

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

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND LIMITED REVIEW REPORT**

**FOR THE PERIOD ENDED
30 SEPTEMBER 2009**

Limited Review Report on the Consolidated Interim Financial Statements

TO THE SHAREHOLDERS OF SAUDI INTERNATIONAL PETROCHEMICAL COMPANY (SAUDI JOINT STOCK COMPANY)

Scope of limited review:

We have reviewed the accompanying consolidated interim balance sheet of Saudi International Petrochemical Company (Saudi Joint Stock Company) and its subsidiaries as at 30 September 2009, and the related consolidated interim statements of income for the three months and the nine months period and the consolidated cash flows statement for the nine months period then ended. These consolidated interim financial statements have been prepared by the company's board of directors and submitted to us together with the information and explanations which we required. Our limited review was in accordance with the Saudi Standard on Auditing applicable to review engagements. A limited review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data. 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 on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion of limited review:

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 accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339



25 Shawal 1430H
14 October 2009

Alkhobar

CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)

As At 30 September 2009

	<i>30 September 2009</i>	<i>30 September 2008</i>
ASSETS		
Current assets		
Cash and cash equivalents	2,099,390,176	1,801,444,460
Accounts receivable, prepayments and other receivables	312,048,319	333,142,323
Inventories	64,495,596	80,729,419
Total current assets	2,475,934,091	2,215,316,202
Non-current assets		
Property, plant and equipment	9,067,465,381	7,206,825,713
Projects' development cost	212,165,096	141,671,259
Intangible assets	-	1,469,317
Total non-current assets	9,279,630,477	7,349,966,289
TOTAL ASSETS	11,755,564,568	9,565,282,491
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST		
Current liabilities		
Accounts payable, other payables and provisions	609,518,086	707,009,740
Short term advances from partners	19,491,953	29,927,660
Current portion of term loans	96,671,643	131,064,356
Obligations under capital lease – current portion	42,892,685	42,810,811
Total current liabilities	768,574,367	905,812,567
Non-current liabilities		
Term loans	4,399,553,057	1,992,367,000
Obligations under capital lease	401,351,351	444,162,162
Long term advances from partners	257,171,863	135,130,752
Employees' terminal benefits	40,721,116	30,983,041
Fair value of interest rate swaps	170,709,332	-
Total non-current liabilities	5,269,506,719	2,602,642,955
Total liabilities	6,038,081,086	3,508,455,522
Shareholders' equity and minority interest		
Share capital	3,333,333,330	3,333,333,330
Statutory reserve	918,819,323	860,828,044
General reserve	275,000,000	275,000,000
Retained earnings	441,263,884	661,248,984
Change in fair value of interest rate swaps	(123,571,363)	-
Total shareholders' equity	4,844,845,174	5,130,410,358
Minority interest	872,638,308	926,416,611
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTEREST	5,717,483,482	6,056,826,969
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST	11,755,564,568	9,565,282,491

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

CONSOLIDATED INTERIM INCOME STATEMENT (UN-AUDITED)

Period ended 30 September 2009

	<i>Period from 1 July 2009 to 30 September 2009</i>	<i>Period from 1 July 2008 to 30 September 2008</i>	<i>Period from 1 January 2009 to 30 September 2009</i>	<i>Period from 1 January 2008 to 30 September 2008</i>
	SR	SR	SR	SR
Sales	196,776,928	474,563,785	532,272,884	1,472,076,042
Cost of sales	(147,872,155)	(201,646,349)	(435,444,213)	(565,603,309)
Gross profit	48,904,773	272,917,436	96,828,671	906,472,733
General and administration expenses	(17,347,198)	(14,969,316)	(51,309,272)	(45,055,649)
INCOME FROM MAIN OPERATIONS	31,557,575	257,948,120	45,519,399	861,417,084
Investment income	2,346,993	11,458,081	12,605,099	31,049,989
Financial charges	(9,361,706)	(16,739,830)	(36,369,727)	(62,779,754)
Provision for development cost	50,000,000	(45,000,000)	75,000,000	(55,000,000)
Net expenses of pre-operating activities	(4,434)	1,693,991	(542,328)	361,029
Other income (expenses), net	161,122	7,383,210	(934,414)	11,388,166
INCOME BEFORE MINORITY INTEREST AND ZAKAT	74,669,550	216,743,572	95,278,029	786,436,514
Minority interest	(2,337,734)	(73,244,455)	8,983,975	(259,742,107)
INCOME BEFORE ZAKAT	72,361,816	143,499,117	104,262,004	526,694,407
ZAKAT	(17,700,393)	(6,777,898)	(19,915,849)	(24,636,000)
NET INCOME FOR THE PERIOD	54,661,423	136,721,219	84,346,155	502,058,407
EARNINGS PER SHARE (From net income)	0.16	0.43	0.25	1.57
EARNINGS PER SHARE (From main operations)	0.09	0.81	0.14	2.69
EARNINGS PER SHAR (From other operations)	0.13	(0.13)	0.15	(0.23)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	333,333,333	320,184,089	333,333,333	320,184,089

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

Period ended 30 September 2009

	<i>Period from 1 January 2009 to 30 September 2009</i>	<i>Period from 1 January 2008 to 30 September 2008</i>
OPERATING ACTIVITIES		
Income before zakat	104,262,004	526,694,407
Adjustments for:		
Depreciation and amortization	115,901,254	151,505,411
Employees' terminal benefits, net	7,190,366	11,770,260
Financial charges	36,369,727	62,779,754
Minority interest	(8,983,975)	259,742,107
Net expenses of pre-operating activities	542,328	(361,029)
Provision for projects' development cost, no longer required	(75,000,000)	-
Changes in operating assets and liabilities:		
Receivables	(113,461,574)	(2,166,883)
Inventories	42,232,908	21,034,689
Payables	(249,003,058)	(98,499,832)
Cash (Used in) from operations	(139,950,020)	987,498,884
Financial charges paid	(36,369,727)	-
Zakat and income taxes paid	(38,967,920)	(61,842,462)
Net cash (used in) from operating activities	(215,287,667)	840,745,713
INVESTING ACTIVITIES		
Net expenses of pre-operating activities	(542,328)	361,029
Increase in intangible assets	-	(227,277)
Additions to property, plant and equipment	(1,308,447,885)	(2,067,497,088)
Projects' development cost incurred	(27,432,369)	(30,104,357)
Proceeds from sale of shares in subsidiaries	309,200,000	(30,104,357)
Net cash used in investing activities	(1,027,222,582)	(2,097,467,693)
FINANCING ACTIVITIES		
Short term loans	(10,435,707)	(848,322,340)
Term loans	1,250,349,442	898,402,481
Shareholder advances.	122,041,111	-
Change in minority interest	(265,555,142)	(185,400,079)
Proceeds from rights issue	-	1,967,007,781
Dividends distribution and board remuneration	(335,533,333)	(335,533,333)
Net cash from financing activities	760,866,371	1,496,154,510
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(481,643,878)	239,432,530
Cash and cash equivalents at the beginning of the period	2,581,034,054	1,562,011,930
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,099,390,176	1,801,444,460

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (UN-AUDITED)
30 September 2009

1. ACTIVITIES

Saudi International Petrochemical Company (“the company” or “Sipchem”) is a joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010156910 dated 14 Ramadan I 1420 H (corresponding to 22 December 1999) in the city of Riyadh with one branch in Al-Khobar registered under commercial registration number 2051023922 dated 30 Shawwal 1420H (corresponding to 6 February 2000). The company’s head office is in the city of Riyadh. The share capital of the company after the stock dividends and the rights issue is SR 3,333.3 million, divided into 333.3 million shares of SR 10 each.

The principal activities of the company are to own, establish, operate and manage industrial projects especially those related to the chemical and petrochemical industries. The company incurs costs on projects under development and subsequently establishes a separate company for each project that has its own commercial registration. Costs incurred by the company are transferred to the separate companies when they are established.

During the year 2008, the shareholders approved the right issue in their extraordinary General Assembly Meeting. The company issued 133,333,333 shares with a premium of SR 5/ share. The premium received on the shares issue has been transferred to the statutory reserve after deducting the transaction cost.

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

<u>Subsidiaries (Saudi Limited Liability Companies)</u>	<u>Effective percentage of shareholding</u>	
	<u>30 September 2009</u>	<u>30 September 2008</u>
International Methanol Company (IMC)	65.00%	65.00%
International Diol Company (IDC)	53.91%	53.91%
International Vinyl Acetate Company Ltd. (IVAC)	76.00%	87.00%
International Acetyl Company Ltd. (IAC)	76.00%	87.00%
International Gases Company (IGC)	72.00%	72.00%
Sipchem Marketing and Services Company (SMSC)	100%	100%
International Polymers Company (IPC)	100%	–
International Utilities Company (IUC)	68,58%	–

On 22 June 2009, the company sold off 11% of its share in each of IVAC and IAC to Ikarus Petroleum Industries, a Kuwaiti company, for SR 309.2 million. Gains on these disposals amounting to SR 55 million have been treated as additions to the statutory reserve as the company continues to maintain control over these subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated interim financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The consolidated interim financial statements are prepared under the historical cost convention modified to include the measurement at fair value for the interest rate swaps.

Basis of consolidation of interim financial statements

The consolidated interim financial statements are comprised of the interim financial statements of the Saudi Industrial Petrochemical Company and its subsidiaries, which are controlled by the company, and prepared for the nine months ended 30 September 2009. All significant intercompany transactions and balances between the groups of companies have been eliminated upon the preparation of the consolidated interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES- continued

Revenue recognition

The revenue from sale of products is recognized upon the delivery of products to customers or marketers. In general most of the group's products are sold through marketers, and in this case the sales are recorded upon delivery of products to the marketers at provisional selling prices. These selling prices are later adjusted based upon actual selling prices received by the marketers from the ultimate customers after deducting costs related to shipping, distribution and marketing. Adjustments are recorded as they become known to the group.

Cash and cash equivalents

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

Inventories

Inventories are stated at the lower of average cost or market value. The average cost for the finished goods includes the direct labor, direct materials and overheads. The spare parts and consumables cost is determined on a weighted average basis with due allowance for any obsolete or slow moving items.

Impairment of assets

At each balance sheet date the group reviews the carrying values of property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any). 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.

The carrying value of the asset (or cash generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

Where an impairment loss subsequently reverses, the carrying value 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. The reversal of impairment loss is recognized as income once identified.

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided for property, plant and equipment other than freehold land using the straight- line method over the estimated useful lives of the depreciable assets. The cost and accumulated depreciation of an asset are written off from the consolidated interim balance sheet upon the sale or withdrawal of the related asset. Gains or losses as a result of the transaction are recognized in the consolidated interim income statement.

Projects development cost

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

Intangible assets

Planned turnaround costs are deferred and amortized over the period until the date of next planned turnaround. Should unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are deferred and amortized over the period likely to benefit from such costs.

The amortization expense is included under cost of sales in the consolidated interim income statement.

2. SIGNIFICANT ACCOUNTING POLICIES- continued

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are re-measured at 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 consolidated interim income statement as they arise.

A fair value hedge is the hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the consolidated interim balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the consolidated interim income statement. 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 income statement.

A cash flow hedge is the hedge of the exposure to variability in cash flows relating to a recognized covered asset or liability, an unrecognized firm commitment or a forecasted transactions. To the extent that the hedge is effective, the portion of the gain or loss on the hedging instrument is recognized initially directly in the shareholders' equity. Subsequently, the amount is included in the consolidated interim income statement 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.

Employees' terminal benefits

Provision is made for amounts payable under the employment contracts applicable to employees' accumulated periods of service at the consolidated interim balance sheet date.

Zakat

The provision for the interim period is calculated based on the estimated zakat for the whole year. Any differences between the estimates made during the interim periods and the provision based on detailed calculations of the zakat base at year end are accounted for at year end.

Accounts Payable and accruals

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

Statutory reserve

In accordance with Saudi Arabian Regulations for Companies, the company must set aside 10% of its net income for in each year until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution.

Leasing

Leasing 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.

Foreign currencies

Transactions in foreign currency are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated interim balance sheet date. All differences are taken to the consolidated interim income statement.

Expenses

All period expenses other than production costs and financial charges are classified as general and administration expenses.

Segmental Analysis

A segment is a distinguishable component of the group that is either engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment) which is subject to risks and rewards that are different from those of other segments. As substantial portion of the group sales is made outside the Kingdom and all of the group's products are considered within one business segment, no segmental analysis was presented.

2. SIGNIFICANT ACCOUNTING POLICIES- continued

Earning per share

Basic earning per share from net income is calculated by dividing the net income for the period over the weighted average number of shares outstanding during the period.

Basic earning per share from main operations is calculated by dividing the income from main operations for the period over the weighted average number of shares outstanding during the period.

Basic earning per share from other operations is calculated by dividing the income from other operations for the period over the weighted average number of shares outstanding during the period.

The weighted average number of shares outstanding during the period was 333.3 million shares (2008: 320.2 million shares after adjustment for the rights issue during the first quarter of 2008).

Results of the interim period

The group has made all necessary adjustments which are important in order to present fairly in all material respects the consolidated interim financial position and results of operations. The consolidated interim financial results may not be considered an indicative of the actual results for the whole year.

3. CONTINGENCES AND CAPITAL COMMITMENTS

The group has outstanding letters of credit amounting to SR 194.4 million as of 30 September 2009 (30 September 2008: SR 212.3 million).

Also the group has capital commitments amounting to SR 205.4 million as of 30 September 2009 (30 September 2008: SR 1,093 million).

4. PROVISION FOR PROJECT DEVELOPMENT COSTS

For the year ended December 31, 2008 a provision of SR 75 million was made against the project development cost. The management of the group 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 at that time. During the first quarter of 2009, the group's management reversed SR 25 million of the provision provided for earlier. Subsequently, the company successfully signed the license agreement for the projects the company intends to undertake. In addition, the company entered into a joint venture agreement with other partners in which they have accepted the project development costs previously incurred by the company. Consequently, there is no need for the provision which the company has made previously. Therefore, the company has reversed the remainder of the provision which amounted to SR 50 million in the third quarter. The total amount of the provision reversed during the nine months period ended 30 September 2009 amounted SR 75 million.

5. INTEREST RATE SWAP CONTRACT

As at September 30, 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 syndicated commercial loans as required by the loan agreements. At September 30, 2009, the notional amount of IRS contracts was US\$ 760 million, equivalent to SR 2,850 million.

The fair value of the interest rate swap has declined as of 30 September 2009 compared to the contract date by US\$ 45.6 million (SR 171 million). The group's share of the decline in fair value amounted to SR 124 million, which has been recorded in shareholders' equity. This amount represents what has to be paid in case the groups' management decides to cancel the agreement. However the group's management has no intention to cancel the agreement. In case of the increase in the interest rates this difference will be eliminated and may become positive.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS – (UN-AUDITED)
30 September 2009

6. DIVIDEND

In April 2009, the parent company distributed cash dividends amounted to SR 333,3 million of SR 1/ share, which equals to 10% of the share capital for the shareholders as of 4 April 2009.

7. COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform with presentation of the current period.