

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' REPORT
FOR THE THREE MONTHS ENDED MARCH 31, 2009**

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)**

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FOR THE THREE MONTHS ENDED MARCH 31, 2009**

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AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENT

To the stockholders
Saudi International Petrochemical Company
(Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Scope of Review


We have reviewed the consolidated interim balance sheet of Saudi International Petrochemical Company ("Saudi Joint Stock Company"), and its subsidiaries, as of March 31, 2009 and the related interim statements of income and cash flows for the three months then ended, and notes 1 to 8 which form part of these interim consolidated financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standard of auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information 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.

Review Results

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with generally accepted accounting standards.

Deloitte & Touche
Bakr Abulkhair & Co.


Nasser M. Al-Sagga
License No. 322
15 Rabi II, 1430H
April 11, 2009



SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS OF MARCH 31, 2009

	March 31, 2009 SR	March 31, 2008 SR
	(Un-audited)	(Un-audited)
ASSETS		
Current assets		
Cash and cash equivalents	2,565,054,973	1,998,317,994
Accounts receivable, prepayments and other receivables	138,852,279	389,074,220
Inventories	99,491,417	83,554,774
Total current assets	2,803,398,669	2,470,946,988
Non-current assets		
Property, plant and equipment and construction work-in-progress	7,977,207,050	5,957,763,381
Projects development costs	137,195,314	176,727,315
Intangible assets	186,928,735	156,302,311
Total non-current assets	8,301,331,099	6,290,793,007
TOTAL ASSETS	11,104,729,768	8,761,739,995
LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST		
Current liabilities		
Accounts payable and other liabilities	777,886,090	819,975,063
Short term shareholder advances	29,927,659	-
Current portion of long term debt	125,254,062	123,814,856
Current portion of capital lease	42,810,811	37,459,460
Total current liabilities	975,878,622	981,249,379
Non-current liabilities		
Long term debts	3,411,747,670	934,012,678
Obligations under capital lease	422,756,757	465,567,567
Long term interest rate swap	221,621,984	-
Shareholder advances	135,130,753	165,059,612
End-of-service indemnities	34,071,393	25,513,793
Total non-current liabilities	4,225,328,557	1,590,153,650
Stockholders' equity and minority interest		
Share capital	3,333,333,330	3,333,333,330
Statutory reserve	867,217,834	833,781,682
General reserve	275,000,000	275,000,000
Fair value cash flow hedge	(180,346,230)	-
Retained earnings	718,757,099	753,365,065
Total stockholders' equity	5,013,962,033	5,195,480,077
Minority interest	889,560,556	994,856,889
Total stockholders' equity and minority interest	5,903,522,589	6,190,336,966
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST	11,104,729,768	8,761,739,995

The accompanying notes form an integral part of these consolidated interim financial statements

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	March 31, 2009 SR	March 31, 2008 SR
	(Un-audited)	(Un-audited)
Sales	159,735,430	584,464,395
Cost of sales	(136,937,572)	(193,030,128)
Gross profit	22,797,858	391,434,267
General and administrative expenses	(17,155,118)	(14,094,053)
Operating income	5,642,740	377,340,214
Investments income	7,420,288	9,968,847
Reversal of provision for project development cost	25,000,000	-
Financial charges	(13,839,860)	(27,256,094)
Net expenses of pre-operating activities	(496,877)	(649,714)
Other (expense) income	(554,624)	1,020,598
Income before minority interest and zakat	23,171,667	360,423,851
Minority interest	6,950,941	(118,718,032)
Net income before zakat	30,122,608	241,705,819
Zakat	(948,444)	(10,111,026)
NET INCOME	29,174,164	231,594,793
Earnings per share (EPS) - note 3	0.088	0.789
Earning per share for continuing main operations	(0.004)	0.760
Earning per share for other operations	0.084	0.030
Weighted average number of shares	333,333,333	293,447,293

The accompanying notes form an integral part of these consolidated interim financial statements

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2009

	March 31, 2009 SR	March 31, 2008 SR
	(Un-audited)	(Un-audited)
OPERATING ACTIVITIES		
Net income before zakat	30,122,608	241,705,819
Adjustments for:		
Depreciation	37,140,104	37,959,886
Amortization of intangible assets	10,355,538	12,304,390
Reversal of provision for projects development costs	(25,000,000)	-
End-of-service indemnities	540,644	5,848,720
Financial charges	13,839,860	27,256,094
Minority interest	(6,950,941)	118,718,032
Net expenses of pre-operating activities	496,877	649,714
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other receivables	(32,123,777)	(58,098,780)
Inventories	54,369,181	18,209,334
Accounts payable and other liabilities	(34,300,402)	(134,236,800)
Cash from operations	48,489,692	270,316,409
End of service indemnities paid	-	(142,313)
Finance charges paid	(26,286,982)	(47,114,621)
Net cash from operating activities	22,202,710	223,059,475
INVESTING ACTIVITIES		
Net expenses of pre-operating activities	(496,877)	(649,714)
Increase in intangible assets	-	(464,112)
Purchase of property, plant and equipment	(306,059,361)	(747,171,170)
Addition to project development costs	(7,764,721)	(6,007,769)
Net cash used in investing activities	(314,320,959)	(754,292,765)
FINANCING ACTIVITIES		
Change in short term loans	-	(878,250,000)
Proceeds from rights issue	-	1,967,007,781
Change in long term debts and capital lease	276,139,167	(184,225,983)
Capital introduced by minority shareholders	-	63,007,556
Net cash from financing activities	276,139,167	967,539,354
Net change in cash and cash equivalents	(15,979,082)	436,306,064
Cash and cash equivalents, January 1	2,581,034,055	1,562,011,930
CASH AND CASH EQUIVALENTS, MARCH 31	2,565,054,973	1,998,317,994

The accompanying notes form an integral part of these consolidated interim financial statements

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2009

1. ORGANIZATION AND ACTIVITIES

Saudi International Petrochemical Company (“the Company” or “Sipchem”) is a Saudi joint stock company, registered in Saudi Arabia under commercial registration number 1010156910 dated 14 Ramadan 1420 H (December 22, 1999) in Riyadh with a branch in Al-Khobar, under commercial registration number 2051023922 dated 30 Shawwal 1420H (February 6, 2000). The share capital of the Company, after the stock dividend and rights issue mentioned below, is SR 3,333 million, divided into 333 million shares of SR 10 each.

The principal activities of the Company are to own, establish, operate and manage industrial projects in the petrochemical and chemical fields. The Company incurs costs on projects under construction and development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the Company are transferred to a separate company when it is established.

The Board of Directors of Sipchem in their meeting dated July 9, 2007 decided to recommend to the shareholders an increase in the share capital of the Company through a rights issue. In 2007, the Capital Market Authority approved the rights issue of the Company to increase the share capital of the Company and in 2008, the rights issue was approved by the shareholders at their extra ordinary general assembly meeting. The Company has issued 133,333,333 shares at a premium of SR 5 per share and the share premium collected from the rights issue, net of transaction costs, has been transferred to the statutory reserve.

The Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as “the Group”):

Subsidiaries – Saudi limited liability companies	Percentage of Ownership	
	2009	2008
International Methanol Company (“IMC”)	65%	65%
International Diol Company (“IDC”)	53.91%	53.91%
International Vinyl Acetate Company Ltd. (“TVAC”)	87%	87%
International Acetyl Company Ltd. (“IAC”)	87%	87%
International Gases Company (“IGC”)	72%	72%
Sipchem Marketing and Services Company (“SMSC”)	100%	100%

The Company has entered into a conditional sale agreement to sell 15% ownership in IVAC and IAC to Ikuras Petroleum Industrial Company, a company registered in Kuwait. It is expected that the formalities associated with agreement will be completed and the ownership will be transferred in 2009.

In 2007, the General Assembly approved the Board of Directors proposal to establish a general reserve of SR 275 million, through transfer from retained earnings to finance the needs of the Company’s future projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated interim financial statements have been prepared in compliance with the standards and regulations promulgated by the Saudi Organization of Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company and its subsidiaries:

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

Principles of consolidation

The consolidated interim financial statements incorporate the interim financial statements of the Company and its subsidiaries controlled by the Company prepared for the three months ended March 31, 2009. All significant inter-company transactions and balances between the group companies have been eliminated in preparing the consolidated interim financial statements.

Accounting estimates

Preparing consolidated interim financial statements requires management to use assumptions and estimates which have an impact over the consolidated balance sheet and consolidated statement of income. The actual results may differ from these estimates.

Revenue recognition

Sales are accounted upon shipping of goods to customers and are stated net of distribution costs.

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and murabahah, with original maturities of three months or less.

Inventories

Inventories are stated at the lower of average cost or estimated net realizable value.

Property, plant and equipment and construction work-in-progress

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the applicable assets ranging from 4 to 33 years using the straight line method.

Impairment of assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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 (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Projects development costs

Project development costs represent mainly legal and feasibility related costs incurred by the parent company in respect of developing new projects. Upon successful development of the projects, costs associated with the projects are transferred to the respective company subsequently established for each project. Projects development costs relating to the projects determined to be non-viable are written off immediately.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2009

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the income statement as they arise.

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the statement of income. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which is also immediately recognized in the consolidated interim statement of income.

A cash flow hedge is a hedge of the exposure to variability in cash flows relating to a recognized asset or liability, an unrecognized firm commitment or a forecasted transaction. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognized initially directly in equity. Subsequently, the amount is included in the statement of income in the same period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will adjust the recorded carrying amount of the acquired asset or liability.

Intangible assets

Intangible assets comprise debt acquisition, arrangement costs, pre-operating costs and turnaround costs. Debt acquisition costs are being amortized over the period of the loans, pre-operating costs are being amortized over a period of five to seven years, from the commencement of commercial production and the turnaround costs are amortized over the period likely to benefit such costs.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated interim 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 consolidated interim statement of income.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the consolidated interim financial statements based on the employees' length of service.

Provision for obligations

A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Directors' remuneration

In the interim financials, the directors' remuneration is included as an appropriation of shareholders' equity.

Zakat

Zakat is recorded at the quarter end based on quarter end figures and any difference between the estimate and the actual is adjusted at the fourth quarter.

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2009**

3. EARNINGS PER SHARE

Earnings per share are computed by dividing net income for the periods by the weighted average number of shares outstanding amounting to SR 333.3 million shares (2008 – 293.4 million shares after the adjustment for rights issue that took place in 2008).

Earnings per share from the continuing main operations is computed by dividing the operating income less minority interest less zakat for the period by the weighted average number of shares outstanding.

4. PROVISION FOR PROJECT DEVELOPMENT COSTS

For the year ended December 31, 2008 a provision of SR 77.6 million (2007: nil) was made against the project development costs. The management of the Company had not taken a decision to discontinue any ongoing projects. However, this provision was made on a conservative basis against any projects which may not be pursued further in the future. During the first quarter of 2009, the Company's management reversed SR 25 million of provision made earlier as it decided to execute some of these projects.

5. INTEREST RATE SWAP CONTRACT

As at March 31, 2009, IDC, IAC, IVAC and IGC had interest rate swap ("IRS") contracts with local commercial banks in relation to the loans obtained from Public Investment Fund and commercial loans from syndicate of financial institutions as required according to the loan agreements. At March 31, 2009, the notional amount of IRS contracts was US\$ 660.2 million, equivalent to SR 2,475.6 million. The fair value of the interest rate swap was negative by US\$ 59.1 million (SR 221.6 million), Sipchems' share of the negative fair value amounting to SR 180.3 million has been recorded in equity under the head of fair value cash flow hedge. This amount represents what has to be paid in case the respective companies decides to settle the agreement. However the respective companies have no intention to settle the agreement. In case of the increase in the interest rates this difference will be eliminated and may become positive.

6. CAPITAL COMMITMENTS AND CONTINGENCIES

As at March 31, 2008, the Group had outstanding letters of credits and guarantees amounting to SR 207.3 million (December 31, 2008: SR 178.6 million) and capital commitments amounting to SR 610.3 million (December 31, 2008 – SR 719.3 million).

A petition was filed against Sipchem, IVAC and IAC (Group companies) by Celanese Co. Ltd., in the State of Texas- United States Of America for the alleged misappropriation of various trade secrets of Celanese Ltd. The Group companies deny these allegations and are vigorously defending against Celanese Ltd.'s claims. The charges against IVAC and IAC were dismissed by the Court. Management of the Company is certain that such case is without foundation and will not be material.

7. SUBSEQUENT EVENT

During April 2009, the shareholders in their General Assembly Meeting have approved cash dividends of SR 1 per share totaling SR 333.3 million being 10% of the share capital.

8. RESULTS OF THE INTERIM PERIOD

The results of the interim period are not audited and therefore it may not give an accurate indicator of the annual operating results.