Custodian of the Two Holy Mosques

King Fahad Bin Abdulaziz Al Saud

His Royal Highness

Crown Prince Abdullah Bin Abdulaziz Al Saud

The Deputy Premier &

Head of the National Guard

His Royal Highness

Prince Sultan Bin Abdulaziz Al Saud

The Second Deputy Premier &

The Minister of Defence and Aviation & Inspector General

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Natural gas is now regarded as the primary source of energy in the modern world. It is the fastest growing, cleanest and most environment-friendly energy source.

Foreword by H.E.

The Minister of Finance

It is with great pleasure that I introduce the annual report of the Saudi Industrial Development Fund for the fiscal year 2003, which witnessed remarkable growth in lending, reflecting the significant role the Fund plays in the advancement of industrial development in the Kingdom.

In 2003, the Fund approved 91 loans to initiate 38 new projects and expand 53 industrial projects, with financial commitments of SR 2,749 million, the highest amount ever approved by the Fund in one year.

Accordingly, the number of industrial loans committed by the Fund since its inception in 1974 to the end of the current fiscal year 2003 has soared to 2574 loans, with financial commitments of SR 44,824 million. These loans assisted in the building of 1856 industrial projects throughout the Kingdom.

While anticipating further achievements by the Fund, I am confident it shall continue its contribution to the support of domestic and foreign investors in the industrial sector, both in the field of financial assistance and consultancy services rendered by the Fund in the administrative, technical, financial and marketing areas.

Finally, I would like to extend my thanks and appreciation to the Fund's Board of Directors, its executive management and all its employees for their valuable efforts and dedication in serving the local industrial sector under the wise guidance of the government of the Custodian of the Two Holy Mosques, his faithful Crown Prince and the Second Deputy Premier. May Allah protect them and guide their steps.

Dr. Ibrahim Bin Abdulaziz Al-Assaf
Minister of Finance

Chairman's
Statement

I am pleased to present the annual report of the Saudi Industrial Development Fund for the fiscal year 2003, marking the completion of twenty nine years since the Fund's inception.

The year witnessed a substantial increase in lending : by 51% over the previous fiscal year's commitments. This increase reflects the healthy industrial investment environment in the Kingdom, as well as the significance of the Fund's role in the support of national industrial development.

During the year, the Fund's commitments totaled SR 2,749 million, extended through 91 loans to assist in the initiation of 38 new industrial projects and the expansion of 53 existing ones. The expansion projects accounted for 58% of the number of loans extended for the year, proving viability of expansion in the domestic industrial sector, and stressing its positive investment returns.

The outstanding performance of the Fund over its eventful history of achievements clearly reflects the continued growing confidence on the part of local and foreign investors in the solidarity and vitality of the Saudi economy. Moreover, the strength of capabilities gained by the Fund in the various aspects of its business activities coupled with the capable expertise enjoyed by industry-oriented investors, will further contribute to the growing and successful national industrial sector of the economy.

On this occasion, I would like to extend my thanks to the Fund's management and all employees for their valuable contribution the promotion of industrial development in the Kingdom under the generous support of the government of the Custodian of the Two Holy Mosques, his faithful Crown Prince, and the Second Deputy Premier. May Allah protect them all.

Dr. Jobara Bin Eid Al-Soraisry
Chairman of the Board of Directors

Management Review
of SIDF's Achievements

Since its inception twenty-nine years ago, the Fund has substantially contributed to the industrial development of the Kingdom through provision of soft loans and consultative services in the technical, administrative and marketing fields to borrower projects.

During the period 1974 to the end of the fiscal year 2003, SIDF extended a total of 2574 loans amounting to SR 44,824 million. These loans have assisted in the building of 1856 industrial projects throughout the Kingdom. Loan disbursements from such commitments totaled SR 31,282 million, while repayments reached SR 22,062 million, reflecting the success of industrial development in the Kingdom.

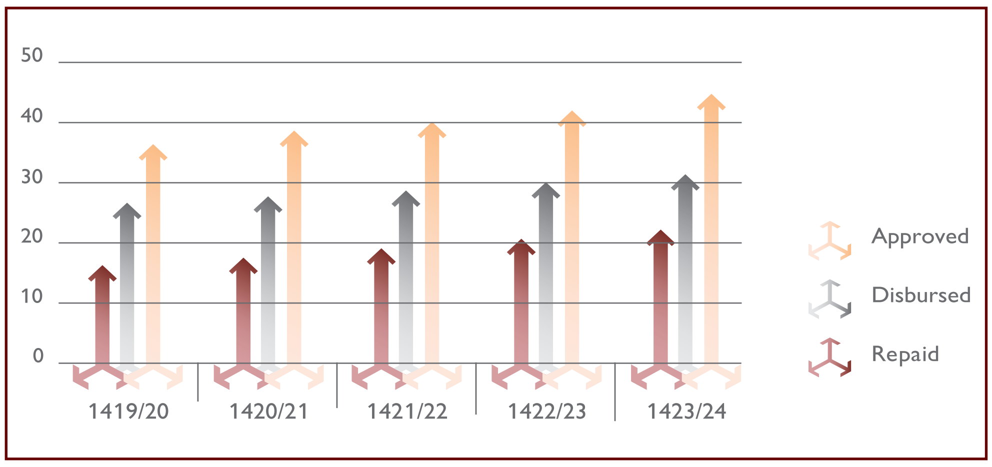
SIDF Activities During 2003

During the year 2003, the Fund's performance has been remarkable. Its loans commitment for this year of SR 2,744 million is considered the highest commitment in one year since inception. Loans disbursed by the Fund during the year aggregated to SR 1,342 million, while repayments totaled SR 1,404 million.

During the year 2003, SIDF approved 91 loans committed in support of 38 new industrial projects and 53 expansions of existing industrial plants. This high percentage of loans granted to expansion projects (58%) highlights the success of projects already approved by the Fund, as they continued to enhance their business activities and upgrade their products.

A review of the main industrial sectors by the value of loans committed, highlights the following:

Figure (1)
Cumulative Value of SIDF Approved, Disbursed and Repaid Loans (SR Billions)



Chemical Products Sector

Size of Loans:

This sector still occupies the leading position among the various industrial sectors by amount of loan commitments. Throughout the period, since SIDF inception in 1974 to the end of the fiscal year 2003, the cumulative value of the total commitments to the sector reached SR 15,109 million, representing 34% of total loans approved.

Projects Approved During the Year:

During the fiscal year 2003, SIDF approved 26 loans to this sector with a total commitment of approximately SR 903 million representing 33% of all loan approvals during the year. This places the Chemical Products Sector second in terms of the value of approved loans as well as in terms of the number of granted loans. These loans were made to support the establishment of 12 new industrial projects and the expansion of 14 existing ones.

Among the loans approved to this sector, a loan amounting to SR 255 million was approved for building a plant in Jubail for the production of linear benzene alkyl. Expansion loans extended to projects in this sector included a loan of SR241 million for the expansion of a Jubail-based plant producing benzene and diesel, and another for the sum of SR 193 million for the expansion of a factory in Jubail producing industrial gases, as well as a third loan amounting to SR67 million for the expansion of a flexible PP sheets producing plant in Dammam.

Projects which Commenced Production During the Year:

This sector came third in terms of the number of projects which commenced production during the year with a total of 7 projects in Riyadh, Jeddah, Dammam, Hofouf, and Hail. These projects manufacture a wide range of products including fertilizers, calcium diphosphate, sodium silicates and aluminates, silica sand, flexible packing materials and plastic containers for different industries. They include 5 expansion projects for some existing factories, representing 71% of the projects, which commenced production in this sector during the year.

Engineering Products Sector

Size of Loans:

This sector occupies the second position in terms of the value of lending approvals. By the end of 2003, approvals totaled SR 9,875 million representing 22% of SIDF cumulative commitments since inception up the end of the fiscal year.

Projects Approved During the Year:

During the year 2003, SIDF approved 28 loans to this sector in a total of SR 959 million, or approximately 35% of the total lending value. This places the engineering products sector in the leading position in terms of the number and value of loans approved in the year.

These loans were made to finance the establishment of 13 new industrial projects and the expansion of 15 existing ones.

Among the new loans committed to this sector during the year, a loan amounting to SR 284 million was approved for the establishment of a factory in Jubail Industrial City to produce unwelded steel pipes. Another loan for the sum of SR 258 million was extended for the installation of a Jubail-based plant for the production of iron rolls galvanized by hot immersion. Additionally, a loan of SR 128 million was committed to building a plant in Dammam for production of steel blocks from scrap iron. Expansion loans, included a SR 25 million loan to a Riyadh-based plant producing aluminum sections, and another amounting to SR 20 million for the expansion of a factory in Dammam producing hot-rolled iron bars and rolls, as well as a loan for the sum of SR12 million for the expansion of a factory in Riyadh producing vehicle batteries.

Projects Which Commenced Production During the Year:

This sector comes in second place in terms of the number of projects which commenced production during the year 2003, with a total of 8 projects in Riyadh, Jeddah and Dammam. These projects included the production of copper for electrical usage; kitchen requirements; diesel filters; pins and clips for office usage; protection units for communications equipment; aluminum sections and bending & welding iron bars. These projects consist of 6 new plants and 2 requiring the expansions of existing factories.

Consumer Products Sector

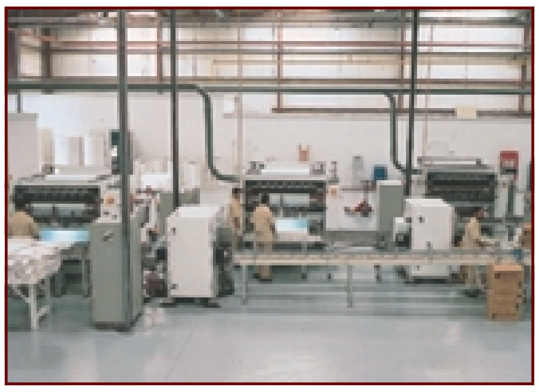
Size of Loans:

This sector occupies third place in terms of lending volume made by SIDF since its inception. By the end of 2003, cumulative commitments extended to this sector totaled SR 9,677 million representing 21% of all loans made by SIDF during the period.

Projects Approved During the Year:

During the fiscal year 2003, SIDF approved 24 loans to this sector totaling SR 630 million, representing 23% of all loan approvals during the year. This places the consumer products sector third, in terms of value of loans. These loans assisted in financing 8 new industrial projects and expanding 16 existing ones.

Among the new loans approved for this sector, a SR 27 million loan was extended for the building of a factory in Al-Mubarraz to produce bread, pastries and cakes. Another loan of SR 15 million was committed to the installation of a plant in Kharj for the production of animal feed from corn flakes. Additionally, a loan amounting to SR 6 million was approved towards establishment of a Riyadh-based chicken the processing plant. Expansion loans, included a SR348 million loan for a dairy products plant in Kharj. This is considered the largest loan amount extended to a project in this sector since SDIF inception. Expansion loans also included a SR 28 million loan for a fruit juice producing factory in Riyadh.



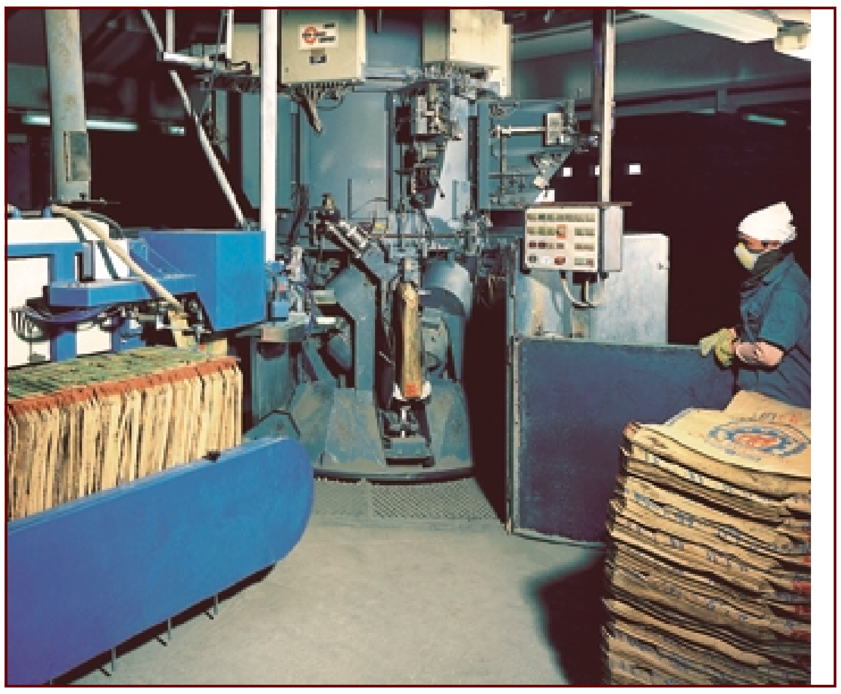
Projects which Commenced Production During the Year:

This sector came first in terms of the number of projects which commenced production during the year 2003, with a total of 17 projects in Riyadh, Jeddah, Dammam, Jubail, Hofouf, Buraidah and Daumat Al-Jandal. These projects involve the manufacture of a variety of products including biscuits, fruit juice, olive oil, cheese, butter, starch, glucose, animal feed, cardboard and paper boxes, paper tissues, Formica sheets, furniture and spring mattresses. Expansion programs accounted for 47% of these projects.

Cement Sector

Size of Loans:

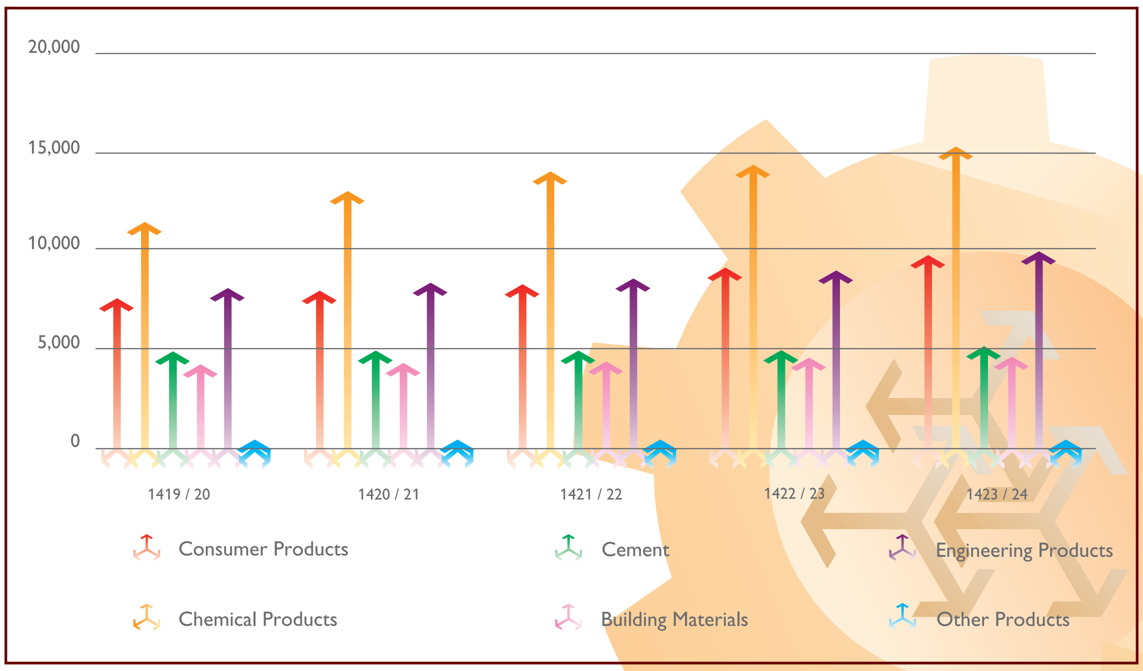
By the end of 2003, cumulative commitments to this sector totaled SR 5,115 million or 11% of all commitments made by the end of the year, placing this sector fourth in terms of the size of loans granted. This sector witnessed an increase in demand due to contiuing in the construction industry.



Projects Approved During the Year:

During the fiscal year 2003, SIDF approved a single loan for this sector amounting to SR 200 million for the expansion of Qaseem Cement Company.

Figure (2)
Cumulative Value of Approved SIDF Industrial Loans by Major Sectors
(SR Millions)



Other Building Materials

Size of Loans:

By the end of 2003, SIDF committed a total sum of SR 4,596 million, which represents 10% of the cumulative loans approved to all industrial projects. This places the sector fifth in terms of loan volume.

Projects Approved During the Year:

During the year 2003, SIDF approved 9 loans to this sector totaling SR 42 million in support of the establishment of two new projects and the expansion of seven existing ones.

Among the projects approved in this sector during the year, a loan of SR 14million was extended for the setting up of a factory in Madinah to produce red bricks and clay products. Another loan of SR 2 million was given in support of the installation of a factory in Jeddah for the production of plastering ready mixed cement. Expansion loans included two loans, one for SR 7 million for the expansion of a Riyadh-based plant producing ceramic tiles and the other for SR 4 million for the expansion of a factory in Dammam producing insulating and safety glass.

Projects Which Commenced Production During the Year:

Three projects in this sector commenced production during the year in Riyadh, Mezahmeya and Dammam. One of these projects is new; the other two are expansions of existing factories. These projects involve the production of marble, granite and glass.

Industrial Joint-Venture Projects

The Fund encourages the establishment of industrial joint-venture projects in the Kingdom particularly in collaboration with internationally renowned companies. On the understanding that elements of success for such projects are available. In addition, foreign investments are considered an effective means for transfer of modern technology, bringing capital and opening international markets for national products. Furthermore, foreign partnership contributes to the upgrading of the production efficiency of the industrial sector by providing job opportunities and technically advanced training for Saudi nationals.

The number of joint-venture projects approved by the Fund since its inception up to the end of the fiscal year 2003 increased to 528 projects, or 28% of total projects approved. Loans committed to these joint-venture projects amounted to SR 16,415 million or 37% of total SIDF loans. Foreign partners' share in these projects accounted for 34% of their capital.

The chemical products sector outstripped all other industrial sectors in terms of loan commitments to joint-venture projects with a share of 37%. The Engineering products sector came second with a share of approximately 30%. The United States of America leads the group of countries sharing in these projects with a share of approximately 17% of total joint-venture projects, 20% of the amount of loans committed and 43% of the capital required for such projects.

Joint-Venture Projects Approved During the Year:
During the fiscal year 2003, SIDF approved 6 loans in support of the establishment of new joint-venture projects. Commitments to these projects totaled SR 401 million, or 15% of SIDF commitments for the year. The loans comprise four loan commitments to projects in the Engineering Products sectors, one loan commitment to the chemical products sector and another to the consumer products sector.

Manpower & Training

Through its well-planned programs, the Fund's management was able to attract and employ qualified Saudis in the various professions and specializations related to SIDF activities.

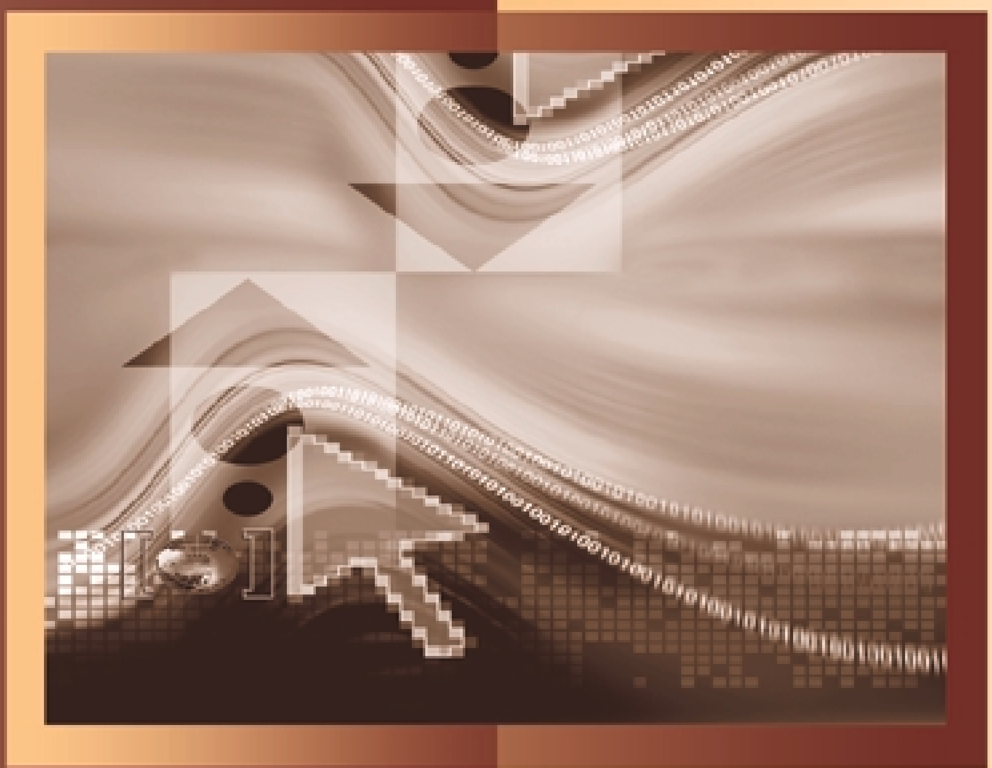
The recruitment process is linked to career promotion, qualification and efficiency upgrading programs. These programs cover the fields of financial analysis auditing; information technology; statistical and economic studies; marketing; accounting and finance; management; technical studies and consultations; information analysis, legal studies and others.

During the year, 355 training programs were implemented for Saudi employees, both domestically and abroad. These included specialized basic courses, short-term courses, symposia, professional conferences and in-house training courses. A total of 221 Saudi employees received training courses commensurate with work requirements and timing of domestic and overseas training courses. Of this number, 16 employees joined specialized core courses, including overseas intensive English language courses.

Management provided on-the-job training to 16 Saudi graduate employees appointed during the fiscal year 2003. The Fund benefits from its good relations with many local and international financial institutions in the upgrading of its professional Saudi employee's capabilities. This is achieved through active participation in specialized professional conferences, symposia and scientific seminars in which these organizations have a role. This participation ensures the exchange of professional know-how and the scientific expertise of these organizations.

This exchange of specialized scientific expertise and know-how effectively enhances the capabilities of Saudi professionals and, as a consequence, positively contributes to the upgrading and the overall performance of the Fund.

Saleh Bin Abdullah Al-Naim
Director General



Trends & Indicators of the International and Domestic Economy

Review of International Economy 2003G:

Despite the economic turmoil experienced at the global level during the first six months of the year 2003G, the situation remains encouraging. The global economy is expected to continue its steady growth in 2004G.

Given the outstanding performance of the stock market coupled with the improved business scene and consumer trust, particularly in the USA, international production grew by 3.9% in 2003 and is expected to grow by a further 4.6% in 2004. The chances for growth and international economic recovery are further enhanced by low geopolitical risks, effective policies and incremental commodities and products.

The USA outperformed all developed countries in terms of economic recovery by recording a GDP growdh rate of 3.1% in 2003 and is expected to achieve a growth rate of 4.6% in 2004. As for the European Union countries, economic growth decreased to 0.4% in 2003 compared with 0.9% in 2002. This decline reflects the ongoing downturn of local demand for private sector products and the valuation of the Euro. In Japan, GDP recorded a substantial growth in 2003 at 2.3% and is expected to grow further at about 3.4% in 2004 in view of the soaring stock market performance. In general, the production of developed countries grew by 2.1% in 2003 and is expected to grow further to 3.5% in 2004. In developing countries, growth maintained its strength with a ratio of approximately 6.1% in 2003, and is likely to decline to 6.0% in 2004. Emerging Asian economies, which were adversely affected by the SARS risk during the first six months of the year 2003, continued their growth in the second half of 2003 at 7.8% and are expected to remain at about the same level in 2004. It is worthwhile noting here that China has become the leading country worldwide, in terms of economic growth with GDP growth of 9.1% in 2003. The Latin American economy is stabilizing and is new enjoying improved global confidence. In view of increased oil production and prices, GDP for the Middle East countries grew by approximately 5.4% in 2003. However, with the anticipated decline in oil prices late in 2004, economic growth is likely to fall to approximately 4.1% during the year.

Inflation rates continued to improve throughout the world. The average inflation rate for consumer goods prices in developed countries remained below 2% in 2003, and shall continue its descent to 1.7% in 2004. In developing countries, the inflation rate is expected to fall to approximately 5.7% in 2004.

Transitional economies have succeeded to a great extent in minimizing their inflation rates as they succeeded in reducing inflation to an average of 9.7% in 2003.

World trade growth increased slightly from 3.1% in 2002 to approximately 4.5% in 2003. The relatively small pick-up in trade can be mainly attributed to weak demand, consequent to geopolitical risks and certain adverse developments associated with 2003 events, (Iraq's war and SARS). Given the improvement of the situation, it is expected that world trade volume shall grow substantially by approximately 6.8% in 2004. Oil prices, which peaked before the Iraqi war at approximately US $ 34 per barrel during the month of April 2003, dropped to US $ 30 per barrel during the month of August. However, due to pressure excerted from geopolitical risks and security problems in the Middle East region, oil prices have been reporting higher levels since the first quarter of 2004. Non-oil goods prices increased by 5% in 2003, benefiting from the pickup in world economic activity.

Concerning financial and monetary developments, and compared with recent years, interest rates have weakened in Europe, USA and many developed and emerging economies. Financial policy restrictions have become less stringent in the USA and certain Asian countries resulting in the further strengthening of world economy recovery. In international currency exchange rates, the US dollar

achieved substantial gains in 2003 over the Euro, Japanese Yen, Sterling pound and some other international currencies. However, external financing costs and economic opportunities have improved for most of the emerging economies.

KSA Economic Review 2003G:

Despite the tense political conditions in the region consequent to the Iraqi war, the Saudi economy performed well in 2003. The continued recovery of the global oil market and consequent pick up of oil prices contributed to positive growth of the Saudi economy in 2003. According to the government budget statement published by the Minister of Finance, GDP is expected to reach SR 791.9 billion, representing a positive growth rate of 12% in current prices or 6.4% in constant prices in 2003. The high growth ratio of GDP is closely related to the substantial recovery of the oil sector, which is expected to record a growth of 22.9% based on current prices.

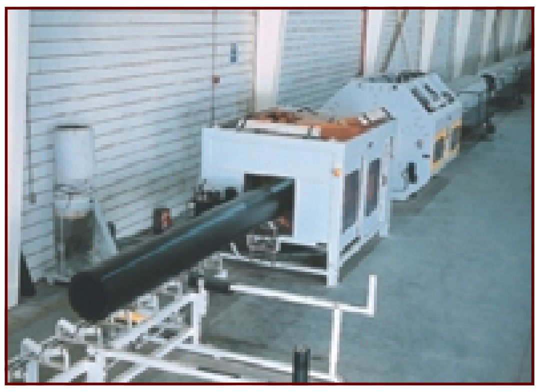
The outstanding performance of the local economy is anticipated to positively impact all the other sectors. The private sector is expected to continue its growth by 3.7% based on current prices and by 3.4% based on constant prices. In the remaining sectors, the real growth ratio expected to be achieved should approximate 3.9% for non-oil manufacturing industries; 4.3% for communications, transport and storage; 6.2% for electric power, gas and water; 2.8% for building construction, and 4.4% for retail and wholesale trade, restaurants, and hotels sector.

Inflation rates in the Kingdom continue to be among the lowest internationally. Estimates of the cost of living over the year 2003, increased by 0.6% over the previous year. In this context the GDP deflation coefficient for the non-oil sector, a key indicator for measuring inflation at the level of economy as a whole, slightly increased by 0.29% during the year 2003.

Among the important indicators of the improving performance of the Saudi economy is the satisfactory performance of the current account of the balance of payments, which has achieved a surplus of SR 101.9 billion in 2003 compared with a surplus of SR 44.5 billion in 2002. This result from the increase of prices and quantities of oil and non-oil exports. Non-oil exports are expected to achieve a growth rate of 1.6% or SR 33 billion, representing 10% of total exported goods.

In financial and monetary developments, financial and monetary policy contributed to maintaining an adequate liquidity level. Supply of money increased by 8.2% during the year 2003. Moreover, commercial banks performance remained on the positive side, with total assets soaring by 7.3%, profits increasing by 15.2% and bank deposits growing by 8.5%. Bank loans to the private sector show that commercial credit to economic activities increased by 17.2% in 2003 over the previous year. An examination of the details of sub-sectors reveals that financing increased by 9.4% for manufacturing and production sectors; 68% for electric power, water and other utilities sector; 23% for commerce, and 4.6% for the building and construction sector. Another indicator related to private industrial activity is SIDF loan commitments, which amounted to SR 2,749 million in 2003G., one of the highest annual commitments ever extended by the Fund.

At another level, the stock market showed substantial growth in 2003 due to the outstanding performance of companies and soaring oil prices.



The stock index for local stocks increased by 76% by the end of 2003, to reach 4,437 compared to 2,518 points in 2002.

In brief, 2003 was a distinctly beneficial year for the Saudi economy despite the unfavorable regional conditions. A major contributory factor was persistent government efforts to augment economic reform. Key indicators include the Kingdom's receiving an "A+" rating for local currency, and "A" rating for foreign currency under S&P credit classification. The year 2003 witnessed a number of positive economic and financial developments. At the beginning of the year, the Gulf Customs Union was inaugurated and gas exploration agreements were signed between Saudi ARAMCO and a number of foreign companies. Also, stock market regulation and foreign investment taxation regulations were approved. The latter regulations shouldl contribute positively to the attraction of foreign investments. Finally, the Kingdom is expected to join the World Trade Organization (WTO) by the end of the current year.

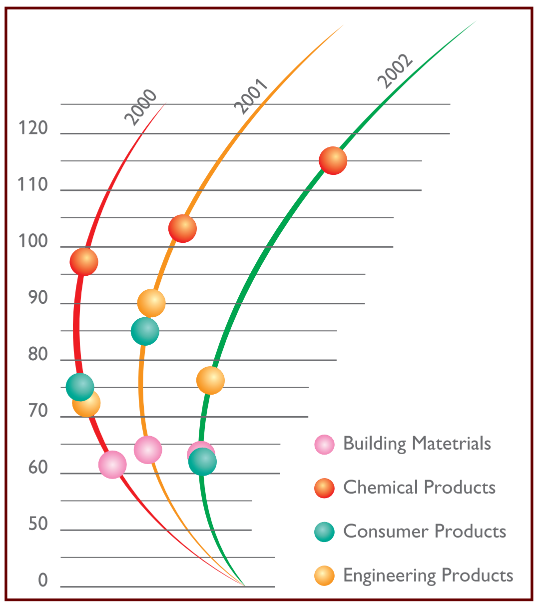
Industrial Performance Indicators:

The manufacturing sector in the Kingdom achieved substantial growth, approximating 3.9% in 2003. Some of the performance indicators constructed from recent data from the SIDF industrial database show continued healthy growth with-

in most of the industrial sectors in the Kingdom. Figures (3 , 4 & 5 highlight features and trends of performance by the major industrial sector over the period 2000-2002.

As for industrial productivity indicators, Figure (3) shows the average value added per worker in the main industrial sectors for the years 2000-2002. During the year 2002, the Chemical Products Sector ranked first in terms of average value added per worker. The Engineering Products Sector is next, followed by the Building Materials Sector. Lastly, the Consumer Products Sector had the lowest average value added per worker. With respect to performance trends for the average value added during 2000-2002, Figure (3) shows a variable pattern within major industrial sectors. In the Chemical Products Sector, average value added per worker recorded a progressive increase of 6% and 11% respectively in 2001 and 2002.

Figure (3)
Value-Added Per Worker
(SR Thousands)

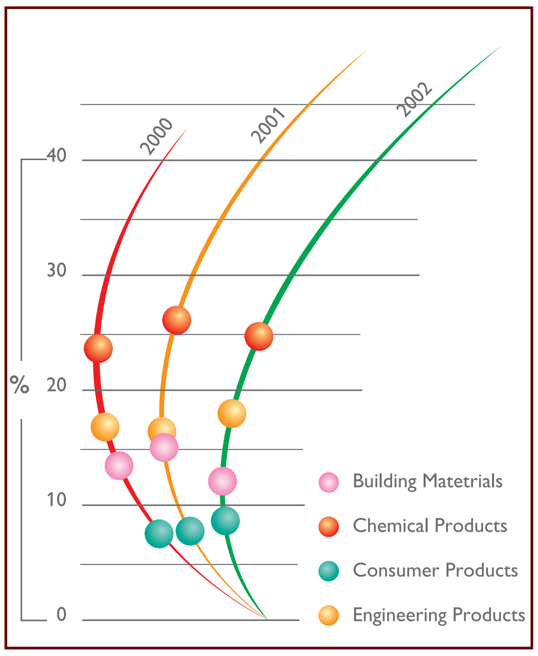


With regards to the Engineering Products Sector, this average rose to 26% in 2001 and then declined by 15% in 2002. This same trend was also evident in the Consumer Products Sector which showed an increase of average value added per worker of 10% during the year 2001, decreasing by 27% in 2002. It is notable that during 2001, all of the industrial sectors witnessed substantial growth in the value added per worker indicators, especially in the Engineering Products and Consumer Products sectors. These two sectors have witnessed a relatively steep decline in the value added per worker indicator during 2002. This decline can be attributed to the relative decline of total value added against a background of profit decline in many companies in these two sectors during 2002. At another level, and with reference to Figure (3), the Building Materials Sector did not show notable change in average value added per worker during the 2000-2002 period.

Another indicator of vital importance in the Kingdom, especially in the few past years, is the indicator of average industrial exports. The government plans attach major significance to consolidating and increasing non-oil industrial exports as a strategic objective for the national economy, to minimize dependence on oil exports. Figure (4) shows the average export ratio as a percentage of total sales for the period 2000-2002. A review of the ratio for the year 2002 shows that the Chemical Products Sector ranked first, with a ratio of 25%, followed by the Engineered Products Sector, Building Materials Sector, and lastly, Consumer Products Sector with a ratio of 18%, 12% and 8% respectively. The performance indicators show an increase in average exports to total sales ratio in 2002 for the Consumer Products and Engineered Products sectors by 8% and 11% respectively. The industrial exports indicator for Building Materials Sector showed a fluctuating pattern: increasing by 10% in 2001 and then decreasing by 18% in 2002.

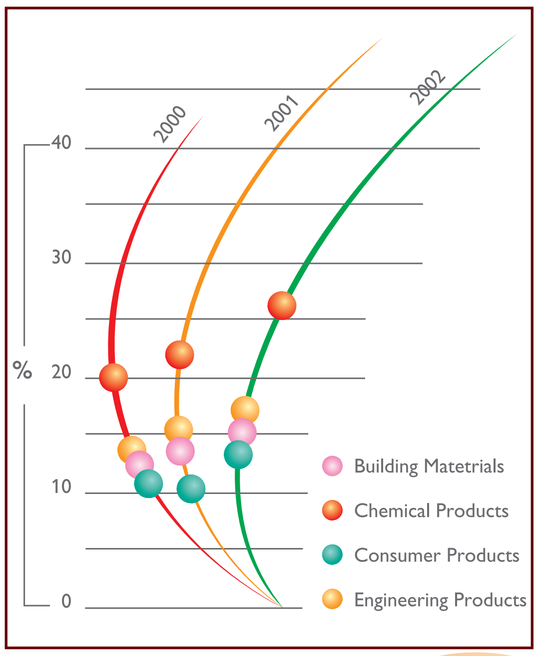
The Saudi labor ratio to total industry labor is a factor that is currently gaining increasing importance at the national level. Figure (5) shows the ratio of Saudi employment to total employment

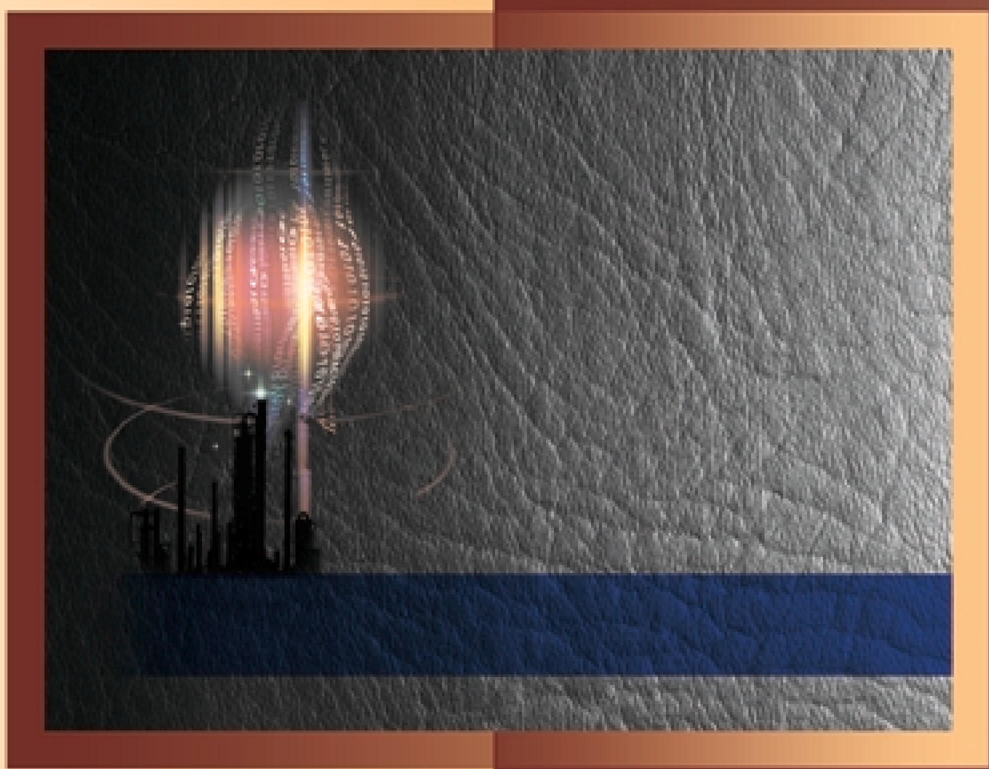
Figure (4)
Percentage of Exports to Total Sales



for the major industrial sectors during 2000-2002. By 2002 levels, the Chemical Products Sector led the other sectors with 26% Saudi employment ratio. The Engineering Products Sector came next, with a 17% Saudi employment ratio. The Building Materials Sector followed with a 15% Saudi employment ratio. Lastly, came the Consumer Products Sector, with a 14% Saudi employment ratio. Although the Saudi employment ratio remained conservative at about 14% to 26% on average, the ratios, as indicated in Figure (5), clearly show rising trends of Saudi employment, especially in 2002. In 2002, Saudi employment increased in the Consumer Products Sector by 34%, in the Chemical Products and Engineered Products Sectors by 13%, and lastly, in the Building Materials Sector by 3%. This Saudization trend points to the private sector's continued cooperation with the government in achieving the objectives of increased Saudi employment levels in industry.

Figure (5)
Percentage of Saudi Workers to Total Workers





G A S & E N E R G Y
in KSA

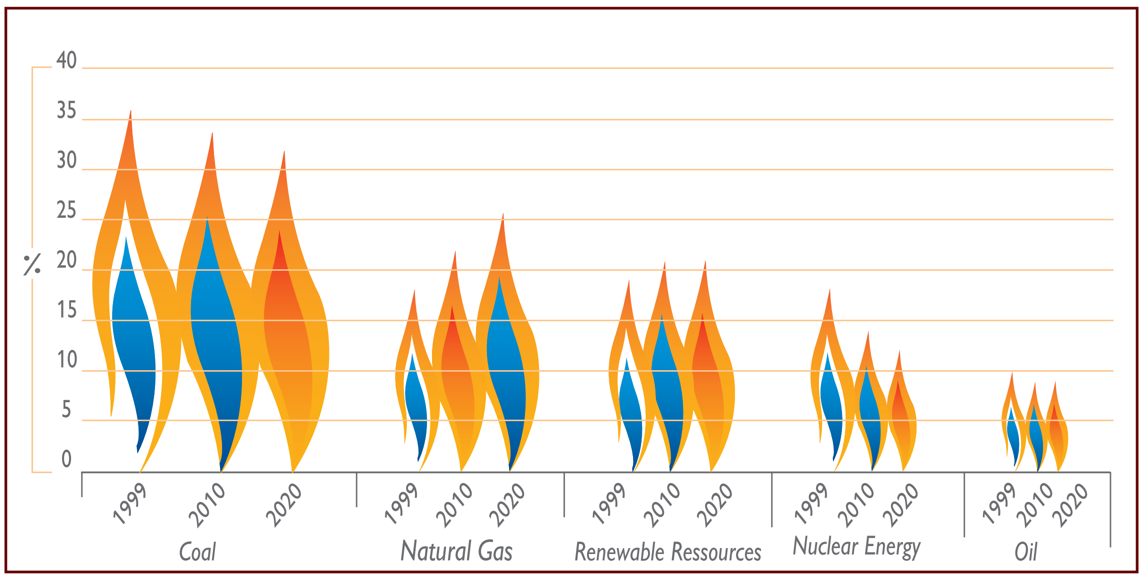
Natural gas's importance as an energy source continues to evolve worldwide and is considered to be "the energy source of the 21st century". In particular, its growing consumption as a fuel for electrical power generation is replacing the more traditional fossilized fuels.

Worldwide natural gas consumption for electricity generation is projected to increase by 115% between 1999 and 2020. By contrast, consumption of other power generation fuels is projected to increase by the following relatively modest percentages: Oil (50%), Coal (30%), Renewable sources (55%) and Nuclear Fuel (11%).

In the world energy mix natural gas's share is predicted to increase from 18% (1999) to 26% (2020). In Saudi Arabia, natural gas is predicted to increase from 39% of the energy mix in 2000 to more than 51% by 2020.

Trading of natural gas as an international commodity has been relatively limited in the past. However, recent increases in worldwide demand for natural gas and its associated products (LNG, LPG, etc) have led to worldwide investment in large scale projects to produce Liquefied Natural

(Figure 6)
World Energy Consumption for Electrical Generation (%)



Gas (Qatar, Iran, UAE), development of transport infrastructures i.e. international bulk shipping, intercontinental pipelines (Russia to Western Europe) etc. Future investment includes the development of Gas to Liquid plants to produce low-sulphur diesel and naphtha (Malaysia and Qatar).

Natural Gas in the Kingdom:

In the early years, associated natural gas from the oil fields had few commercial outlets and was burnt off in gas flares. However, the Kingdom soon recognised the benefits of gas as an efficient, clean source of energy. Consequently, in the 1970's,a **"Master Gas System"** was initiated to collect the gas from the fields and channel it to separation units/treatment units for recovery, which led to a surging new energy resource for economic and industrial development.

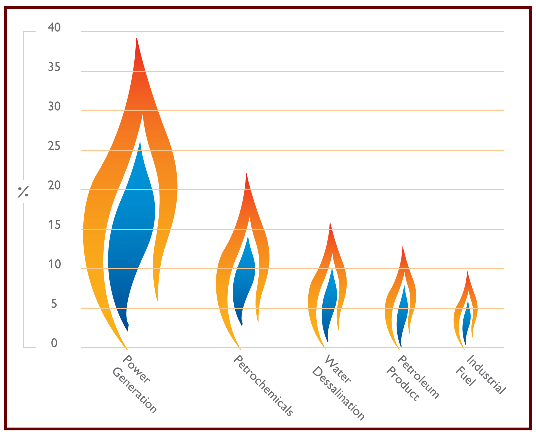
Natural gas is consumed in the Kingdom for power generation, desalination and as fuel and feedstock in various industries. Gas operations also produce Natural Gas Liquids (LPG, Butane and Propane) for household consumption, for export and as a petrochemical feedstock. Saudi Arabia has been constantly developing the potential of natural gas as an alternative energy source and is conscious of the need to conserve and harbor this valuable energy resource for the future. In 2000, the Master Gas Grid was expanded to reach Riyadh City to provide fuel for electricity generation and, in 2003, for use as fuel in a number of operational factories in Riyadh Industrial City.

The Kingdom's utilization of natural gas has grown significantly from approximately one bscfpd[1] in 1981 to approximately seven bscfpd in 2003, which represents approximately 7% of the total world utilization (95 bscfpd).

The Kingdom's current gas consumption is distributed as follow: Electrical Power Generation 39%; Manufacture of Petrochemicals 22%; Water Desalination 16%; Petroleum products 13%, and Industrial Fuel 10%.

Gas is now playing a major role in developing energy intensive industries in the Kingdom. In

(Figure 7)
Gas Consumption in KSA (%)



1: Billion standar cubic feet per day

particular, the development of the Petrochemical Sectors has led to Saudi Arabia becoming a leading world-class producer of petrochemicals such as Benzene, Cyclohexane, Methanol, MTBE, Ethylene, MEG, Polyolefins and Fertilizers.

The Kingdom's gas industry has also provided private-sector investment opportunities, value added generation and employment opportunities in other developing industries i.e. steel pipes, fittings, drilling chemicals and numerous ancillary services associated with operations in the gas/oil exploration and production processes.

In 2003, these gas-based industries produced: Power Generation (13,500MW), Petrochemicals (39 million tons), Cement (6.5 million tons), Steel (3.5 million tons) and Desalinated Water (400 million gallons per day). Industries fueled by Gas are estimated to contribute about 15% of GDP to the Kingdom's economy, creating approximately 150,000 jobs directly and indirectly as well as contributing to infrastructural and social development in remote areas of the country.

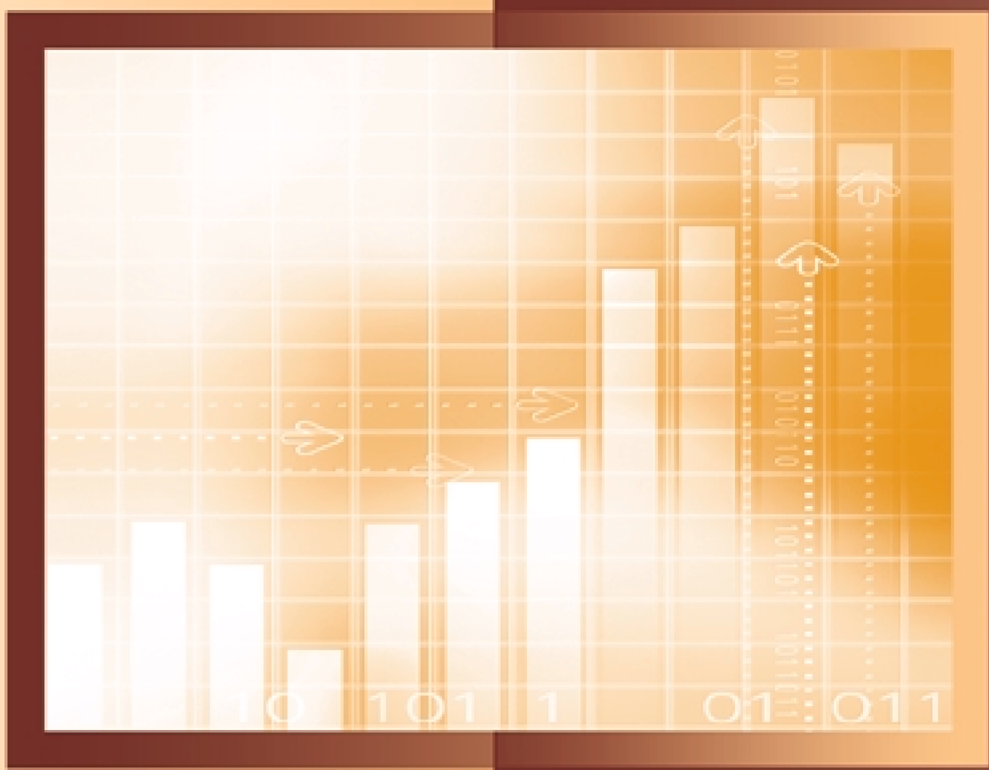
In recent years, the surge in demand for natural gas, particularly for electricity generation, combined with a slight decline in US production has driven prices higher. Spot prices peaked at US$ 10/mbtu and throughout 2003, sustained a level above US$ 4/mbtu. In the Kingdom, natural gas is available at competitive prices for projects utilizing it. The price is subject to periodic review by the Ministry of Petroleum and Mineral Resources, approved by the Supreme Petroleum Council and the Council of Ministers.

Future Developments:

The Kingdom has developed a long-term strategy for the growth and development of the gas industry which will play a vital role in industrial advancement and job creation. The continued investment in new processing facilities compliments the ongoing development of primary infrastructures i.e. water desalination and electrical generation.

In 2003, the proven natural gas reserves in the Kingdom amounted to about 231 trillion cubic feet, of which about 90 trillion cubic feet is non-associated gas. In total, this represents approximately 4% of the world's proven reserves (6,400 trillion cubic feet).

Recently, the Kingdom embarked upon the "Gas initiative plan". The objective is to double existing capacity with a year-to-year development program to expand the existing gas network through investment in new processing facilities and transportation and distribution systems. This will meet the economy's growing demand and needs for export. Estimated demand for natural gas in 2025 is expected to exceed 12 bscfpd.



SIDF lending Activity Summary

Table 1

Number of newly approved industrial projects by minor sector

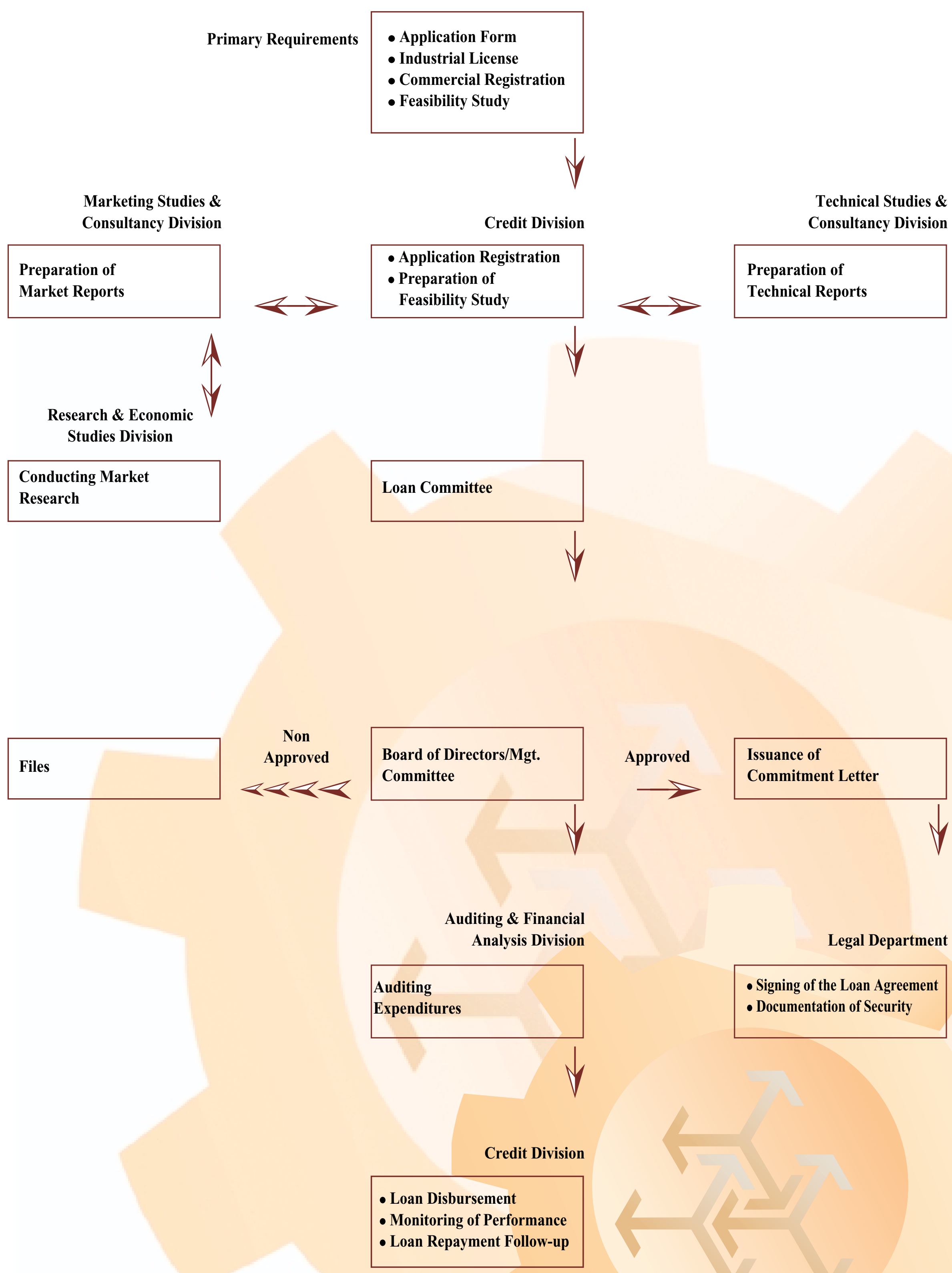
Sector	1423/1424H	Cumulative Total
Consumer Products	**8**	**525**
Food	5	241
Beverages	-	39
Textiles	-	56
Leather & substitutes	-	22
Carpentry products	-	10
Wooden furniture	2	47
Paper products	1	74
Printing	-	36
Chemical Products	**12**	**443**
Chemicals	4	203
Oil & gas products	-	23
Rubber Products	1	12
Plastic products	7	205
Building Materials	**2**	**291**
Ceramic products	-	8
Glass products	-	49
Other building materials	2	234
Cement	**1**	**20**
Engineering Products	**13**	**540**
Metal products	10	315
Machinery	1	79
Electrical Equipment	-	97
Transport Equipment	2	49
Other Manufacturing Projects	**2**	**37**
Total	**38**	**1856**

Table 2

Value of approved industrial loans by minor sector
(SR millions)

Sector	1423/1424H	Cumulative Total
Consumer Products	**630**	**9,677**
Food	503	4,584
Beverages	29	848
Textiles	42	1,776
Leather & substitutes	-	106
Carpentry products	-	137
Wooden furniture	9	327
Paper products	47	1,684
Printing	-	215
Chemical Products	**903**	**15,109**
Chemicals	730	11,056
Oil & gas products	11	1,198
Rubber Products	8	77
Plastic products	154	2,778
Building Materials	**42**	**4,596**
Ceramic products	11	457
Glass products	8	1,366
Other building materials	23	2,773
Cement	**200**	**5,115**
Engineering Products	**959**	**9,875**
Metal products	925	6,857
Machinery	10	756
Electrical Equipment	20	1,437
Transport Equipment	4	825
Other Manufacturing Projects	**15**	**452**
Total	**2,749**	**44,824**

Loan Application's Processing Flow Chart



Notes:

1. The length of the evaluation period depends on the applicant s cooperation and the timely submission of required information.
2. For expansion projects, the foregoing stages also apply, but some are likely to be omitted.

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