

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

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

We have examined the accompanying Interim consolidated balance sheet of **SAUDI INDUSTRIAL INVESTMENT GROUP (A Saudi Joint Stock Company)** as of September 30, 2007 and the related statements of income, changes in shareholders' equity and cash flows for the nine months period then ended, which have been prepared by the company and submitted to us together with all the information and explanations which we requested. We consolidated the interim 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 their shares) for the period ended September 30, 2007.

Our examination was limited and was conducted in accordance with the Saudi Organization for Certified Public Accountants standard on interim consolidated financial statements. The limited examine consists principally of analytical procedures applied to financial data and inquiries of the Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our limited review, we are not aware of any material modifications that should be made to the interim consolidated financial statements for the nine months period ended September 30, 2007 to be in conformity with generally accepted accounting principles.

**AlAzem & AlSudairy
Certified Public Accountants**

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

29 Ramadan 1428H (October 11, 2007)
Riyadh, Saudi Arabia

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS OF SEPTEMBER 30, 2007
(In Thousands Saudi Riyals)

ASSETS

	<u>30/09/2007</u>	<u>30/09/2006</u>
Current Assets:		
Cash and bank balances	815,515	546,181
Accounts receivable	164,242	180,530
Inventory (Note 2b)	114,531	101,559
Investments in government bonds (Note 2c)	501,608	694,762
Accrued revenue	5,799	21,724
Prepayments and other assets	<u>52,913</u>	<u>9,818</u>
Total current assets	1,654,608	1,554,574
Deferred expenses, net (Note 2d)	35,186	44,143
Long term investments (Note 2e)	2,000	-
Projects under construction (Note 5)	2,111,640	1,569,674
Property and equipment, net (Note 2f)	<u>1,014,021</u>	<u>779,338</u>
	<u>4,817,455</u>	<u>3,947,729</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	396,758	219,713
Accrued expenses and other liabilities (Note 6)	<u>11,060</u>	<u>17,904</u>
Total current liabilities	407,818	237,617
Long Term Loans	1,371,875	935,201
End of Service Benefits (Note 2g)	<u>11,899</u>	<u>8,813</u>
Total liabilities	<u>1,791,592</u>	<u>1,181,631</u>
Shareholders' Equity:		
Paid-up capital	2,250,000	2,250,000
Statutory reserve	169,628	121,140
Retained earnings	<u>606,235</u>	<u>394,958</u>
Total shareholders' equity	<u>3,025,863</u>	<u>2,766,098</u>
	<u>4,817,455</u>	<u>3,947,729</u>

The accompanying notes from (1) to (7) are an integral part of these consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(In Thousands Saudi Riyals)

	<u>From 01/01/2007</u> <u>To 31/03/2007</u>	From 01/01/2006 To 31/03/2006	<u>From 01/01/2007</u> <u>To 30/06/2007</u>	From 01/01/2006 To 30/06/2006	<u>From 01/01/2007</u> <u>To 30/09/2007</u>	From 01/01/2006 To 30/09/2006
Sales (Note 2h)	201,454	375,653	565,959	738,966	1,041,450	1,178,798
Costs of sales (Note 2i)	<u>(134,692)</u>	<u>(245,351)</u>	<u>(370,387)</u>	<u>(445,141)</u>	<u>(681,428)</u>	<u>(738,824)</u>
Net operational profit	66,762	130,302	195,572	293,825	360,022	439,974
General, administrative and marketing expenses (Note 2i)	<u>(13,621)</u>	<u>(7,510)</u>	<u>(26,930)</u>	<u>(34,728)</u>	<u>(58,607)</u>	<u>(31,266)</u>
Finance charges	-	(570)	<u>(259)</u>	(955)	<u>(259)</u>	(635)
Other income (Note 2h)	<u>15,947</u>	<u>12,290</u>	<u>28,864</u>	<u>28,076</u>	<u>45,269</u>	<u>43,038</u>
Net income for the period before Zakat	69,088	134,512	197,247	286,218	346,425	451,111
Accrued Zakat for the period (Note 2j)	<u>(1,728)</u>	<u>(3,364)</u>	<u>(4,933)</u>	<u>(6,516)</u>	<u>(8,664)</u>	<u>(11,281)</u>
Net income for the period	<u>67,360</u>	<u>131,148</u>	<u>192,314</u>	<u>279,702</u>	<u>337,761</u>	<u>439,830</u>
Net profit per share	<u>0,30</u>	<u>0,73</u>	<u>0,85</u>	<u>1,24</u>	<u>1,50</u>	<u>1,95</u>

The accompanying notes from (1) to (7) are an integral part of these consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(In Thousands Saudi Riyals)

	<u>From 1/1/2007</u> <u>To 30/9/2007</u>	From 1/1/2006 <u>To 30/9/2006</u>
Paid-up capital:		
Beginning of the period	2,250,000	1,800,000
Transfer from retained earnings	-	372,268
Transfer from statutory reserve	<u>-</u>	<u>77,732</u>
End of the period	<u>2,250,000</u>	<u>2,250,000</u>
Statutory reserve:		
Beginning of the period	135,852	154,889
Transfer to paid –up capital	-	(77,732)
Transfer from retained earnings	<u>33,776</u>	<u>43,983</u>
End of the period	<u>169,628</u>	<u>121,140</u>
Retained earnings:		
Beginning of the period	527,366	372,268
Dividend distribution	(225,000)	-
Board of director bonuses' distribution	(2,100)	-
Prior years' adjustments	1,984	(889)
Transfer to statutory reserve	(33,776)	(43,983)
Transfer to paid –up capital	-	(372,268)
Net income for the period	<u>337,761</u>	<u>439,830</u>
End of the period	<u>606,235</u>	<u>394,958</u>
Total shareholders' Equity	<u>3,025,863</u>	<u>2,766,098</u>

The accompanying notes from (1) to (7) are an integral part of these consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(In Thousands Saudi Riyals)

	<u>From 1/1/2007</u> <u>To 30/9/2007</u>	From 1/1/2006 <u>To 30/9/2006</u>
Cash Flows from Operating Activities:		
Net profit for the period	337,761	439,830
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation for the period	46,966	41,395
Amortization for the period	3,198	8,993
Prior years adjustments	1,984	(888)
Loss (gain) on sale of property and equipment	34	(137)
End of Service Benefits	2,369	2,613
Changes in assets and liabilities:		
Accounts receivable	(66,263)	(41,330)
Inventory	(35,149)	45,482
Accrued Revenue	12,806	(6,072)
Prepayments and other assets	109,132	(9,583)
Accounts payable	331,131	93,682
Accrued expenses and other liabilities	(330,910)	(94,388)
Net cash provided by operating activities	<u>413,059</u>	<u>479,597</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(291,238)	(50,432)
Proceeds from sale of property and equipment	4	161
Net change in Investments in Government bonds	119,130	62,276
Net change in Deferred Expenses	4,190	(22,106)
Long term investments	(2,000)	-
Projects Under Construction	<u>(84,902)</u>	<u>(698,517)</u>
Net cash used in investing activities	<u>(254,816)</u>	<u>(708,618)</u>
Cash Flows from Financing Activities:		
Net change in loans	281,249	306,157
Dividend distribution	(225,000)	-
Board of director bonuses distribution	<u>(2,100)</u>	<u>-</u>
Net cash provided by financing activities	<u>54,149</u>	<u>306,157</u>
Net increase in cash and bank balances	212,392	77,136
Cash and bank balances at beginning of the period	<u>603,123</u>	<u>469,045</u>
Cash and bank balances at end of the period	<u>815,515</u>	<u>546,181</u>

The accompanying notes from (1) to (7) are an integral part of these consolidated financial statements

SAUDI INDUSTRIAL INVESTMENT GROUP
(A Saudi Joint Stock Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2007
(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 2,250 billion Saudi Riyals comprising of 225 Million shares at a book 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 ways 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, 2007, 2006 comprise the Company's accounts and it's Affiliate Companies (Saudi Chevron Phillips Company and Jubail Chevron Phillips Company) in which the company owns 50% of their owner's equity without control:

a) Saudi Chevron Phillips Company --

Saudi Chevron Phillips Company (S.C.P.C) is a Saudi limited liability mixed 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 produces 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 construction (capital S.R 300 million), located in Al Jubail Industrial City, 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 produce the following products:

- Styrene
- Propylene

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Consolidation base --

The accompanying interim consolidated financial statements comprise the Saudi Industrial Investment Group financial statement as of September 30, 2007, 2006 and its affiliate companies according to the unaudited interim financial statement for the affiliate companies as of September 30, 2007, 2006 and for the purpose of preparing the interim

consolidated financial statements, all affiliates' balances and transaction were settled between the Company and them.

The interim consolidated financial statements were consolidated 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, goods in process and raw materials and are stated at the lower of cost or estimated net realizable value. Costs of finished goods and goods 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 expenses --

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

e) 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.

f) 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%
Leases hold improvements	20%
Computers	15%
Computers software	30%
Telecommunication equipments	25%

g) 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.

h) Revenue recognition --

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

i) 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.

j) Zakat –

Zakat is a company obligation and 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. differences between Zakat provision and final settlement is settled.

k) Translation of foreign currencies --

The accompanying interim consolidated financial statements are denominated in Saudi Riyals. Appropriate exchange rates have been used to translate transactions or balances denominated in foreign currencies (if any).

3. ADJUSTMENTS RELATED TO THE PERIOD

The company's management has prepared all the adjustments needed to fairly present The financial position and the results of its operations, however the results of its operations for the period ended September 30, 2007 and 2006 do not give an accurate resemblance of the actual results of the whole year's operations.

4. SIGNIFICANT EVENTS AFFECTING THE ACCOMPANYING INTERIM FINANCIAL STATEMENTS

– Dividend distribution --

According to the General meeting dated 25/4/1428 H corresponding to 12/5/2007 the company decided that it will distribute profits in total of 225 million Saudi Riyals as of one Saudi Riyals per share (10 % from nominal capital).

5. PROJECTS UNDER CONSTRUCTION

Projects under construction represent the project cost of Jubail Chevron Phillips Company and it represents the Company's shares in the development of National Chevron Phillips project. The cost of this project is expected to exceed S.R 14.4 Billion in cost. This project is scheduled to be launched at the end of 2010, and part of this project represents construction costs for Saudi Chevron Phillips Company.

6. ACCRUED EXPENSES AND OTHER LIABILITIES

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

	<u>In Thousands Saudi Riyals</u>	
	<u>2007</u>	<u>2006</u>
Accrued Zakat for the period	8,664	11,281
Accrued dividends distribution	1,736	894
Accrued Zakat for the years 97 and 98	-	5,454
Others	<u>660</u>	<u>275</u>
	<u>11,060</u>	<u>17,904</u>

7. GENERAL

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