	10,510,330	4,204,986
Subordinated debt from minority shareholder	6	1,638,594	-
Employees' terminal benefits		41,374	17,432
TOTAL NON-CURRENT LIABILITIES		12,835,551	4,869,914
TOTAL LIABILITIES		13,372,954	5,314,452
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	7	4,500,000	4,500,000
Statutory reserve		231,917	186,808
Retained earnings		714,831	533,144
TOTAL SHAREHOLDERS' EQUITY		5,446,748	5,219,952
Minority interests		2,428,927	-
Total equity		7,875,675	5,219,952
TOTAL LIABILITIES AND EQUITY		21,248,629	10,534,404

The accompanying notes form an integral 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 six-month periods ended 30 June 2010

	Note	For the three-month ended		For the six-month ended	
		30 June 2010	30 June 2009	30 June 2010	30 June 2009
		In Thousand Saudi Riyals	In Thousand Saudi Riyals	In Thousand Saudi Riyals	In Thousand Saudi Riyals
Sales		928,002	878,002	2,260,163	1,317,559
Cost of sales		(823,279)	(743,479)	(1,938,667)	(1,184,154)
GROSS PROFIT		104,723	134,523	321,496	133,405
Selling, general and administration expenses		(35,299)	(27,579)	(71,933)	(61,807)
INCOME FROM MAIN OPERATIONS		69,424	106,944	249,563	71,598
Other (losses) income		(15,609)	7,453	(9,982)	24,513
Financial charges		(3,714)	(10,085)	(9,524)	(19,036)
INCOME BEFORE MINORITY INTERESTS AND ZAKAT		50,101	104,312	230,057	77,075
Minority interests in net income of subsidiaries		19,066	-	41,420	-
INCOME BEFORE ZAKAT		69,167	104,312	271,477	77,075
Zakat	8	(42,831)	(30,391)	(102,965)	(53,641)
NET INCOME FOR THE PERIOD		26,336	73,921	168,512	23,434
EARNING PER SHARE (SR)	9				
Attributable to income from main operations		0.15	0.24	0.55	0.16
Attributable to net income for the period		0.06	0.16	0.37	0.05

The accompanying notes form an integral 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 three and six-month periods ended 30 June 2010

	2010	2009
	In Thousand Saudi Riyals	In Thousand Saudi Riyals
OPERATING ACTIVITIES		
Income before zakat	271,477	77,075
Adjustments for:		
Depreciation and amortization	120,914	95,986
Employees' terminal benefits, net	21,137	802
Gain on sale of property, plant and equipment	-	(60)
Change in accounting policy	-	(710)
Minority interests	(41,420)	-
	<u>372,108</u>	<u>173,093</u>
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and others current assets	209,870	(159,170)
Inventories	30,055	(38,464)
Accounts payable, accrued liabilities and other payables	(414,399)	210,421
Long term payable	(308,877)	50,763
Zakat paid	(76,247)	-
	<u>(187,490)</u>	<u>236,643</u>
Net cash (used in) from operating activities		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, net	(22,671)	(6,670)
Proceed from sale of property, plant and equipment	-	94
Investment in governmental bonds	33,032	221,676
Deferred charges, net	(123,839)	(7,500)
Construction works-in-progress	(2,596,994)	(2,045,984)
	<u>(2,710,472)</u>	<u>(1,838,384)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Term loans	1,487,065	1,547,025
Subordinated debt from minority shareholders	601,875	-
	<u>2,088,940</u>	<u>1,547,025</u>
Net cash from financing activities		
DECREASE IN CASH AND CASH EQUIVALENT	<u>(809,022)</u>	<u>(54,716)</u>
Cash and cash equivalent at the beginning of the period	<u>4,585,789</u>	<u>2,703,073</u>
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u><u>3,776,767</u></u>	<u><u>2,648,357</u></u>

The accompanying notes form an integral 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 six-month period ended 30 June 2010

	Shareholders' equity			Total shareholders' equity	Minority interest	Total Equity
	Share capital	Statutory reserve	Retained earnings			
	In Thousand Saudi Riyals	In Thousand Saudi Riyals	In Thousand Saudi Riyals	In Thousand Saudi Riyals	In Thousand Saudi Riyals	In Thousand Saudi Riyals
30 June 2010						
Balance as at 1 January 2010	4,500,000	215,066	788,170	5,503,236	2,470,347	7,973,583
Transfer to general reserve	-	16,851	(16,851)	-	-	-
Net income for the period	-	-	168,512	168,512	(41,420)	127,092
Dividends declared	-	-	(225,000)	(225,000)	-	(225,000)
Balance as at 30 June 2010	4,500,000	231,917	714,831	5,446,748	2,428,927	7,875,675
30 June 2009						
Balance as at 1 January 2009	4,500,000	184,465	512,763	5,197,228	-	5,197,228
Change in accounting policy	-	-	(710)	(710)	-	(710)
Transfer to statutory reserve	-	2,343	(2,343)	-	-	-
Net income for the period	-	-	23,434	23,434	-	23,434
Balance as at 30 June 2009	4,500,000	186,808	533,144	5,219,952	-	5,219,952

The accompanying notes form an integral 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
30 June 2010 (Unaudited)

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 1416 H (corresponding to 1 January 1996). The Company was formed pursuant to a decree numbered 291 issued by Ministry of Commerce and Industry dated 29 Jumad Thani 1416H, (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 exploration of the products and more ways for private sector in the Kingdom to enter the industrial market depending on petrochemical products after obtaining the required licenses from authorized departments.

2. BASIS OF CONSOLIDATION

These interim consolidated financial statements are comprised of 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 exerts 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 are consolidated from the date on which the Company is able to exercise effective management control.

In the interim consolidated financial statements, the Company reports its interests in jointly controlled entities using proportionate consolidation, whereby the Company's share of 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	98.00	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 to the general public, which reduced the ownership of the Company in Petrochem from direct ownership of 95% to 50%.

** During the period, Saudi Industrial Investment Group has resolved to liquidate Saudi Nylon Company, Saudi Benzene Company, Saudi Paraxylene Company and Saudi Cyclohexane Company; having their purpose being achieved which was to incorporate Petrochem. The legal formalities for completing the liquidation proceedings of these subsidiary companies are under progress.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
30 June 2010 (Unaudited)

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 in conformity with those described in the annual 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 by management 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 remaining term of the lease. The estimated years of depreciation of the principal classes of assets are as follows:

	Years
Plant and equipments	5- 20
Buildings	20
Furniture and office equipment	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
(Continued)
30 June 2010 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction work in progress

Construction work in progress includes subcontractor costs, cost of materials and services needed to construct 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 comprises agency and upfront fees and is amortized over the period of the related loans. The amortization is capitalized in the cost of the plant under construction.

Impairment

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 impairment. If any 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 Company 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.

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 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 consolidated statement of income.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

30 June 2010 (Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

Transactions in foreign currencies are translated into Saudi Riyals at the rates of exchange prevailing at the time of such transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in 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 comprise expenses that specifically relate to the delivery and marketing of products. All other period expenses, after the date of commercial operations, other than cost of sales, capitalized costs incurred during the construction period, amortization of deferred charges and financial charges 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. The plant is expected to be completed and begin its testing phase by end of 2011.

5. TERM LOANS

The term loans represent drawn part of SR 14,080 million (30 June 2009: SR 7,653 million) 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 offshore project bank accounts, pledge and assignment over onshore project bank accounts and pledge and assignment over the Company's project bank account. The loans obtained from commercial banks are subject interest ranging from Libor plus 0.5% 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 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. The full repayment shall be completed by 2021.

6. SUBORDINATED DEBT FROM MINORITY SHAREHOLDER

Subordinated debt from minority shareholder is commission free and is repayable subject to the minimum level required to be maintained by the terms of SIDF's facility arrangements

7. SHARE CAPITAL

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

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

(Continued)

30 June 2010 (Unaudited)

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.

The company has filed its zakat returns with the Department of Zakat and Income Tax (DZIT) up to 2009, and settled the zakat dues accordingly

9. EARNINGS PER SHARE

The earnings per share are calculated based on the number of outstanding shares at 30 June 2010 and 30 June 2009 amounting to 450 million shares.

10. INTERIM RESULTS

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

11. CONTINGENT LIABILITIES

The Company's bankers have issued in the normal course of business, on its behalf, bank guarantees amounting to SR 1.8 billion (30 June 2009: SR 2.8 billion).

12. SEGMENT INFORMATION

The Group's operations consist of only one segment which is the 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 9.1 billion at 30 June 2010 (30 June 2009: SR 4.9 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 63.2 million at 30 June 2010 (30 June 2009: SR 46.7 million)

14. COMPARATIVE FIGURES

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