الرعاية المسئولة
إلتزامنا نحو الإستدامة
RESPONSIBLE CARE®
OUR COMMITMENT TO SUSTAINABILITY

Saudi International Petrochemical Company

سبكيم
Sipchem

ANNUAL REPORT 2011

SUSTAINABILITY THROUGH RESPONSIBLE CARE

بسم الله الرحمن الرحيم

In the name of Allah
the most compassionate,
the most merciful

H.R.H. Crown Prince Naif Bin Abdulaziz Al-Saud

Deputy Premier and Interior Minister

King Abdullah Bin Abdulaziz Al-Saud

Custodian of the Two Holy Mosques

As a company that embraces the concept of Responsible Care while meeting the world's need for essential products, Sipchem has fulfilled its purpose and values in a way that reflect positively on the stakeholders, employees, clients, business partners and the community at large. This key milestone, in its journey to fully implement this initiative, demonstrates significant progress toward sustainability and is a true indicator of growth and success.

BEAUTIFUL SAUDI

Ar Rub'al Khali Sand Dunes

This mass of reddish-orange shifting sands is widely known as the Empty Quarter, and is one of the largest sand deserts in the world, encompassing most of the southern third of the Arabian Peninsula, including most of Saudi Arabia.

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors, I am pleased to present to you the annual report of the company's performance and business results for the financial year 2011, a fruitful year indeed thanks to God and thanks to the efforts made by Sipchem in upgrading the standards of performance, prestige and capabilities enabling us to deliver on the aspirations of our honourable shareholders.

2011 was an exceptional year as Sipchem was able to achieve excellent results and even strengthened its financial position, achieving a net profit of 706 million Saudi Riyals. The combined efforts of the Board of Directors, the Management, and all workers, and the unwavering support of our shareholders, have played a major role in Sipchem's success story. The company's prudent policies and a well thought strategy in place for the coming years will see it continue to excel and achieve further growth, which will place Sipchem in the ranks of the best petrochemical companies not just in the Gulf and the Middle East, but at the global level as well.

Sipchem is keeping a sharp eye on emerging opportunities as it continues to embark on acquisitions and expansions as a growth strategy which includes integration and development of various projects like International Polymers Company, Sipchem Chemicals, Center of Creative and Technical Excellence, and Gulf Insulation Cables. We await the completion of these projects with great optimism as we believe that this will see the Sipchem name firmly entrenched among those of the leading international companies, and its emergence as a stronger force to reckon with, paving the way for a greater future for Sipchem.

'Taking care of our people' is integral to the Sipchem work philosophy and values, and we believe that the continued success in all areas of our work is due to our dedicated staff that represents our most precious resource. Sipchem's interest in its human capital paid off as the Company was voted as having the Best Saudi Working Environment. This vote of confidence received a further impetus as Sipchem also became the first petrochemical company in Saudi Arabia to be conferred a certificate of Responsible Care. Such accreditations affirm that the Company's advance has been in the right direction and motivates us to build on this approach even further.

In line with its commitment towards social responsibility, this year too, Sipchem actively involved itself in the service of society and community through various social support activities, allocating 1% of the total net profits to social responsibility programmes.

Finally, on behalf of the Board of Directors and the Executive Management of the Company, I take this opportunity to extend our sincere appreciation and thanks to all our esteemed shareholders for their trust in the Board and their unwavering support which has played an important role in the growth and success of Sipchem. I hope that our Company will continue its march towards greater prosperity under the guidance of the Custodian of the Two Holy Mosques and HRH the Crown Prince.

Abdulaziz A. Al-Zamil
Chairman, Board of Directors

Responsible Care and Quality Policy

Saudi International Petrochemical Company (Sipchem) and its affiliates manufacture and market a wide range of products. In the quest for continuous improvement in meeting customer and shareholder expectation, as well as the safety and well being of our employees, Sipchem and its affiliates are committed to the following:

- Achieving Excellence in Responsible Care Performance through implementation of the Responsible Care Guiding Principles and promoting transparency with stakeholders
- Producing the highest quality products in an efficient and environmentally safe manner
- Measuring progress to ensure compliance with this policy
- Continually implementing improvement opportunities in our Responsible Care and Quality Management Systems
- Complying with applicable Governance requirements

BOARD OF DIRECTORS

1 - Dr. Abdurrahman A. Al-Zamil
Member

2 - Mr. Abdurrahman A. Al-Turki
Member

3 - H. E. Eng. Abdulaziz A. Al-Zamil
Chairman

4 - Dr. Abdulaziz A. Al-Gwaiz
Member

5 - Dr. Sami M. Zaidan
Member

6 - Mr. Fahad S. Al-Rajhi
Member

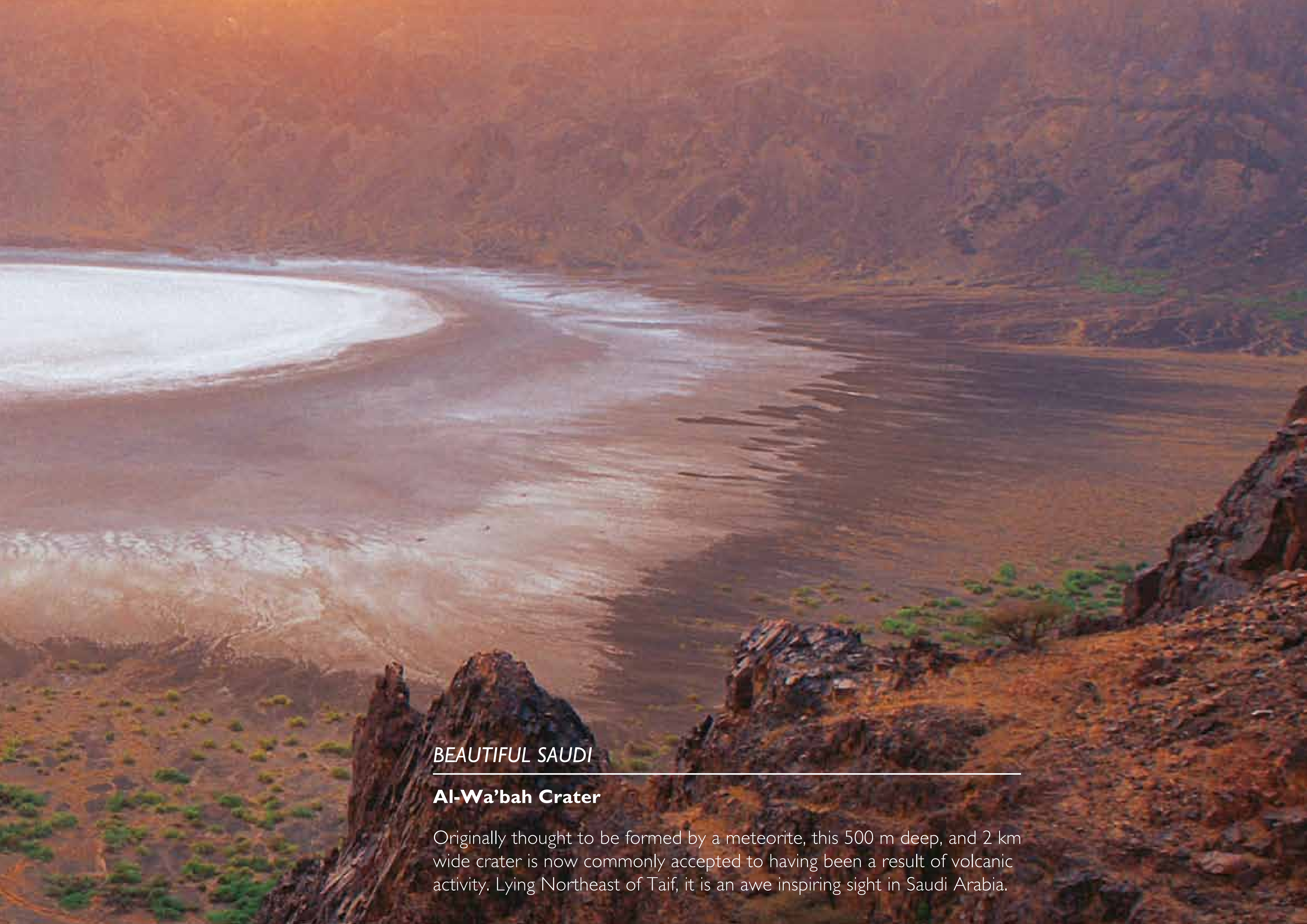
7 - Mr. Abdulaziz A. Al-Khamis
Member

8 - Eng. Reyadh S. Ahmed
Member

9 - Eng. Ahmad A. Al-Ohali
Member & CEO

10 - Eng. Mohammad A. Al-Ghurair
Member

11 - Dr. Saleh H. Al-Humaidan
Member



BEAUTIFUL SAUDI

Al-Wa'bah Crater

Originally thought to be formed by a meteorite, this 500 m deep, and 2 km wide crater is now commonly accepted to having been a result of volcanic activity. Lying Northeast of Taif, it is an awe inspiring sight in Saudi Arabia.

"Our market expansion plans have received a further impetus with the acquisition of Aectra, the Swiss petrochemical trading and marketing company. This acquisition forms part of our initiative to sell direct to customers, thereby increasing our profits and global reach."

CEO'S MESSAGE

2011 has been an outstanding year for Sipchem not only financially in terms of earnings and profit but in terms of our ability to maximise plant outputs and increase efficiency across all corporate processes. The fact that we have achieved this, whilst also winning the top award for being the 'Saudi organization with the best working environment' and gaining our 'Responsible Care' certification, is truly inspiring.

Sipchem posted a record breaking 87% increase in its net profit compared with 2010, earning nearly 706 million Saudi Riyals in 2011. Going into 2012 we have without a doubt set the bar high for the team, plants and processes as we continue to improve and diversify over last year's performance. I am confident that we will break more records in the year ahead and would like to thank the team both at the plants, at the corporate office and my fellow board members for their efforts and dedication in achieving these results.

We have asked a lot from our employees this year and they have delivered, which is evident in the maximising of our Methanol and Butanediol plants' output and the drive toward maximum output for our new Phase II acetyls plants. Bringing on stream and increasing outputs of the new Acetyls Complex (the first in the region) is a reflection of the exemplary courage, determination and ingenuity demonstrated by our operations team. The real learning experience we have had with these new plants will bring even more benefits in Phase III and the coming years.

All third phase contracts have been successfully negotiated and signed this year; construction has begun on the three new plants and they are on schedule for coming on stream in Q2 2013. This next phase will build for the company an even more integrated product portfolio and a strengthened value chain which will empower us further to better compete in the global markets.

Our market expansion plans have received a further impetus with the acquisition of Aectra, the Swiss petrochemical trading and marketing company. This acquisition forms part of our initiative to sell direct to customers, thereby increasing our profits and global reach.

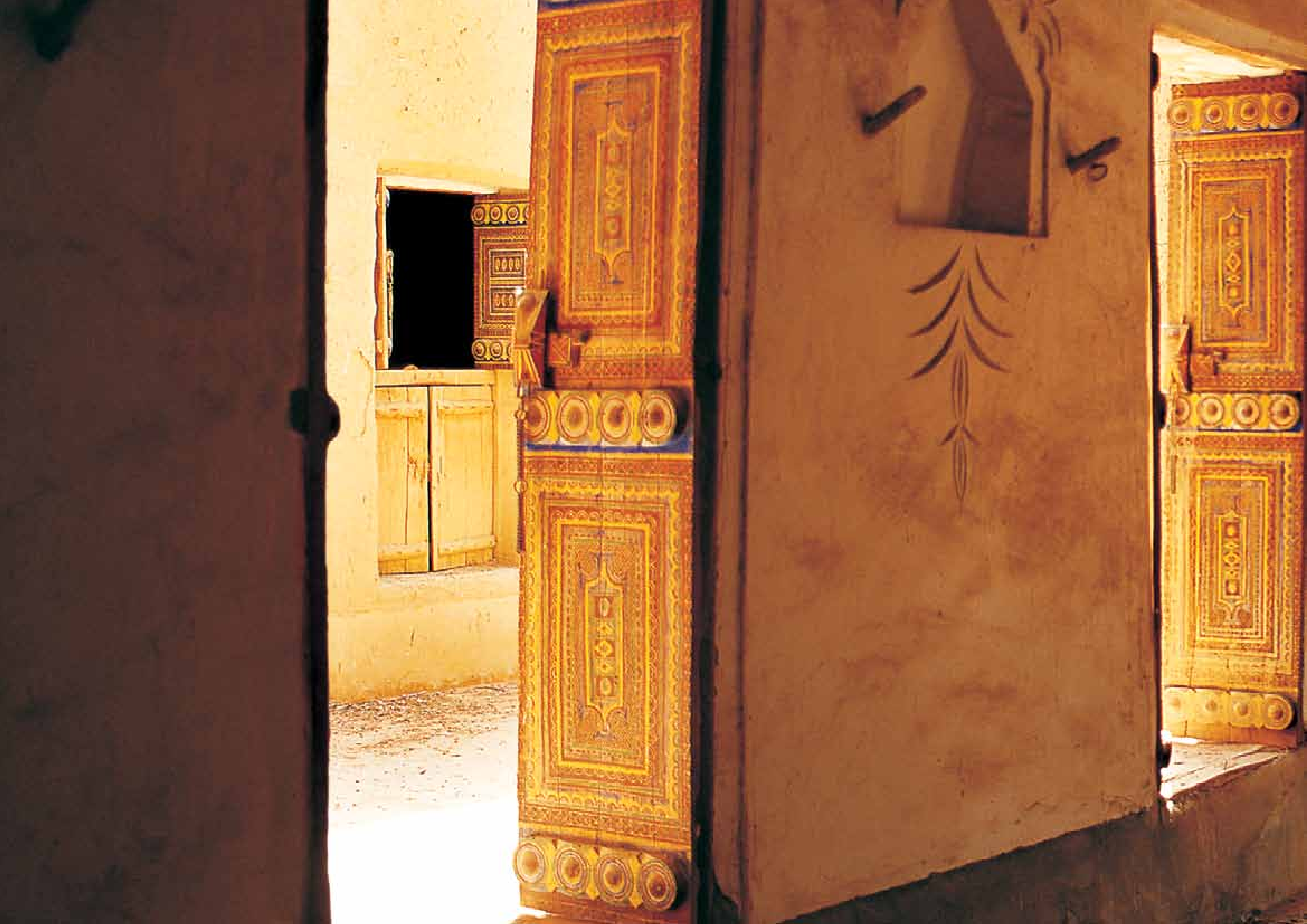
We are well under way with the construction of our Technology and Creativity Exchange Centre in Dhahran and have already started recruiting top scientists to work there. This centre will not only enable us to better support our clients but will also become a key growth driver through the development of new products, technologies and know-how.

The ability to finance our continued growth has also been successful this year with our Islamic Sukuk offer generating a lot of interest in the market by commanding a very good price for the company, thereby demonstrating the market confidence in our future growth plans and opportunity development. More importantly, the continued uptake of share options through our employee share scheme demonstrates our whole company's belief and confidence in our future growth prospects.

In 2011 we continued to be torch bearers for the welfare of our wider community. Our housing project in Jubail for Saudi employees has progressed well and the other community care projects which we funded through our earnings have grown significantly because of both: our increased revenue as also the achievement of company wide efficiency and automation drive.

The outlook in our markets for 2012 continues to be challenging but I firmly believe that across the company we are prepared to achieve our targets by keeping a focus on optimised production, organic and acquisitional growth, market development and continued efficient management under the support of the Government of the Custodian of the Two Holy Mosques and HRH the Crown Prince.

Ahmad A. Al-Ohali
Chief Executive Officer



BOARD OF DIRECTORS' ANNUAL REPORT FOR THE YEAR 2011

BEAUTIFUL SAUDI

Unayzah Palace

Beautiful yet functional, these traditional hand carved doors of this private palace allow natural air to flow in and cool the premises during the hottest months of summer.

DESCRIPTION OF THE COMPANY'S ACTIVITIES

Sipchem is committed to the highest quality standards in all its activities whether in its products or maintaining the integrity of the surrounding environment or the safety of its employees.

The Saudi International Petrochemical Company (Sipchem) is one of the Saudi shareholding public companies listed in the Saudi Capital Market. Sipchem was established late in the year 1999. Its current full paid-up capital is SR 3.6 billion. The company is actively investing in basic and intermediary petrochemical and chemical materials that can be utilized as a feedstock for manufacturing a lot of products that can bring prosperity to human beings worldwide. Sipchem is committed to the highest quality standards in all its activities whether in its products or maintaining the integrity of the surrounding environment or the safety of its employees.

Saudi International Petrochemical Company (Sipchem) has chosen Jubail Industrial City to build its industrial complex for producing various chemicals because this city is considered one of the leading industrial areas in the world having all necessary infrastructure for such large projects. The availability of raw materials in the Eastern province, the presence of Saudi Aramco that supplies required feedstock at very competitive prices and in large quantities, the ease of export from the city via King Fahd Industrial Port and its relative proximity to South Eastern Asian countries to which most petrochemicals are exported, are other reasons for this choice.

The site of Saudi International Petrochemical Company (Sipchem) occupies an area of over one million square meters in the basic industries part of Jubail Industrial City. Sipchem's strategy aims at integrating present and future petrochemical and chemical products to form a series of final added-value products in order to contribute to increasing the national production, developing the industry under the comprehensive development plans adopted by the Kingdom and multiplying shareholders' profits and yields.

Despite it being established only twelve years ago, Sipchem became a pioneer manufacturer of petrochemicals locally, regionally and even worldwide. Such success came with hard work, dedication and a commitment of its managerial, professional and technical capabilities that helped the company be ranked as one of the top international petrochemical companies.

DESCRIPTION OF THE ACTIVITIES OF SIPCHEM AFFILIATES

THE INTERNATIONAL METHANOL COMPANY

The International Methanol Company (IMC), 65% owned by Sipchem, is a limited liability company established in the year 2002. IMC is operating a plant for the production of Methanol with an annual production of 970 thousand metric tons. The plant is currently working with a safe and reliable full design capacity. IMC production is partially utilized as a feedstock for the International Acetyl Company (IAC) plant, whereas the remaining quantity is shipped to the company's customers regionally and internationally.

The company's production reached 1.24 million metric tons in the year 2011 whereas the production in the year 2010 was 1.22 million metric tons constituting an increase of 1.7%. The company's site is in Jubail Industrial City, Kingdom of Saudi Arabia.

THE INTERNATIONAL DIOL COMPANY (IDC)

The International Diol Company (IDC), 53.91% owned by Sipchem, is a limited liability company established in the year 2002. The company is operating a plant with an annual production capacity of 75 thousand metric tons of Butanediol (BDO) and its derivatives such as Maleic Anhydride (MAn) and Tetrahydrofuran (THF).

The plant is currently working with a safe and reliable design capacity. The plant produces high quality Butanediol which is shipped to the company's customers regionally and internationally. The company's production reached 73 thousand metric tons in the year 2011 with 1.4% increase than the previous year 2010 of 72 thousand metric tons. The company's site is in Jubail Industrial City, Kingdom of Saudi Arabia.

INTERNATIONAL GASES COMPANY (IGC)

The International Gases Company (IGC), 72% owned by Sipchem, is a limited liability company established in the year 2006. The Company operates a Carbon Monoxide (CO) plant with a designed production capacity of 340 thousand metric tons per annum (MTPA). The plant operates with a reliable design capacity. This plant is considered to be the largest CO plant of its kind in the world. The product is used as a feedstock for the production of Acetic Acid. The plant is considered as an extra source to provide the International Diol Company (IDC) with hydrogen. The International Gases Company (IGC) production in the year 2011 was 298 thousand metric tons with 18% increase than the previous year 2010 of 253 thousand metric tons. The company's site is in Jubail Industrial City, Kingdom of Saudi Arabia.

INTERNATIONAL ACETYL COMPANY (IAC)

The International Acetyl Company (IAC), 76% owned by Sipchem, is a limited liability company established in the year 2006. The International Acetyl Company (IAC) operates a plant for the production of Acetic Acid (AA) and Acetic Anhydride (AAn), with an annual production capacity of 460 thousand metric tons. The plant operates with a reliable design capacity.

The plant produces high quality Acetic Acid and Acetic Anhydride which are exported to customers regionally and internationally. The International Acetyl Company (IAC) production in the year 2011 was 384 thousand metric tons with 5% increase than the previous year 2010 of 365 thousand metric tons. The company's site is in Jubail Industrial City, Kingdom of Saudi Arabia.

INTERNATIONAL VINYL ACETATE COMPANY (IVC)

The International Vinyl Acetate Company (IVC), 76% owned by Sipchem, is a limited liability company established in the year 2006. The International Vinyl Acetate Company (IVC) operates a plant for the production of Vinyl Acetate Monomer with an annual production capacity of 330 thousand metric tons. The plant operates with a reliable design capacity. The plant produces high quality Vinyl Acetate Monomer which is exported to customers regionally and internationally.

The International Vinyl Acetate Company (IVC) production in the year 2011 was 337 thousand metric tons with 9% increase than the previous year 2010 of 310 thousand metric tons. The company's site is in Jubail Industrial City, Kingdom of Saudi Arabia.

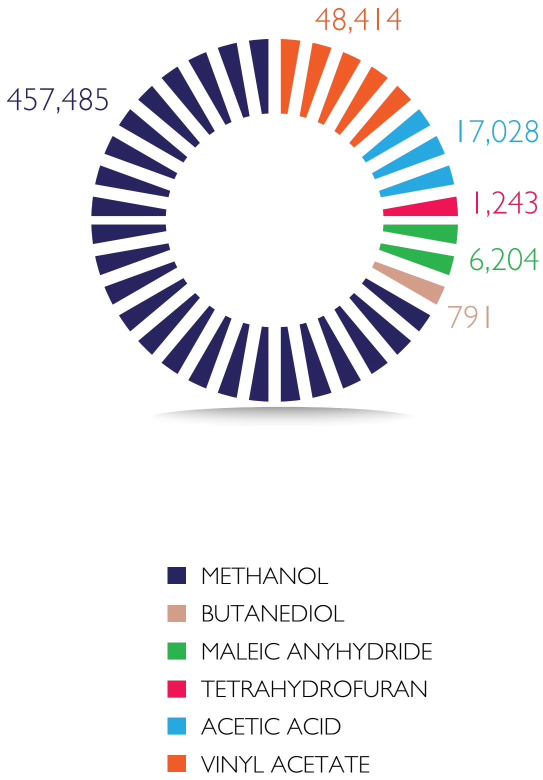
INTERNATIONAL UTILITIES COMPANY (IUC)

The International Utilities Company (IUC) is a limited liability company, established in the year 2009. It is owned equally by all Sipchem operating affiliates, namely, International Methanol Company (IMC), International Diol Company (IDC), International Gases Company (IGC), International Acetyl Company (IAC) and International Vinyl Acetate Company (IVC). The actual ownership percentage of Sipchem is 68.58%. The purpose of the company is to manage, operate and maintain utilities, facilities and services at Sipchem site in Jubail Industrial City, Kingdom of Saudi Arabia.

SIPCHEM MARKETING & SERVICES COMPANY (SMSC)

Sipchem Marketing and Services Company (SMSC), 100% owned by Sipchem, is a limited liability company, established in the year 2007. The company's location is in Khobar, Eastern Region, Kingdom of Saudi Arabia. Sipchem Marketing and Services Company (SMSC) functions independently in the marketing and sales of the entire range of Sipchem products in addition to other products. The company has a competent sales force team with diverse backgrounds and experience.

Sipchem Marketing & Services Company (SMSC) sales (Metric tons)



On 31st December 2011, SMSC has successfully acquired Aectra SA, a Swiss petrochemical trading and marketing company. The acquisition of Aectra was an important milestone for Sipchem as Aectra SA gives Sipchem immediate access to experienced and proven marketing, logistics and trading expertise in the key European markets. Cooperation between SMSC and Aectra SA will create an added value to all their clients which will enable all Sipchem's affiliates to achieve more future development.

Today SMSC sells and markets a number of products including Methanol Butanediol (BDO), Maleic Anhydride (MAn), Tetrahydrofuran (THF), Acetic Acid (AA) and Vinyl Acetate Monomer (VAM). SMSC has marketed 531 thousand metric tons in the year 2011.

SIPCHEM EUROPE COOPERATIVE UA AND ITS AFFILIATES

Sipchem Europe (Cooperative UA), 100% owned by Sipchem, was established in 2011. The company's headquarters is located in Amsterdam, the Netherlands. It provides administrative support in the field of marketing and logistics services. Aectra SA is an affiliate of Sipchem Europe Cooperative UA, located in Geneva, Switzerland. Sipchem Marketing & Services Company (SMSC) executed successful acquisition of Aectra SA on December 31, 2011.

Aectra SA of Switzerland was formed in 1995 and mainly functions in the marketing activities, logistic services and commercial expertise in the European markets. Sipchem aspires through Aectra SA acquisition to promote its clients' database and provide its high quality services to all the European markets of all levels, hence have the ability to secure a considerable increase in profits and transactions in Europe.

PROJECTS UNDER CONSTRUCTION

The Ministry of Petroleum & Minerals has allocated the main feedstock (Ethane gas) which will be cracked and treated to Ethylene by one of Sabic companies. The Vinyl Acetate Monomer (VAM), as a second feedstock will be made available from the International Vinyl Acetate Company, a Sipchem affiliate.

THE INTERNATIONAL POLYMERS COMPANY (IPC)

The International Polymers Company (IPC), 75% owned by Sipchem, is a limited liability company established in the year 2009. The company's main activity is to produce Ethylene Vinyl Acetate (EVA) and Low Density Polyethylene (LDPE) polymers with a capacity of (200) thousand metric tons per year. This plant is considered the first of its kind in the region to produce Ethylene Vinyl Acetate (EVA). The company's location is in Jubail Industrial City, Kingdom of Saudi Arabia.

International Polymers Company (IPC) has signed a SR 600 million loan facility agreement with Saudi Industrial Development Fund (SIDF). The loan is to be repaid after three years from the agreement signing date through half yearly installments for ten years and these installments value can be increased in an ascending way based on the project's future revenues. The purpose of this loan facility is to support the financing of the construction of EVA/LDPE plant. Ethylene Vinyl Acetate (EVA) is used as a feedstock in the production of heat soluble adhesives, resin products and high-quality sports bandages; Low Density Polyethylene (LDPE) is used as a feedstock in the production of various types of containers, bottles and medical detergents.

GS Engineering and Construction (GSEC), Korea, the project's main EPC contractor, initiated the construction phase activities in September, 2011. The total estimated value is around SR 3 billion. The Ministry of Petroleum and Minerals has allocated the main feedstock (Ethane gas) which will be cracked and treated to Ethylene by one of Sabic companies. The Vinyl Acetate Monomer (VAM), as a second feed stock will be made available from the International Vinyl Acetate Company, a Sipchem affiliate. Sipchem previously announced the execution of the technology license for this plant from ExxonMobil Chemical Technology Licensing (EMCTL). Both Sipchem and Hanwa will market the products of this project internationally. The project is scheduled to start-up during the second quarter of 2013.

SIPCHEM CHEMICALS COMPANY (ETHYL ACETATE & BUTYL ACETATE PROJECT)

Sipchem Chemicals Company (SCC), 95% owned by Sipchem and 5% by SMSC, is a limited liability company established in the year 2011. The company's main activity is to produce ethyl acetate and butyl acetate with a capacity of (100) thousand metric tons per year. The project's location is in Jubail Industrial City, Kingdom of Saudi Arabia.

Sipchem Chemicals Company's project is considered a part of phase III expansion program. The objective of establishing this company is to be in charge of the operation and management of all projects wholly owned by Sipchem. Sipchem Chemicals Company will participate through its different projects in the support of downstream industries and industrial diversity which will represent significant added values to the chemical and petrochemicals materials.

The initial estimate for the project is around SR 350 million. The project is expected to supply the local and international markets with Ethyl Acetate and Butyl Acetate. The product is used as a solvent in inks, industrial liquids and pallets used in paints etc. Sipchem awarded the engineering, design and construction (LSTK) contracts for its Ethyl Acetate Plant to eTEC Engineering & Construction Company, Korea in January 2011. Sipchem has signed agreements with the French company Rhodia. This includes the use of its technology, the marketing agreement and the Ethanol supply agreement. The use of Rhodia technology and experience in this field will help Sipchem attain significant gains in the quality of the product and reduction of the cost of the plant production that parallels or exceeds the international levels. The project's main contractor, eTEC Engineering & Construction Company, initiated its works in September 2011. The Ethyl Acetate plant is scheduled to start-up during the second quarter of 2013.

It is worth noting that the raw materials for the production of Ethyl Acetate such as Acetic Acid will be obtained from the International Acetyl Company (one of Sipchem Affiliates) and Ethanol will be imported from international markets.

SIPCHEM TECHNOLOGY & CREATIVITY EXCHANGE (STCE)

Sipchem is currently building a corporate R&D center called Sipchem Technology & Creativity Exchange (STCE) on a plot of 15,000 square meter area at Dhahran Techno Valley of King Fahd University of Petroleum and Minerals [KFUPM], in the Eastern Province of Kingdom of Saudi Arabia at an approximate cost of SR 175 million. Early in 2009 Sipchem signed a Memorandum of Understanding (MOU) with King Fahd University of Petroleum & Minerals (KFUPM), and the Ministry of Petroleum & Minerals to establish this center and in line with this MOU Sipchem will be responsible for the center's management and operation. The STCE will have the latest instruments and equipment for polymerization, compounding, molding, testing, analysis, processing, and application development.

Construction phase activities have already begun on STCE which has been designed according to the latest advanced design techniques in terms of buildings, laboratories and modern equipment. This technical center will be a new focus of polymer technology in the Kingdom; it is mandated to develop the downstream polymer converting industry in the Kingdom where 860 plants are operating. STCE is expected to be operational in mid 2012.

STCE will be operating on the basis of coordination amongst many departments in KFUPM so as to make science and technology, particularly chemistry, accessible for all, especially scholars. This extraordinary facility will help them to perceive the importance of polymers, downstream industries and job opportunities that can be availed through such industries; it participates in the building of 'Economy Knowledge' the Kingdom aspires to achieve. Sipchem is keen to see STCE playing an effective role this year.

The center shall also enhance cooperation in research with special emphasis on the main products, namely the films used in manufacturing solar cells and the thin films used in agriculture, flexible pipes, adhesives for wood, paper and paints, power and communication cables including fiber optics and any other products that support the national program for the development of industrial complexes. The center shall also enhance cooperation in research through the use of laboratories, equipment and the exchange of experiences between the university and Sipchem.

CABLES INSULATION PROJECT

It is a joint venture project owned 50% by Sipchem and 50% by Hanwa Chemical of South Korea, and the two partners signed the shareholders' agreement at the end of April 2011. Sipchem is working out to finalize the necessary procedures to register the company. Sipchem awarded the engineering design, procurement and construction (LSTK) contract for the Wire and Cable Polymers Compounding Plant to POSCO Engineering Co., South Korea in mid October 2011. The estimated cost of the plant is around SR 230 million. It will take around 24 months to be completed. The major feedstock for the plant will be sourced from the International Polymers Company, one of Sipchem affiliates.

PLANS AND FUTURE GROWTH

Sipchem exerts unremitting efforts to sustain its remarkable position during the coming years through; it continuously strives to invest in an active manner in high quality petrochemical and chemical industries, basic and intermediate, in accordance with the highest international standards and criteria. It is always keen to supply its customers with high quality services and competitive prices to ensure the satisfaction of their requirements and expectations. Sipchem's strategy is mainly based on the following elements:

- Expansion and diversity of the company's downstream industries.
- Continuous enhancement of its products' quality with the application of the best international quality criteria.
- Exerting efforts to decrease production costs to enhance the company's competitiveness.

Sipchem performs its business according to the strategic plans designed by the board of directors in all its expansions and operational processes. Sipchem also strives to create new business opportunities of high added value to be added to its current products through the production of derivate materials. Sipchem is currently carrying out feasibility studies for several new industrial projects which are expected to be announced in the year 2012.

> *Sipchem's interest in its human capital is evident in the fact that the company won the Best Saudi Work Environment Award.*

HUMAN RESOURCES

Sipchem pays a great deal of attention to the qualification and development of human resources to satisfy its needs of technical qualified workforce particularly local workforce market faces a real challenge in providing the required workforce in general and especially the well-trained category to cope with the latest business boom. The decrease of the number of workforce in the local sector is mainly attributed to the high demand of well-trained manpower that is attracted to other highly compensated works. Sipchem could successfully face the challenge through a package of attractive benefits for its staff and the recruitment of high caliber expats. It is worth mentioning that Sipchem and its affiliates were classified to be in the excellent category (Silver) according to the Ministry of Labor's Nitaqat program in regards with Saudization percentage.

Below is a table showing the number and percentage of employees in Sipchem and its affiliates as of the end of 2011 compared to 2010:

Employees	2010		2011	
	Number	%	Number	%
Saudi	500	70%	615	75%
Non-Saudi	229	30%	203	25%
Total	729		818	

As Sipchem continues to apply its Saudization programs to qualify the Saudi young men to be well-trained to operate and manage the different plants of the company and take part in technology transfer, the company adopted the training of 110 Saudi young men through comprehensive 24-month training program which includes English language training and the basics of petrochemicals plants operation in addition to on-the-job training. Upon the successful completion of these programs, the trainers shall be able to deal with the latest technologies in the field of manufacturing petrochemical products; hence they will be immediately employed by Sipchem as plant operators with full package of benefits and compensation in Sipchem's affiliates with the priority given to the polymers project.

Sipchem's employees demonstrating sincere and hardworking calibers qualified Sipchem during the 2010 survey to win the first place as the Best Saudi Work Environment Company. Sipchem is aspiring to continue achieving excellence to provide the best work environment not only in the gulf region but in the Middle East. Sipchem believes that its assets of human resources play the main role in promoting its business and investments. The company has clear-cut strategy to attract, develop and motivate the human resources. Sipchem and its affiliates exert sincere efforts to enhance the skills and leading administrational and technical capabilities of all grade positions through the plans of internal and external training programs in addition to the on-the-job training which is regarded one of the top priorities of Sipchem and its affiliates. Sipchem pays great attention to the Saudization programs and this helped to maintain a high level of Saudization and retain highly qualified Saudis in most of the leading and managerial positions in particular.

In response to directions of the Custodian of The Two Holy Mosques, King Abdullah Bin Abdul-Aziz Al-Saud, to recognize the role of the citizens and expats in the national development and effective participation in building the nation, Sipchem, being fully aware of its social responsibility towards its staff and willing to cope with any step that may provide good living for them and their families, decided to grant its direct employees two months basic salaries during the year 2011.

Sipchem has organized a number of training courses during the year 2011 in cooperation with some outside training entities. The objective of these programs was to enhance and reinforce the capabilities of the administrative and technical employees. A total of 2,557 employees have been trained through 330 training programs on various administrative and technical areas. Also, Sipchem has organized its fourth service award for its employees who completed five and ten years of continuous service in November 2011, whereby 152 employees were honored.

EMPLOYEE INCENTIVE PROGRAMS

1- Home Ownership Program:

The company is currently implementing a Home Ownership Program for the company employees. The program is aimed at granting the chance to the company's Saudi employees who meet the program conditions to own housing units within the approved policies to assure comfort and stability for its employees and motivate them to continue their services with the company. The company is currently proceeding with the program as per the set schedule.

In October 2011, Sipchem signed a contract with Saudi STX Construction Co. Ltd. to build 354 housing units for its employees in the district of Jalmoudah, Jubail Industrial City. The project site features a community center and a mosque and will be built on a total area of 285,440 square meters. Implementation of this project is envisaged to be completed within 35 months. This step is considered as a clear proof of its commitment to achieve its vision and realize its mission and values towards its employees in continuation of the benefits offered by the company to provide the proper environment for its employees in its endeavor to sustain their job stability and professional careers.

Sipchem has already completed the infrastructure works for the initial phase and started the second phase, which included the setting up of installations like cable and ducting works, roads, lighting and landscaping.

The home ownership scheme will cover all Saudi employees of Sipchem who are on the job at the time of completion of the project. The Department of Projects in Sipchem is currently coordinating with the respective departments of the Royal Commission for Jubail with regard to the connection and supply of public utilities such as electric power, drinking and irrigation water as well as connection to the public sewage network of the city.

2- Sipchem Employee "Shares" Incentive Program:

Sipchem is implementing an employee incentive program which aims at encouraging the company and affiliates' employees to maintain and improve their work performance and put up their utmost efforts to serve the company's interests and achieve its established objectives. The program serves as an attraction for highly qualified persons in the field of petrochemicals to join the company. The program is currently managed by Al-Bilad Securities and Investment Co. through special portfolio opened for the program in 2010. A total of 53,411 shares have been transferred from the program portfolio to the eligible employees who completed the 36-month program subscription period during the year 2011. Total number of the program shares reached 1,826,354 as of 31 December 2011.

3- Savings Plan:

Sipchem initiated an Islamic Shariah-compliant savings plan to motivate its employees and enhance their loyalty to the company hence improving the work performance, serve as an attraction for the well-qualified Saudi employees and motivate them to continue their services. The program helps the Saudi employee to accumulate his savings to be utilized upon retirement or end of service. The company cuts a part of the subscribed employee's salary and may invest his savings according to his desire and it shall have right to manage this investment in the way which it believes to be at the good for the program subscriber in accordance with the best available Islamic Shariah-compliant investment portfolios. Also, the company shall have the right to invest the subscribers' savings in investment activities in cooperation with specialized companies and banks in accordance with the criteria of Islamic investment in a manner that can attain benefits for the subscribers provided that such investments to be in low risk Islamic portfolios. The savings plan was initiated in January 2011. The company had the interest to make it in compliance with Islamic Shariah so that it can attract the biggest numbers of employees to subscribe in the plan. Al-Jazeera Bank is in charge of managing the savings plan which was reviewed and approved by the bank's Shariah committee.

EMPLOYEES' BENEFITS ALLOCATIONS

The following table shows the allocations and compensations of Sipchem's employees for the year 2011 compared to 2010: (Saudi Riyals)

Item	2010	2011
End of Services Benefits (ESB)	52,611,444	65,927,288
Saving Program	N/A	337,265

SIPCHEM'S TRADEMARK REGISTRATION PROGRAM

During the last few years Sipchem initiated a program for its trademark registration in some countries so as to protect it locally and internationally. Trademark registration secures legal protection against violation; this procedure guarantees that only Sipchem can claim the procession or the right to use it. This constitutes significant importance particularly that Sipchem markets its products in many foreign countries under its trademark. Sipchem's trademark was already registered in more than 40 countries worldwide and the company is still working out to complete its trademark registration in the remaining countries.

RESPONSIBLE CARE

Sipchem's strategy and efforts to continually enhance its performance in the fields of Health, Safety, Environment and Security were crowned by a major milestone; Sipchem became the first petrochemical manufacturing company in Saudi Arabia to achieve Responsible Care certification on December 16, 2011 after a successful external audit by Det NorskeVeritas Co. (DNV), an international licenser for such certification.

Responsible Care certification is a key milestone in Sipchem's journey to fully implement Responsible Care initiative and demonstrates significant progress toward sustainability. The Responsible Care program is viewed as a key strategic initiative aimed at supporting company purpose and values that will have a positive reflection on the stakeholders, employees, clients, business partners and the community.

Sipchem has paid great attention to the application of the Responsible Care program as it added new activities to health, safety and environment schemes, namely production and security. Production includes many activities; most important are transportation and storage. As for the security, it aims to protect individuals, properties, operations and data through achieving the continuous improvement of the security performance in order to determine and evaluate the points of weakness, decrease accidents' rate, intensify training and raise the capacity of responding to emergencies.

Moreover, Sipchem is always keen to enhance its management systems through the application of the best practices. It also adopts new initiatives that may attain good benefits for the environment and society alike. Responsible Care program serves as a significant element in the process of performance development through the determination and application of the best effective management practices. In addition, it motivates the mutual support between companies and institutions through expertise exchange.

This achievement came as a result of Sipchem's timely completion of all self-evaluation activities as part of the Responsible Care initiative and abiding to its commitments in a serious manner. Early last year Sipchem declared its full commitment to the Responsible Care initiative by signing the directive guidelines of Gulf Petrochemicals & Chemicals Association (GPCA)'s Responsible Care initiative. It is worth mentioning that Sipchem's employees participation and support played a major role in the success of the Responsible Care initiative.

الرعاية المسئولة
إلـتـزامنا نحو الإستدامة
RESPONSIBLE CARE®
OUR COMMITMENT TO SUSTAINABILITY

Sipchem is the first petrochemical manufacturer in Saudi Arabia to achieve Responsible Care certification

DNV

DNV BUSINESS ASSURANCE

MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 108209-2011-AE-ARE-ANAB

This is to certify that

Saudi International Petrochemical Company
"Sipchem"

at

P.O. Box 12021, Jubail Industrial City, 31961, Saudi Arabia
See Appendix for Additional Locations

has been found to conform to the Management System Standard:

American Chemistry Council Technical Specification
Responsible Care® 14001:2008 and ISO 14001:2004

This Certificate is valid for the following product or service ranges:

Production of Methanol, Butanediol, Tetrahydrofuran and Maleic Anhydride, Acetic Acid and Acetic Anhydride, Vinyl Acetate Monomer, Carbon Monoxide and Hydrogen, Provision of Utilities, Shared Services, Marketing and Projects Managment

Initial Certification date:
December 16, 2011

This Certificate is valid until:
December 16, 2014

The audit has been performed under the supervision of
Joseph Karabots
Lead Auditor

ANAB

Place and date:
Houston, Texas, December 16, 2011

for the Accredited Unit:
DET NORSKE VERITAS
CERTIFICATION INC., HOUSTON TEXAS

Chandran Ilango
Management Representative

Lack of fulfillment of conditions as set out in the Certification Agreement may render this Certificate invalid.

HEAD-OFFICE: Det Norske Veritas Certification, Inc. 1400 Ravello Drive, Katy, Texas 77449. TEL: (281) 396-1000. FAX: (281) 396-1903

Responsible Care Certificate

CORPORATE SOCIAL RESPONSIBILITY (CSR)

At Sipchem, we believe that caring for the under-privileged and not-so-fortunate individuals is a responsibility and not an obligation. In its quest to create a positive impact on our neighborhood, Sipchem has undertaken the responsibility of reaching out to sections of society that look up to us for inspiration, assistance and most importantly, hope.

Sipchem has taken its social responsibilities so seriously that it has allotted 1% of its total annual net profit to the noble cause of community outreach activities. A total amount of SR 3.5 million has been spent on community services activities during the year 2011. These contributions and participations are supervised by "Sipchem Community Services Committee" composed of representatives from various departments.

Sipchem has participated successfully, since its inception, in a lot of the charitable and community outreach activities in the Eastern Province in general and Jubail in particular. Also, Sipchem believes strongly in youth effective role in serving our beloved country and the importance of enhancing the science and knowledge base, so it sponsored the Career Day and its associated exhibition in various universities and colleges.

Sipchem also sponsored the monthly Youth Tawasul Forum held in Jubail Industrial City during the year 2011. The activities of the forum focus on the social issues presenting them for mutual dialogue between citizens and the governorate's officials to consider finding out the appropriate solutions, create a friendly link among society issues supporters and participate in enhancing belief and thought. The company has a plan to continue supporting the monthly Youth Tawasul Forum in 2012.

Sipchem sponsored the financing of the feasibility study for the construction of multi-purpose center for women in Jubail with a cost of SR 250,000. This project aims at helping the needy families through the training of the women who sponsor their families on a number of crafts and jobs that help them to utilize their time favorably in a manner that enables them to sustain their families and satisfy their needs.

In the beginning of June 2011, Sipchem organized the Distinguished Students Recognition ceremony, for the fourth consecutive year, on the occasion of the school year end. In continuation of spreading the spirit of brotherhood in the society, Sipchem and its personnel funded all the costs of the two Ramadan Breakfast parties held in Al-Khobar and Jubail attended by more than 8000 fasting persons.

Sipchem sponsored the Eastern Province celebrations of Eid Al-Fitr which were organized under the auspices of HRH Prince Mohammed bin Fahad bin Abdul-Aziz, Governor of the Eastern province. HRH Governor of the Eastern Province recognized Sipchem for its sponsorship of the event. Also, Sipchem sponsored the two Flowers Festivals of Qatif and Jubail cities which extended to the third day of Eid Al-Fitr. The festivals included folklore shows, fire games, competitions and other attractive activities.

Sipchem's "Friends of Patients Committee" organized visits to the patients in various hospitals on the occasions of Eid Al-Fitr and Eid Al-Adha.

Sipchem, also, in cooperation with the Directorate General of Health Affairs in the Eastern Province organized a three-day blood donation campaign. A total of 200 of Sipchem's personnel participated in this campaign at Sipchem premises in the Industrial City of Jubail.

RISK OF PRICES FLUCTUATION

Risk of chemical, petrochemical products and shipping prices fluctuations.

RISKS OF FINANCING

Including the availability of financing, the fluctuations of currency prices and the financial situation of the affiliated companies which are mostly dependent on financing.

PLANTS OPERATION RISKS

Including the general operation risks.

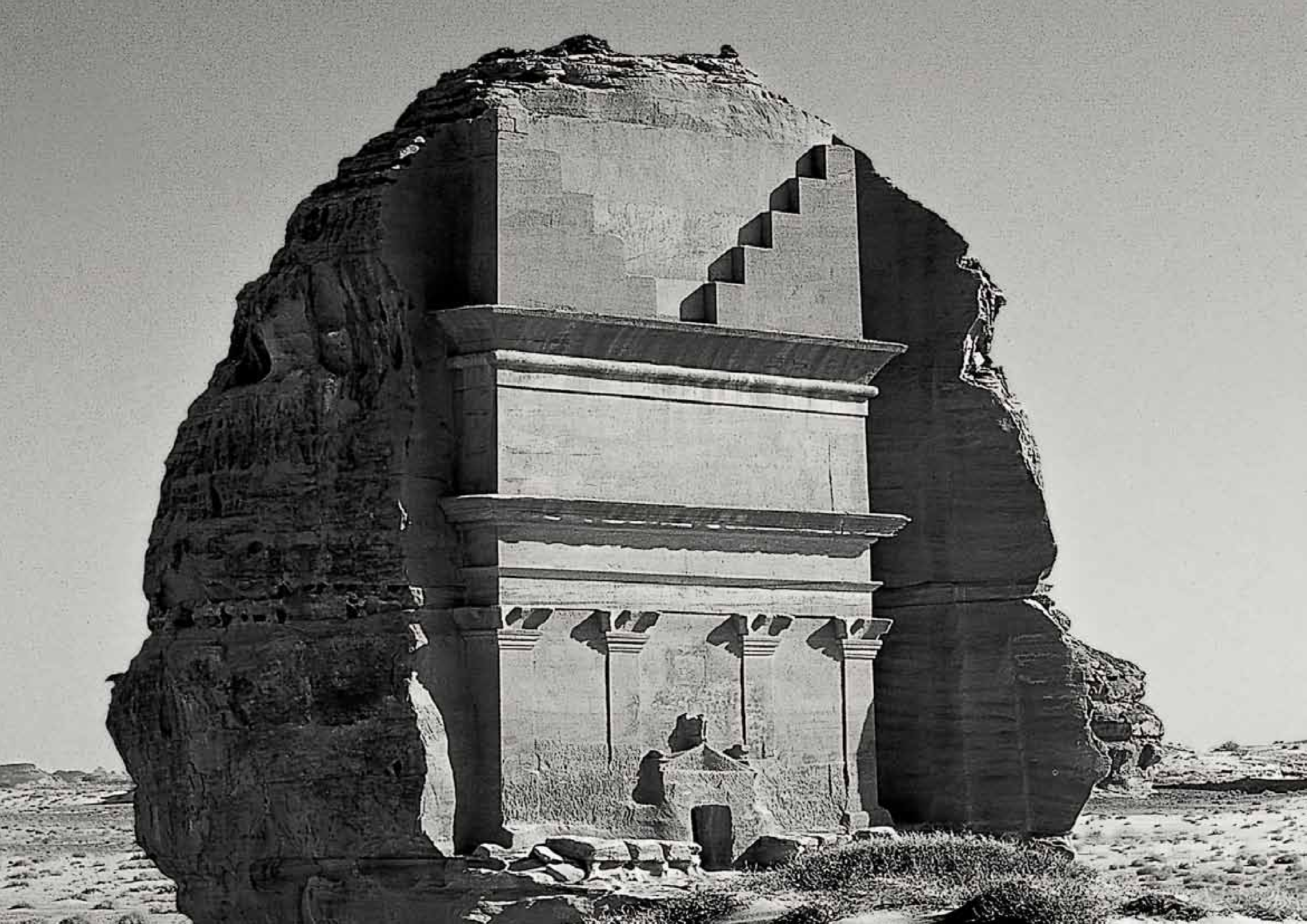
Risks of the non-availability of the basic supply items (feedstock) and prices fluctuations.

ENVIRONMENTAL RISKS

The possibility of imposing more aggressive environmental regulations or any other general regulations.

MARKET RELATED RISKS

Competition and prices risks related to products produced by Sipchem affiliated companies.



BEAUTIFUL SAUDI

Mada'in Saleh

Also called Al-Hijr or Hegra, Mada'in Saleh is a pre-Islamic archaeological site within the Al Madinah region of Saudi Arabia. This site which dates back to the Nabatean kingdom (1st Century AD) is marked by sandstone outcrops of various sizes and this is one of the surviving 131 rock-cut monumental tombs with its elaborately ornamented façade.

Sipchem could achieve a remarkable milestone in 2011 in connection with its financial results as its profits amounted to SR 706 million, the highest since inception, with 87% increase compared with 2010. This achievement is mainly attributed to the improvement of its plants' operational performance which resulted in increase of production and sales in addition to the products prices' improvement, and so the profit margins.

Below are the financial indicators of the year 2011 compared with previous year:

1- The total profit for the year 2011 was SR 1,427 million compared with SR 861 million for the previous year with 66% increase.

2- The operational profit for the year 2011 was SR 1,302 million compared with SR 746 million for the year 2010 with 70% increase.

3- The net profit for the year 2011 was SR 706 million compared with SR 378 million for the previous year with 87% increase.

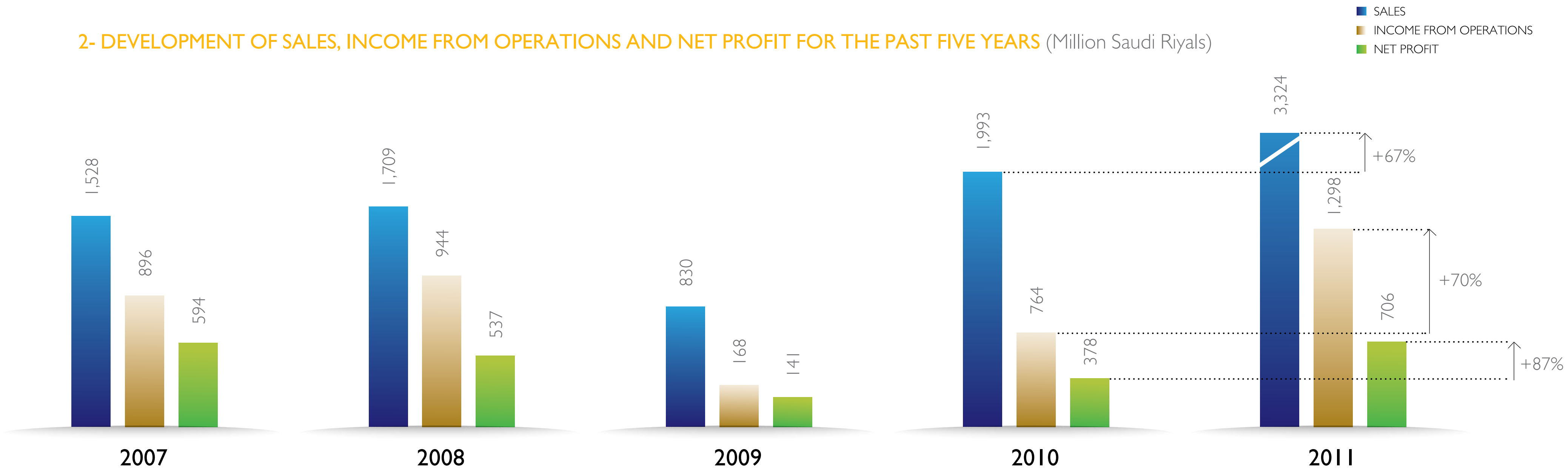
4- The Earnings Per Share (EPS) was SR 1.93 compared with SR 1.03 for the previous year.

5- The total assets for the year 2011 were SR 14.7 billion compared with SR 12 billion for the previous year with 23% increase.

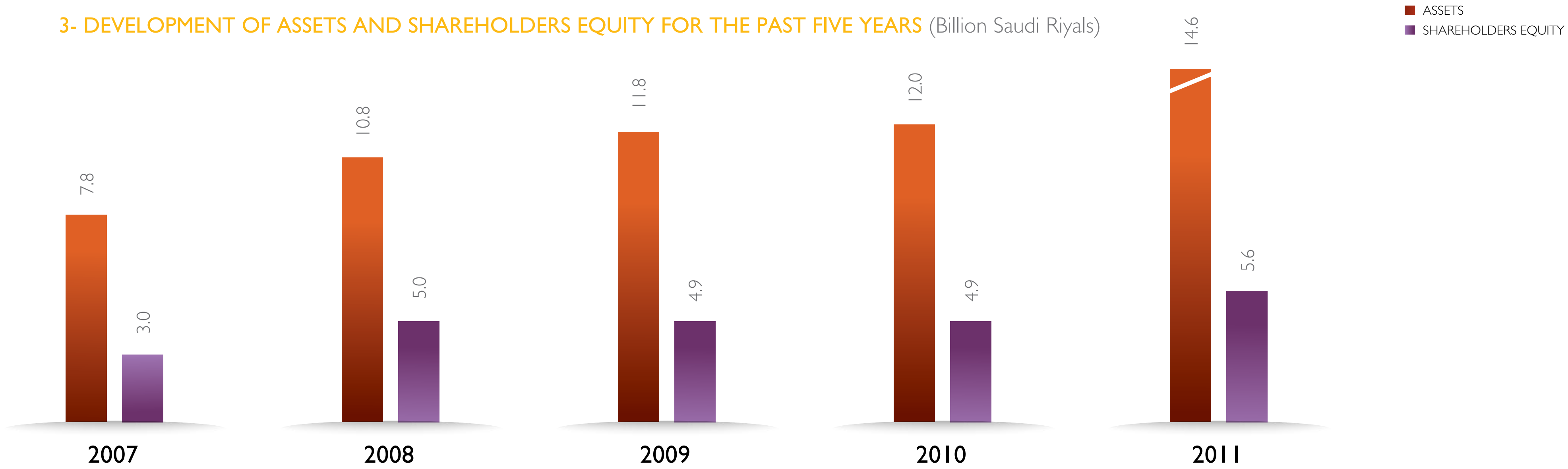
1- SUMMARY OF THE BUSINESS RESULTS FOR THE PREVIOUS FIVE YEARS (Saudi Riyals)

Details	2007	2008	2009	2010	2011
Total current assets	1,994,751,478	2,841,623,155	2,217,676,762	2,425,569,371	4,598,871,154
Total non-current assets	5,755,301,075	7,991,765,122	9,600,526,773	9,600,976,473	10,065,716,017
Total assets	7,750,052,553	10,833,388,277	11,818,203,535	12,026,545,844	14,664,587,171
Total current liabilities	2,163,553,911	1,009,403,414	903,102,522	856,510,238	1,317,290,422
Total non-current liabilities	1,694,328,522	3,965,717,244	5,083,145,195	5,156,140,356	6,325,769,297
Total shareholders' equity and minority interest	3,892,170,120	5,858,267,619	5,831,955,818	6,013,895,250	7,021,527,452
Total liabilities, shareholders' equity and minority interest	7,750,052,553	10,833,388,277	11,818,203,535	12,026,545,844	14,664,587,171
Net profits	593,972,141	536,782,148	140,879,515	378,079,252	705,897,758
Earnings Per Share (EPS)	1.62	1.46	0.38	1.03	1.93
Weighted average number of outstanding shares	366,666,666	366,666,666	366,666,666	366,666,666	366,666,666

2- DEVELOPMENT OF SALES, INCOME FROM OPERATIONS AND NET PROFIT FOR THE PAST FIVE YEARS (Million Saudi Riyals)



3- DEVELOPMENT OF ASSETS AND SHAREHOLDERS EQUITY FOR THE PAST FIVE YEARS (Billion Saudi Riyals)



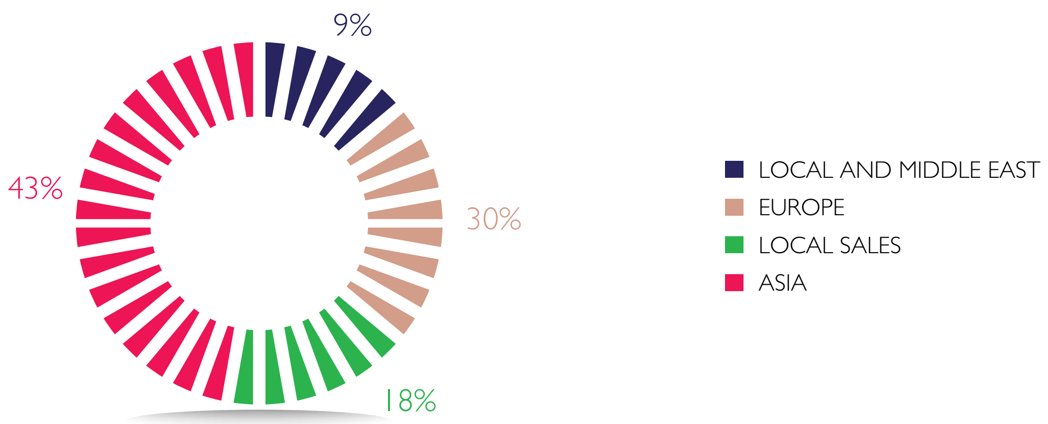
4- SIGNIFICANT DIFFERENCES IN OPERATIONAL RESULTS FROM PREVIOUS YEAR

Details	2011	2010	Changes+/-	Change %
Total profit	1,426,766,539	861,353,068	565,413,471	66%
Operational profit	1,301,975,824	764,150,970	537,824,854	70%
Net profit	705,897,758	378,079,252	327,818,506	87%

The main reason for the increase in the financial results for the year 2011 compared with the year 2010 was mainly due to the improvement in the operational performance of the plants which resulted in the increase in production and sales quantities, and so the profit margins.

5- THE GEOGRAPHICAL ANALYSIS OF COMPANY'S SALES

The marketing and sales of company products take place in the local markets, the Middle East and the International Markets. The below graph shows the geographical distribution of the company sales:



6- TOTAL DEBTS FOR SIPCHEM AND ITS AFFILIATES

a- Debt Instruments issued by Sipchem as of December 31, 2011 (Saudi Riyals)

	Instrument debt	Issue date	Amount	Maturity date
Saudi International Petrochemical Company (Sipchem)	Islamic Sukuk	29/06/2011	1,800,000,000	06/07/2016

b- Long-term loans as of December 31, 2011 (Saudi Riyals)

Company	Lending entity	Total long-term loans as of Dec 31, 2011	Total long-term loans as of Dec 31, 2010	Total repayments during 2011
International Diol Co.	Commercial banks, SIDF, PIF	545,727,648	790,964,248	245,236,600
International Acetyl Co.	Commercial banks	1,728,061,430	1,901,891,851	173,830,421
International Vinyl Acetate Co.	Commercial banks	1,152,743,521	1,260,911,901	108,168,380
International Gases Co.	Commercial banks	560,195,300	612,097,403	51,902,103

c- Long-term loans from partners as of December 31, 2011 (Saudi Riyals)

Company	Lending entity	Total long-term loans as of Dec 31, 2011	Total long-term loans as of Dec 31, 2010	Total repayments during 2011
International Diol Co.	Partners	42,063,750	42,063,750	N/A
International Acetyl Co.	Partners	110,598,287	110,598,287	N/A
International Vinyl Acetate Co.	Partners	99,601,634	99,601,634	N/A
International Gases Co.	Partners	103,332,726	103,332,726	N/A
International Polymers Co.	Partners	39,661,563	0	N/A

d- Short-term loans as of December 31, 2011 (Saudi Riyals)

Company	Lending entity	Total long-term loans as of Dec 31, 2011	Total long-term loans as of Dec 31, 2010	Total repayments during 2011
International Gases Co.	Partners	3,275,921	3,275,921	N/A
International Polymers Co.	Partners	51,704,297	0	N/A

e- Commitments based on Capital Lease Agreements as of December 31, 2011 (Saudi Riyals)

Company	Lending Entity	Total long-term loans as of Dec 31, 2011	Total long-term loans as of Dec 31, 2010	Total repayments during 2011
International Methanol Co.	Commercial Banks	358,540,541	401,351,351	42,810,810

7- GOVERNMENTAL DUE PAYMENTS (Saudi Riyals)

Entity	Government payment up to 31/12/2011
Zakat & income department	82,720,092
General Organization for Social Insurance (GOSI)	17,386,452

THE INTERNAL AUDIT

The company Internal Audit Committee periodically and regularly reviews the internal audit system for the different departments of the company. This audit is based on annual plans approved by the audit committee so as to make sure of the effectiveness this system and its capability of protecting company assets and ensure the competence and integrity of procedures, financial and non-financial operations and commitment of company employees with the regulations issued by the different government agencies and related regularity bodies in addition to the commitment to the company's approved internal policies and systems. The audit committee continuously supervises the works of the Internal Audit Committee and regularly reviews its reports. The scope of the internal audit department includes the following:

1- Prepare the annual strategic plan for the work of internal audit committee.

2- Auditing and periodic examinations on all administrative and operational departments and notifying their officials of the results.

3- Evaluating the procedures and the solutions provided by the departments to ensure suitability and effectiveness of the proposed procedures.

4- Submit reports on the auditing results and recommendations in addition to the later follow up of these results to ensure their application by the concerned departments.

In addition to the above, the company's external auditor, as part of his responsibility in auditing the company's annual statement, takes an overall review of the company's internal audit system and its electronic and computer systems to ensure the availability of suitable separation between functions, control systems and strict control on company operations.

The Internal Audit Committee has not discovered any violation or any integral weakness in the company's internal audit system or different operations in the year 2011.

THE BOARD OF DIRECTORS

1- THE COMPOSITION OF THE BOARD OF DIRECTORS

Sipchem has the privilege of having a highly experienced Board of Directors with full relevant knowledge to explore the appropriate opportunities that help developing the company's core business activities. The Board is composed of eleven members elected by the General Assembly Meeting and its current term lasts untill 09/12/2013.

The members are classified according to the definition as contained in article two of the companies governance code issued by the Capital Market Authority in the Kingdom of Saudi Arabia as follows:

No.	Name	Responsibilities	Membership type
1	H.E. Eng. Abdulaziz A. Al-Zamil	Board Chairman	Non-executive
2	Dr. Abdulaziz A. Al-Gwaiz	Member	Non-executive
3	Mr. Fahd S. Al-Rajhi	Member	Non-executive
4	Dr. Sami M. Zaidan	Member	Non-executive
5	Mr. Abdulaziz A. Al-Khamis	Member	Non-executive
6	Eng. Reyadh S. Ahmed	Member	Non-executive
7	Dr. Saleh H. Al-Humaidan	Member	Independent
8	Dr. Abdurrahman A. Al-Zamil	Member	Independent
9	Mr. Abdurrahman A. Al-Turki	Member	Independent
10	Eng. Mohammed A. Al-Ghurair	Member	Independent
11	Eng. Ahmad A. Al-Ohali	CEO	Executive

2- PARTICIPATION OF THE BOARD MEMBERS IN THE OTHER JOINT STOCK COMPANIES

The below schedule shows the board members who are board members of other joint stock companies:

No.	Name	Membership in other joint stock companies
1	H.E. Eng. Abdulaziz A. Al-Zamil	Sahara Petrochemical Company (Public Joint Stock - KSA) Alinma Bank (Public Joint Stock - KSA) Al-Zamil Group Holding Company (Closed Joint Stock - KSA)
2	Dr. Abdulaziz A. Al-Gwaiz	Al-Khaleeg Training & Education Co. (Public Joint Stock - KSA)
3	Mr. Abdurrahman A. Al-Turki	Al-Saqr Cooperative Insurance Co. (Public Joint Stock - KSA) Investcorp Co. (Public Joint Stock - Bahrain) Golden Pyramids Plaza Co. (Public Joint Stock - Egypt)
4	Dr. Abdurrahman A. Al-Zamil	Sahara Petrochemical Company (Public Joint Stock - KSA) Al-Zamil Industrial Investment Company (Public Joint Stock - KSA) Al-Zamil Group Holding Company (Closed Joint Stock - KSA) Taqa National Company (Closed Joint Stock - KSA)
5	Mr. Abdulaziz A. Al-Khamis	Saudi Investment Bank (Public Joint Stock - KSA) National Petrochemical Company (Closed Joint Stock - KSA)
6	Eng. Reyadh S. Ahmed	Privatization Holding Company (Closed Joint Stock - Kuwait) Gas and Oil Fileds Company (Closed Joint Stock - Kuwait) Ikarus Petroleum Industries Company (Closed Joint Stock - Kuwait) Middle East Complex for Industrial, Engineering, Electronic and Heavy Industries (Closed Joint Stock - Jordon)
7	Eng. Mohammed A. Al-Ghurair	National Cement Company (Public Joint Stock - UAE) Al-Mashreq Bank (Public Joint Stock - UAE)
8	Dr. Saleh H. Al-Humaidan	N/A
9	Mr. Fahd S. Al-Rajhi	N/A
10	Dr. Sami M. Zaidan	N/A
11	Eng. Ahmad A. Al-Ohali	N/A

3- BOARD MEETING ATTENDANCE REGISTERS

Sipchem board held four meetings during the year 2011. It is worth noting that the members who did not attend any board meetings have authorized other board members to represent them. The below schedule shows the attendance register for every board member:

Board meetings in 2011

No.	Name	First 15/3	Second 7/6	Third 27/9	Fourth 20/12	**Total attendance**
1	H.E. Eng. Abdulaziz A. Al-Zamil	✓	✓	✓	✓	4
2	Dr. Abdulaziz A. Al-Gwaiz	✓	✓	✓	✓	4
3	Eng. Mohammed A. Al-Ghurair	✓	✓	✓	✓	4
4	Eng. Reyadh S. Ahmed	✓	✓	✓	✓	4
5	Dr. Saleh H. Al-Humaidan	✓	✓	✓	✓	4
6	Eng. Ahmad A. Al-Ohali	✓	✓	✓	✓	4
7	Mr. Fahd S. Al-Rajhi	✓	✓	✓	✓	4
8	Dr. Sami M. Zaidan	✓	✓	✓	✓	4
9	Mr. Abdulaziz A. Al-Khamis	✓	✓	✓	✓	4
10	Dr. Abdurrahman A. Al-Zamil	✓	✓	✓	×	3
11	Mr. Abdurrahman A. Al-Turki	×	✓	✓	✓	3

4- DESCRIPTION OF ANY BENEFITS FOR BOARD MEMBERS, THEIR WIVES AND CHILDREN BELOW EIGHTEEN YEARS IN SHARES OR DEBT INSTRUMENTS IN SIPCHEM

Name	Shares on 01 Jan 2011		Shares on 31 Dec 2011		Net change	Change %	First class relative ownership and changes
	No.	%	No.	%			
H.E. Eng. Abdulaziz A. Al-Zamil	0	0%	0	0%	0	0%	N/A
Mr. Abdurrahman A. Al-Turki	7,550,000	2.265%	8,305,000	2.265%	755,000	10%	N/A
Mr. Fahd S. Al-Rajhi	5,340,000	1.602%	6,111,342	1.667%	771,342	14.4%	N/A
Eng. Mohammed A. Al-Ghurair	2,788,000	0.836%	3,066,800	0.836%	278,800	10%	N/A
Dr. Abdulaziz A. Al-Gwaiz	30,000	0.009%	30,000	0.008%	0	0%	N/A
Dr. Abdurrahman A. Al-Zamil	1,140,000	0.342%	1,000,000	0.273%	-140,000	-12.3%	N/A
Dr. Saleh H. Al-Humaidan	3,000	0.001%	40,000	0.011%	37,000	1233%	N/A
Eng. Ahmad A .Al-Ohali	202,521	0.061%	278,000	0.076%	75,479	37.3%	N/A
Eng. Reyadh S. Ahmed	0	0%	0	0%	0	0%	N/A
Mr. Abdulaziz A. Al-Khamis	0	0%	0	0%	0	0%	N/A
Dr. Sami M. Zaidan	0	0%	0	0%	0	0%	N/A

5- DESCRIPTION OF ANY BENEFITS TO SENIOR EXECUTIVE MANAGEMENT AND CHILDREN BELOW 18 YEARS IN SHARES OR DEBT INSTRUMENTS IN SIPCHEM

Name	Shares on 01 Jan 2011		Shares on 31 Dec 2011		Net Change	Change %	First class relative ownership and changes
	No.	%	No.	%			
Eng. Abdul Rahman A. Al-Saif	0	0%	0	0%	0	0%	N/A
Eng. Abdullah S. Al-Saadoon	0	0%	0	0%	0	0%	His wife owns 3,000 shares
Mr. Kevin J. Hayes	0	0%	0	0%	0	0%	N/A
Mr. Khaled S. Al-Dossary	0	0%	0	0%	0	0%	N/A
Mr. Rashid M. Al-Dossari	46	0%	50	0%	4	10%	N/A
Mr. Ali H. Al-Irq	9	0%	9	0%	0	0%	His wife owns 2 shares with no change in the year
Mr. Hussain S. Al Saif	0	0%	0	0%	0	0%	N/A

6- DESCRIPTION OF ANY BENEFIT RELATED TO SHARES OWNERSHIP PERCENTAGE OF MAJOR SHAREHOLDERS

Below is a list of major shareholders (who own 5% and above) and number of their shares during the year 2011 as follows:

Name	Shares on 01 Jan 2011		Shares on 31 Dec 2011		Net Changes	Change %
	No.	%	No.	%		
Zamil Group Holding Company (KSA)	32,317,614	9.70%	35,549,375	9.70%	3,231,761	10%
Ikarus Petrochemical Holding Company (Kuwait)	27,746,282	8.32%	30,520,910	8.32%	2,774,628	10%
Public Pension Agency	25,823,195	7.75%	28,405,514	7.75%	2,582,319	10%
Olayan Financing Company Limited	18,750,000	5.63%	19,250,000	5.25%	500,000	2.7%

7- DESCRIPTION OF ANY BENEFIT RELATED TO SHARES OWNERSHIP PERCENTAGE OF OTHER SHAREHOLDERS WHO NOTIFIED THE COMPANY OF THESE RIGHTS

No shareholder notified the company of any benefit related to shares rights to vote except (board members, senior executives, their wives and children under eighteen) during the year 2011.

8- REWARDS AND COMPENSATIONS FOR THE BOARD MEMBERS AND SENIOR EXECUTIVES (Saudi Riyals)

The below table shows the rewards and compensations paid to the board members and senior executives who have received the highest rewards and compensations from the company including the CEO and the General Manager of Finance during the year 2011:

Detail	Executive board members	Non - executive board members/ independent	Five of the senior executives who received the highest rewards and compensations
Salaries and compensations	-	-	8,544,802
Allowances	15,000	156,165	-
Periodic and annual rewards	200,000	2,000,000	2,339,779
Incentive plans	-	-	-
Any other compensations and any other benefits of kind paid monthly or annually	-	-	-

BOARD COMMITTEES

1- THE AUDIT COMMITTEE

The Audit Committee is composed of three members. One of the members is a board member while the other two members who are experienced and specialized in the financial affairs are nominated from outside the Board of Directors.

The Audit Committee supervises the management of the Internal Audit Department and recommends to the Board of the Directors the assignment of the charted accountants and determines their responsibilities, propose their annual fees and follow up the audit plan. The committee also regularly reviews the financial systems and the risks in the company, compliance with legal requirements, statutory, accounting rules on the basis of the regulations of the Capital Market Authority and its executive regulations. The responsibilities of the committee include the review of the preliminary and annual financial statements of the company before submission to the Board of Directors and study the accounting policies and make recommendations thereof to the board. The committee has held two meetings during the year 2011.

The table below shows the names of Audit Committee members:

Name	Identity
Mr. Fahd S. Al-Rajhi	Committee chairman - Board member
Mr. Adib A. Al-Zamil	Committee member - Al-Zamil Holding Co.
Mr. Saud S. Al-Juhani	Committee member - Public Pension Agency

2- THE NOMINATIONS AND REMUNERATION COMMITTEE

The committee is composed of five board members of the company. The committee recommends the nomination for board membership according to the approved standards and the annual review of the capabilities required for board membership and the review of its organization chart and submits recommendations regarding the changes to be effected. The committee also deals with the determination of the strengths and weaknesses of the board and how to deal with that in the way that serves the interests of the company. The committee also lays the company policies for the compensations and remunerations of the board members and the senior executives. The committee held one meeting during the year 2011.

The table below shows the names of the Nominations and Remunerations Committee members:

Name	Identity
H.E. Eng. Abdulaziz A. Al-Zamil	Committee chairman
Dr. Abdulaziz A. Al-Gwaiz	Committee member
Dr. Saleh H. Al-Humaidan	Committee member
Mr. Fahd S. Al-Rajhi	Committee member
Dr. Sami M. Zaidan	Committee member

3- THE EXECUTIVE COMMITTEE

The executive committee is composed of six members and all of them are board members. The Committee submits recommendations to the Board of Directors on various subjects such as the management and direction of the activities and business affairs of the company, recommendations regarding the new projects and the company investments. Also, the committee is in charge of adopting the strategic resolutions related to the operation priorities of the company. The committee held one meeting during the year 2011.

The below table shows the names of the executive committee members:

Name	Identity
Eng. Abdulaziz A. Al-Zamil	Committee chairman
Dr. Abdulaziz A. Al-Gwaiz	Committee member
Mr. Fahd S. Al-Rajhi	Committee member
Eng. Ahmad A. Al-Ohali	Committee member
Eng. Mohammed A. Al-Ghurair	Committee member
Eng. Reyadh S. Ahmed	Committee member

The Board of Directors confirms the following:

1- That the accounts register has been prepared in the correct format.

2- That the internal control system has been prepared on sound basis and is being implemented effectively.

3- That there are no doubts about the company's ability to go ahead with the performance of its activities.

4- That the consolidated financial statements have been prepared according to the standards and the accounting systems issued by the Saudi Committee for Saudi Chartered Accountants and according to the related requirements of the companies regulations and statute of the company with regard to the preparation and publication of financial details.

5- That the company has not issued any bonds and consequently has not recovered or purchased or cancelled any recoverable debt instruments except what is mentioned in item 6-a titled 'Debt Instrument Issued by the Company'.

6- That the company does not have any transfer rights or any subscriptions based on debt transferable instruments to shares or selection rights or subscription rights memoranda or similar rights issued or given by the company during the year 2011.

7- That there is no contract to which the company is a party and that there is or has been any substantial benefit in it to any board member or the chief executive officer or the general manager of finance or to any person related to any one of them.

8- That there are no arrangements or agreements through which any of the board members or any of the senior executive waives any salary or any compensation.

9- That there are no arrangements or agreements through which any of the company's shareholders waives any profit rights.

PENALTIES

There are no penalties or disciplinary actions imposed on the company by the Capital Market Authority (CMA) or any other supervisory, regulatory or jurisdictional entity.

SHAREHOLDERS GENERAL ASSEMBLIES

Sipchem held its 8th Extra-ordinary General Assembly meeting during the year 2011. The company had advertised the date of the meeting in the Capital Market Authority (CMA) website, company website, the official newspaper and the local newspapers at least twenty five days prior to the scheduled day of the meeting. The advertisements showed the time, location and the agenda for the meeting.

The company also gave the shareholders the chance to effectively participate and vote on the issues included in the agenda and informed them of the regulations that govern the meeting, the voting procedures through calling the General Assembly, the distribution of well-prepared files containing enough information that enables the shareholders to take up their decisions. The company also notified the CMA about the results of the meeting immediately after its conclusion. The shareholders were also enabled to view the minutes of the meetings at the company offices or through the company website.

No.	Assembly meeting date	Attendance %	Resolution adopted
1	15/03/2011 Extra-ordinary General Assembly	62%	1. Approval of the Board's report for the year 2010. 2. Approval of the financial statements and profit/losses statements for the year 2010. 3. Discharging the board members from liability for the last year 2010. 4. Approval for the transfer of SR 275 million from the general reserves to the retained profit. 5. Approval of the appointment of Ernst & Young (E&Y) - as nominated by the Audit Committee - as an auditor for the company's accounts for the fiscal year 2011, the quarterly financial statement and determine their fees. 6. Approval of the increase of the company's capital by10% from (SR3,333,333,330) to (SR 3,666,666,660) by granting a free share for every ten shares owned by shareholder registered on the company shareholders' register on end of the day of the extraordinary meeting. 7. Amend Articles No. 7 and 8 of the company by-laws based on the capital increase.

DIVIDENDS DISTRIBUTION POLICY

The net annual profits of the company are distributed according to article (41) of the company by-laws after the deduction of all the general expenses and other costs as follows:

1- Put aside 10% of the net profits as a legal reserve. The normal General Assembly may stop setting aside of such amount once these reserves reach 50% of the capital.

2- The general assembly may, based on a proposal by the Board of Directors, set aside a certain percentage of the net profits, to establish an agreed reserve and allocate it for a special purpose or purposes.

3- From the remaining amount and after a first payment to the shareholder equivalent to 5% of the paid-up capital.

4- After the above, an amount not exceeding 10% of the remaining amount shall be assigned as a compensation to the board members taking into consideration the regulations and the instructions issued by the Ministry of Commerce in this regard. The remaining amount after that shall be distributed to the shareholders as an additional portion of the profit.

The board recommended in its meeting on 20 december 2011, distributing cash profits to company shareholders for the year 2011 which totaled SR 458,333,333 at the rate of SR 1.25 for each share which represents 12% of the company capital. This is distributed to company shareholders who are registered in the official register of the shareholders at the end of the general assembly meeting to be held on 20/03/2012.

COMPANY CAPITAL INCREASE

Sipchem's Shareholders approved through the Extra-ordinary General Assembly Meeting held on 15 March 2011, the increase of the company's capital by 10% from SR 3,333,333,330 to SR 3,666,666,660 by granting a free share for every ten shares owned by shareholder registered on the company shareholders' register on end of the day of the Extra-ordinary General Assembly Meeting. Accordingly the total issued shares will be increased from 333,333,333 shares to 366,666,666 shares with a company, capital percentage increase of 10%. The proposed capital increase was covered by transferring the amount of SR 333,333,330 from the retained profit item as of 30/09/2010. The capital increase was mainly attributed to the need to finance a part of Sipchem's future projects. Saudi Capital Market Authority (Tadawul) added the free shares to shareholders' portfolios on Wednesday 16 March 2011, on the basis of one free share for every ten shares owned by the shareholder at the end of tadawul of Tuesday 15 March 2011 (Extra-ordinary General Assembly Meeting date). Shares' fractions resulting from the process of distributing the free shares were sold and the selling proceeds were deposited immediately in the bank accounts associated with the investment portfolios of eligible shareholders by National Commercial Bank (NCB) on Saturday 16 April 2011.

ISSUE OF ISLAMIC SUKUK

Shareholders of Saudi International Petrochemical Company (Sipchem) during the Extra-ordinary General Assembly Meeting held on 27/11/2010 approved the issuance of Islamic Shariah compliant negotiable Sukuk. Sipchem successfully issued its first publicly listed Sukuk of SAR 1,800 million which was upsized from the initial base case of SR 1,500 million on 29 June 2011. Sipchem appointed Riyad Capital and Deutsche Securities as Joint Lead Managers for the offering issuance and receipt of subscriptions for the Shariah compliant Mudaraba Sukuk.

A large number of investors expressed interest in the Sipchem Sukuk with total orders received in the range of SR 4,500 million and that is considered as an evidence of the issuance success and the confidence of the investors in Sipchem's position. The Sukuk is a Floating Rate Note (FRN) for five years. The investors will receive an expected return of SIBOR plus 1.75% per annum to be distributed quarterly. The pricing was finalized at the low end of range of price guidance provided of SIBOR plus 1.75% again demonstrating the success of the transaction and the confidence of the investors in the strength of the Saudi economy and capital markets.

Through the issuance of Islamic Sukuk, Sipchem intends to finance the company's new capital expansion projects. Sipchem always strives to diversify its financial recourses and debt instruments through the investment in all possible alternatives for the benefit of the company and its shareholders and raise the Islamic financing participation in its projects and enhancing the developments of Saudi capital market and economy. It is worth mentioning that Sukuk investors enjoy some privileges; the diversity and variety of their savings in an Islamic investment, more stability in the value of their investments and gaining regular quarterly revenues.

COMMUNICATION WITH SHAREHOLDERS

Sipchem is fully committed to achieve the principle of 'justice' in regards to providing the appropriate information to enable its shareholders and investors to take their investment decisions depending on adequate right information. It has taken many measures to guarantee the shareholders rights to obtain information through the CMA 'Tadawul' website and the company site www.sipchem.com. Sipchem provides comprehensive information about company activities and business through the Annual Report, periodic financial statements and dividends distribution procedures. The company is also keen to communicate with its shareholders, answer all their queries and provide them the requested information in a timely manner.

CORPORATE GOVERNANCE

Sipchem has applied all the mandatory regulations as included in the Corporate Governance list issued by the Capital Market Authority (CMA), particularly the commitment to the best practices that protect the shareholders rights and reinforce the company's commitment to declaration and transparency standards including the establishment of a company data base through its electronic site that enables its eligible shareholders, who have not received their dividends for the previous years, to know the details of their dividends. For more information about the shareholders and their dividends details, please visit the following link: http://www.sipchem.com/ar/shares.asp

Sipchem has prepared its governance code according to the requirements of Article (10) paragraph (C) of the corporate governance regulation issued by the Capital Market Authority and in compliance with the listing and inclusion regulations and the company by-laws. For more information about the current company governance code, please visit the following link: http://www.sipchem.com/ar/Government.htm

The company has applied all articles of the corporate governance code issued by Capital Market Authority with the exception of the article below:

Article	Paragraph	Action	Reasons and details
(6) Voting Rights	(b)	Do the by-laws of the company indicate that the voting method in the item for the selection of the board member in the General Assembly shall be by the cumulative voting?	The by-laws of the company do not include the cumulative voting. The company is currently applying the normal voting system according to the Companies Regulations.
	(d)	Were all corporate bodies, which have the right to appoint representatives in the Board of Directors as per the company's by-laws, committed not to vote in the selection of other members in the Board of Directors?	N/A
(10) Main Responsibilities of the Board of Directors	(b) 1	To lay a written policy that can manage conflict of interest issues and deal with board members, management executives and shareholders potential interest of issues cases such as mismanagement of the company's assets and utilities and misbehavior resulting from dealings with concerned individuals.	The company is working out to prepare the conflict of interest policy.

BOARD OF DIRECTORS' RECOMMENDATIONS

Sipchem's Board of Directors submitted recommendations to the General Assembly scheduled to be held on 20 March 2012, for the following:

1- Approval of the Board's report for the year 2011.

2- Approval of the financial statements and profit/losses statements for the year 2011.

3- Approval of the company's accounts external auditor's report for the year 2011.

4- Discharging the board members from liability for the last year 2011.

5- Approval of Board of Directors' recommendation for the distribution of dividend to shareholders for the fiscal year 2011. The proposed dividend distribution amounts to SR 458,333,333 and will be distributed at the rate of SR 1.25 per share representing 12.5% of company capital. Shareholders entitled to this distribution are those duly listed in Sipchem's register of shareholders as at the close of dealing on the day of holding the General Assembly Meeting scheduled to be held in March 2012.

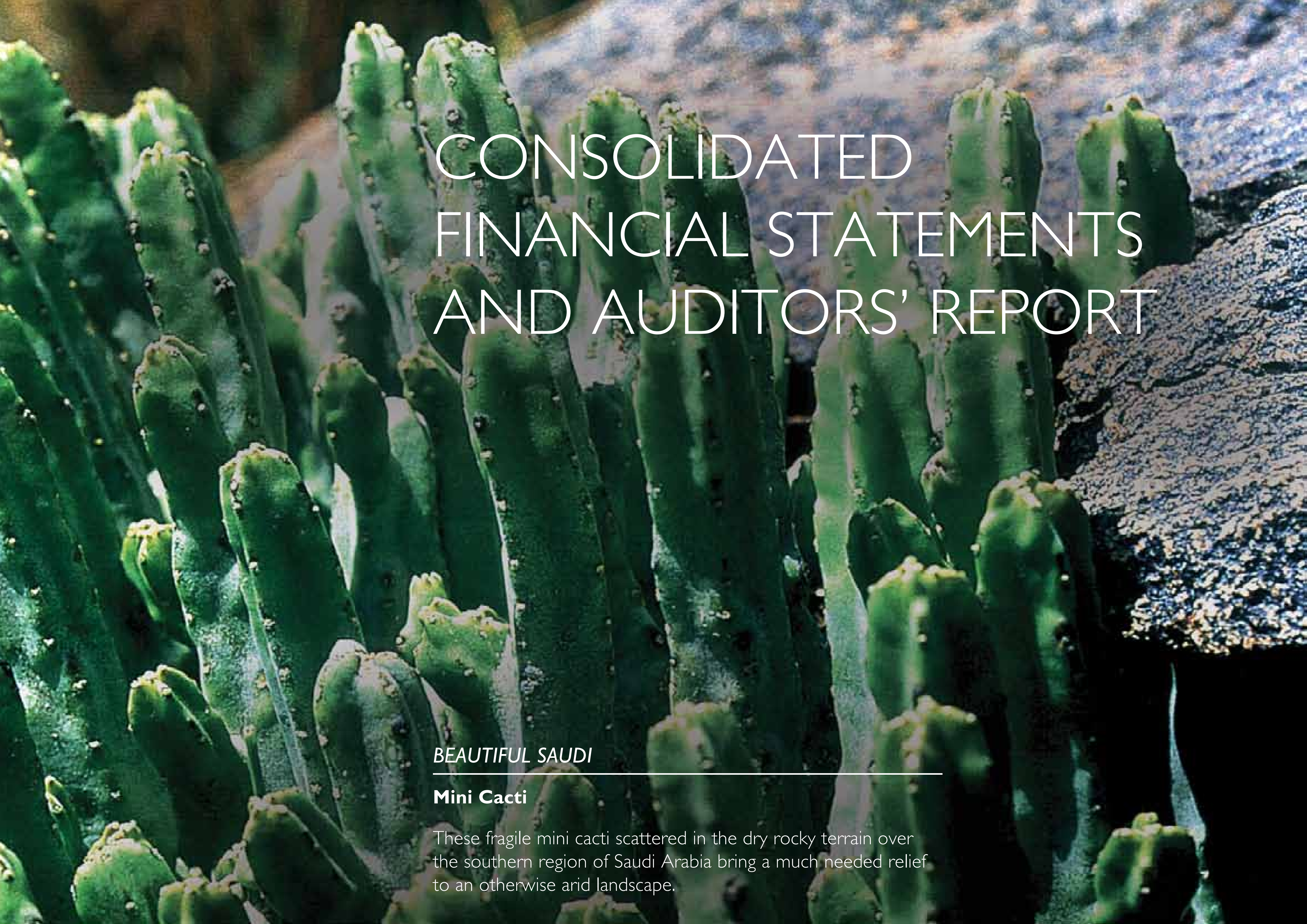
6- Approval of the appointment of the external auditor as nominated by the Audit Committee for the fiscal year 2012 to audit the company's accounts, the quarterly financial statement and determine their fees.

CONCLUSION

This report is a real reflection of continued hard work and constant unremitting efforts which, on many occasions, continued day and night. These efforts were diligently exerted to consider various business issues or to find rational solutions for some obstacles that could impede Sipchem's march or setback any of its affiliates' participation in the development progression.

At the end, the board members would like to express their thanks and appreciations to the Custodian of the Two Holy Mosques and HRH Crown Prince for their sponsorship and support of the company's activities. Also, the board values all the sincere efforts put in by the governmental institutions, and for their continued support. Thanks and appreciations are due to Sipchem's shareholders and employees for the usual sincere efforts that help the company achieve its objectives, retain its acquisitions and interests and promote its position and competitiveness. Sipchem's board members plead to Allah the Al-Mighty to bless such sincere efforts and hope that the company can continue exceeding its performance and enhancing its capabilities so that it can play a prominent role in supporting the economic and social development structure in Saudi Arabia.

Board of Directors



CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT

BEAUTIFUL SAUDI

Mini Cacti

These fragile mini cacti scattered in the dry rocky terrain over the southern region of Saudi Arabia bring a much needed relief to an otherwise arid landscape.

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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

Scope of audit:

We have audited the accompanying consolidated balance sheet of Saudi International Petrochemical Company ("the Parent Company") (Saudi joint stock company) and its subsidiaries (collectively referred to as "the Group") as at 31 December 2011 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Parent Company and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion:

In our opinion, the consolidated financial statements taken as a whole:

i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the Parent Company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

27 Safar 1433 H
21 January 2012
Alkhobar

CONSOLIDATED BALANCE SHEET as at 31 December 2011

	Note	2011 SR	2010 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	**3,629,881,391**	1,620,643,847
Accounts receivable, prepayments and other receivables	4	**687,908,801**	596,395,125
Inventories	5	**281,080,962**	208,530,399
Total current assets		**4,598,871,154**	2,425,569,371
Non-current assets			
Property, plant and equipment	6	**9,807,701,515**	9,505,558,802
Projects' development costs	7	**184,868,636**	62,624,486
Goodwill	8	**33,982,682**	-
Intangible assets	9	**39,163,184**	32,793,185
Total non-current assets		**10,065,716,017**	9,600,976,473
TOTAL ASSETS		**14,664,587,171**	12,026,545,844
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST			
Current liabilities			
Accounts payable, other payables and provisions	10	**774,895,390**	446,522,604
Bank overdraft		**15,784,610**	-
Short term advances from partners	11	**54,980,218**	3,275,921
Current portion of long term loans	13	**423,468,044**	363,900,902
Current portion of obligation under capital lease	15	**48,162,160**	42,810,811
Total current liabilities		**1,317,290,422**	856,510,238

The attached notes 1 to 30 form part of these consolidated financial statements.

	Note	2011 SR	2010 SR
Non-current liabilities			
Long term loans	13	**3,563,259,856**	4,201,964,502
Sukuk	14	**1,800,000,000**	-
Obligations under capital lease	15	**310,378,380**	358,540,540
Long term advances from partners	11	**395,257,959**	355,595,196
Employees' terminal benefits	16	**65,927,288**	52,611,444
Fair value of interest rate swaps	17	**178,809,773**	187,428,674
Other non-current liabilities		**12,136,041**	-
Total non-current liabilities		**6,325,769,297**	5,156,140,356
Total Liabilities		**7,643,059,719**	6,012,650,594
Shareholders' equity and minority interest			
Share capital	18	**3,666,666,660**	3,333,333,330
Statutory reserve		**986,786,071**	916,196,295
General reserve	19	**-**	275,000,000
Reserve for the results of sale of shares in subsidiaries	20	**48,893,677**	48,893,677
Retained earnings		**604,937,894**	488,496,575
Proposed dividends	21	**458,333,333**	-
Net change in the fair value of interest rate swaps	17	**(135,398,005)**	(140,433,506)
Total shareholders' equity		**5,630,219,630**	4,921,486,371
Minority interests	22	**1,391,307,822**	1,092,408,879
Total shareholders' equity and minority interest		**7,021,527,452**	6,013,895,250
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST		**14,664,587,171**	12,026,545,844

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME year ended 31 December 2011

	Note	2011 SR	2010 SR
Sales		**3,324,385,052**	1,992,536,014
Cost of sales		**(1,897,618,513)**	(1,131,182,946)
GROSS PROFIT		**1,426,766,539**	861,353,068
General and administrative expenses	24	**(124,790,715)**	(97,202,098)
INCOME FROM MAIN OPERATIONS		**1,301,975,824**	764,150,970
Investment income		**12,092,062**	7,533,339
Financial charges		**(181,491,866)**	(107,245,781)
Net income / (expenses) of pre-operating activities		**104,424**	(957,717)
Other expenses		**(1,228,249)**	(3,430,350)
INCOME BEFORE MINORITY INTEREST AND ZAKAT		**1,131,452,195**	660,050,461
Minority interests		**(399,756,005)**	(238,029,266)
INCOME BEFORE ZAKAT		**731,696,190**	422,021,195
Zakat	25	**(25,798,432)**	(43,941,943)
NET INCOME		**705,897,758**	378,079,252
Earnings per share (from net income)	27	**1.93**	1.03
Earnings per share (from main operations)	27	**3.55**	2.08
Weighted average number of outstanding shares	27	**366,666,666**	366,666,666

The attached notes 1 to 30 form part of these consolidated financial statements.

	Note	2011 SR	2010 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before zakat		**731,696,190**	422,021,195
Adjustments for:			
Depreciation and amortization		**465,949,658**	305,188,991
Employees' terminal benefits, net		**13,315,844**	12,292,715
Financial charges		**181,491,866**	107,245,781
Minority interest		**399,756,002**	238,029,266
Loss on disposal of property, plant and equipment		**3,604,403**	-
Net (income) / expenses of pre-operating activities		**(104,424)**	957,717
		1,795,709,539	1,085,735,665
Changes in operating assets and liabilities:			
Receivables		**(35,177,486)**	(288,603,111)
Inventories		**(43,876,874)**	(59,826,935)
Payables		**262,887,351**	(186,494,678)
Cash from operations		**1,979,542,530**	550,810,941
Financial charges paid		**(181,491,866)**	(107,245,781)
Zakat and income tax paid		**(32,633,653)**	(68,727,929)
Net cash from operating activities		**1,765,417,011**	374,837,231
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (income) / expenses of pre-operating activities		**104,424**	(957,717)
Additions to property, plant and equipment		**(703,429,982)**	(359,910,675)
Additions to intangible assets		**(13,894,990)**	(5,156,970)
Additions to projects' development costs		**(182,958,655)**	(10,592,105)
Purchase of investment in a subsidiary		**(94,621,481)**	-
Refund of excess amount received from the minority interests		**-**	(8,210,061)
Proceeds from sale of shares in subsidiaries, net		**-**	78,972,062
Net cash used in investing activities		**(994,800,684)**	(305,855,466)

The attached notes 1 to 30 form part of these consolidated financial statements.

	Note	2011 SR	2010 SR
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans, net		**(579,137,504)**	104,475,354
Sukuk		**1,800,000,000**	-
Repayment of obligations under capital lease		**(42,810,811)**	(42,810,811)
Advances from partners		**91,367,060**	82,207,301
Change in minority interest		**(104,440,459)**	(87,878,772)
Dividends paid		**-**	(333,333,333)
Board of Directors› remuneration paid		**(2,200,000)**	(2,200,000)
Net cash from / (used in) financing activities		**1,162,778,286**	(279,540,261)
Net change in cash and cash equivalents		**1,933,394,613**	(210,558,496)
Cash and cash equivalents acquired during the year		**75,842,931**	-
Cash and cash equivalents at the beginning of the year		**1,620,643,847**	1,831,202,343
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	**3,629,881,391**	1,620,643,847
SUPPLEMENTARY CASH FLOWS INFORMATION:			
Non-cash transactions are as follows:			
Net change in fair value of interest rate swaps		**5,035,501**	37,515,755
Transfer from property plant and equipment to inventory		**-**	70,021,059
Transfer from property, plant and equipment to intangibles		**10,298,253**	6,041,132
Transfer from projects' development costs to property, plant and equipment		**60,714,505**	-
Transfer from general reserve to retained earnings		**275,000,000**	-
Increase in share capital (note 18)		**333,333,330**	-

The attached notes 1 to 30 form part of these consolidated financial statements.

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

	Share capital SR	Statutory reserve SR	General reserve SR	Reserve for the results of sale of shares in subsidiaries SR	Retained earnings SR	Proposed dividends	Net change in the fair value of interest rate swaps SR	Total SR
Balance at 1 January 2010	3,333,333,330	878,388,370	275,000,000	54,518,905	483,758,581	-	(102,917,751)	4,922,081,435
Results of sale of shares in subsidiaries (note 20)	-	-	-	(5,625,228)	-	-	-	(5,625,228)
Net income	-	-	-	-	378,079,252	-	-	378,079,252
Net change in fair value of interest rate swaps	-	-	-	-	-	-	(37,515,755)	(37,515,755)
Dividends	-	-	-	-	(333,333,333)	-	-	(333,333,333)
Transfer to statutory reserve	-	37,807,925	-	-	(37,807,925)	-	-	-
Directors' remuneration	-	-	-	-	(2,200,000)	-	-	(2,200,000)
Balance at 31 December 2010	3,333,333,330	916,196,295	275,000,000	48,893,677	488,496,575		(140,433,506)	4,921,486,371
Balance at 1 January 2011	3,333,333,330	916,196,295	275,000,000	48,893,677	488,496,575	-	(140,433,506)	4,921,486,371
Net income	-	-	-	-	705,897,758	-	-	705,897,758
Transfer from general reserve to retained earnings	-	-	(275,000,000)	-	275,000,000	-	-	-
Net change in fair value of interest rate swaps	-	-	-	-	-	-	5,035,501	5,035,501
Increase in share capital (note 18)	333,333,330	-	-	-	(333,333,330)	-	-	-
Dividends	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	70,589,776	-	-	(70,589,776)	-	-	-
Board of Directors' remuneration	-	-	-	-	(2,200,000)	-	-	(2,200,000)
Proposed dividends (note 21)	-	-	-	-	(458,333,333)	458,333,333	-	-
Balance at 31 December 2011	**3,666,666,660**	**986,786,071**	-	**48,893,677**	**604,937,894**	**458,333,333**	**(135,398,005)**	**5,630,219,630**

The attached notes 1 to 30 form part of these consolidated financial statements.

1. ORGANIZATION AND ACTIVITIES

Saudi International Petrochemical Company ('the Parent Company' or 'Sipchem') is a Saudi joint stock company, registered in the Kingdom of Saudi Arabia under commercial registration No. 1010156910 dated 14 Ramadan 1420 H (corresponding to 22 December 1999). The Parent Company's head office is in the city of Riyadh with one branch in Al-Khobar, where the head quarters for the executive management is located, which is registered under commercial registration number 2051023922 dated 30 Shawwal 1420H (corresponding to 6 February 2000), and a branch in Jubail Industrial City which is registered under commercial registration number 2055007570 dated 4 Jumada I 1427H (corresponding to 1 June 2006).

The principal activities of the Parent Company are to own, establish, operate and manage industrial projects specially those related to chemical and petrochemical industries. The Parent 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 Parent Company are transferred to the separate companies when they are established.

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

Subsidiaries	Effective percentage of shareholding	
	2011	2010
International Methanol Company (IMC)	**65%**	65%
International Diol Company (IDC)	**53.91%**	53.91%
International Acetyl Company Ltd. (IAC)	**76%**	76%
International Vinyl Acetate Company Ltd. (IVC)	**76%**	76%
International Gases Company (IGC)	**72%**	72%
Sipchem Marketing and Services Company (SMSC)	**100%**	100%
International Utility Company Ltd (IUC)	**68.58%**	68.58%
International Polymers Company (IPC)	**75%**	75%
Sipchem Chemical Company (SCC)	**100%**	-
Sipchem Europe Cooperatief U.A and its subsidiaries	**100%**	-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

The consolidated financial statements have been prepared using the historical cost convention modified to include the measurement at fair value for the interest rate swaps.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year.

Basis of consolidation of the financial statements

The consolidated financial statements incorporate the financial statements of the Parent Company and financial statements of subsidiaries controlled by the Parent Company, either directly or indirectly, prepared for the same year using consistent accounting policies. Control is achieved where the Parent Company has the power to govern the financial and operating policies of an investee enterprise, either directly or indirectly, so as to obtain benefits from its activities. The consolidation of the subsidiaries' financial statements in these consolidated financial statements start from the date control is obtained by the Parent Company until the date this control is ended. The acquisition of subsidiaries is accounted for using the purchase method. The ownership shares related to other parties in subsidiaries are classified under minority interest in these consolidated financial statements. All significant inter-Group transactions and balances between the Group entities have been eliminated in preparing the consolidated financial statements.

Revenue recognition

The Group markets its products through marketers. Sales are made directly to final customers and also to the marketers' distribution platforms. The sales through the distribution platforms are recorded at provisional prices at the time of shipments, which are later adjusted based on actual selling prices received by the marketers from their final customers, after deducting the cost of shipping, distribution and marketing. Adjustments are made as they become known to the Group. Local and export sales are recognized at the time of delivery of the product at the loading terminals located at the plant and at the King Fahd Industrial Port in Jubail Industrial City.

Expenses

All the year expenses other than cost of sales, financial charges and net expenses of pre-operating activities are classified as general and administrative expenses.

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.

Accounts receivable

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Inventories

Inventories comprise of spare parts and finished goods and are stated at the lower of cost or market value. Costs of manufactured goods include raw materials, direct labor and manufacturing overheads. The cost of spare parts and finished goods are arrived at using the weighted average cost method. Appropriate provisions are made for slow moving and redundant inventories.

Projects' development cost

Projects' development cost represent mainly legal and feasibility related costs incurred by the Group 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are initially recorded at cost and are stated at cost less accumulated depreciation and any impairment in value. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated useful lives of the principal classes of assets are as follows:

	Years
Plant and machinery	10 – 25
Buildings	2 – 33.3
Vehicles	4
Catalyst & tools	1 – 10
Computer, furniture, fixtures and office equipment	1 – 10

Intangible assets

Intangible assets represent turnaround maintenance costs and other deferred charges. The planned turnaround costs are deferred and amortized over the year until the date of the next planned turnaround. Should an 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 amortized over the period likely to benefit from such costs. Other deferred charges are amortized over the period likely to benefit from such costs.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any minority interests in the acquiree. For each business combination, the acquirer measures the minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or Groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or Groups of units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the consolidated statement of income.

Permanent impairment of non-current assets
At each balance sheet date, the Group reviews the carrying values of property, plant and equipment and other non-current 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.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Where an impairment loss subsequently reverses, the carrying value of the asset (cash generating unit) other than goodwill 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 other than goodwill is recognized as income once identified.

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 consolidated statement of income 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 consolidated balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the consolidated 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 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 consolidated statement of income in the same year or years 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.

Foreign currency transactions
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 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 statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' terminal benefits
Provision is made for amounts payable under the employment contracts applicable to employee's accumulated years of service at the consolidated balance sheet date.

Provision for obligations
A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, and the settlement of such obligations is probable and can be measured reliably.

Zakat
The Group is subject to zakat and income tax regulations in the Kingdom of Saudi Arabia. Zakat and income taxes are provided on an accrual basis. Any difference between the estimated zakat for the years and the zakat provision that is calculated based on the detailed zakat base at year end are accounted for at the end of the year. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized. The zakat charge in the consolidated financial statements represents the zakat for the Parent Company and the Parent Company's share of zakat in subsidiaries. The zakat charge and income tax, assessable on the minority shareholders, is included in minority interests.

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

Reserve for the results of sale of shares in subsidiaries
The gains or losses resulting from sale of shares in subsidiaries, when the Group continues to exercise control over the respective subsidiary, are booked in the reserve for the results of sale of shares in subsidiaries.

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. Assets held under capital leases are recognized as assets of the Group at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease. Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Rentals payable under operating leases are charged to the consolidated statement of income on a straight line basis over the term of the operating lease.

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 the Group's products are considered within one business segment. Hence, no segmental analysis was presented.

Earnings per share

Earnings per share from net income is calculated by dividing the net income for the year by the weighted average number of shares outstanding during the year.

Earnings per share from main operations is calculated by dividing income from main operations for the year by the weighted average number of shares outstanding during the year.

3. CASH AND CASH EQUIVALENTS

	2011 SR	2010 SR
Bank balances and cash	530,864,473	453,818,258
Murabaha deposits	3,099,016,918	1,166,825,589
	3,629,881,391	1,620,643,847

4. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

	2011 SR	2010 SR
Trade account receivables	575,554,976	517,473,895
Accrued investment income	4,913,240	1,281,252
Deposits, prepayments and other receivables	107,440,585	77,639,978
	687,908,801	596,395,125

5. INVENTORIES

	2011 SR	2010 SR
Finished products	146,105,984	82,142,334
Spare parts and others	134,974,978	126,388,065
	281,080,962	208,530,399

The spare parts inventory primarily relates to plant and machinery and, accordingly, this inventory is expected to be utilized over a period exceeding one year.

6. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment SR	Land & buildings SR	Catalyst & tools SR	Vehicles, computer, furniture, fixtures & office equipment SR	Construction work in progress SR	**Total 2011 SR**	Total 2010 SR
Cost:							
At the beginning of the year	9,779,789,252	119,267,714	258,357,915	56,449,127	424,223,625	**10,638,087,633**	10,354,239,149
Additions	10,278,641	613,764	-	1,487,485	691,077,388	**703,457,278**	359,910,676
Transfers	1,845,096	52,671,325	10,071,078	9,121,122	(23,839,071)	**49,869,550**	(76,062,192)
Disposals	-	-	(29,125,454)	-	-	**(29,125,454)**	-
At the end of the year	9,791,912,989	172,552,803	239,303,539	67,057,734	1,091,461,942	**11,362,289,007**	10,638,087,633
Depreciation:							
At the beginning of the year	914,307,835	10,107,957	166,703,784	41,409,255	-	**1,132,528,831**	836,836,398
Charge for the year	388,199,704	4,934,692	49,763,031	5,228,987	-	**448,126,414**	295,692,433
Transfers	(546,702)	-	-	-	-	**(546,702)**	-
Disposals	-	-	(25,521,051)	-	-	**(25,521,051)**	
At the end of the year	1,301,960,837	15,042,649	190,945,764	46,638,242	-	**1,554,587,492**	1,132,528,831
Net book value:							
At 31 December 2011	**8,489,952,152**	**157,510,154**	**48,357,775**	**20,419,492**	**1,091,461,942**	**9,807,701,515**	
At 31 December 2010	8,865,481,417	109,159,757	91,654,131	15,039,872	424,223,625		9,505,558,802

As at 31 December 2011, property, plant and equipment include plant and equipment held under capital lease obligations which have a cost of SR 535.1 million (2010: SR 535.1 million) and accumulated depreciation of SR 175.9 million (2010: SR 155.9 million).

Construction work in progress mainly comprises of costs related to IPC's and SCC's plant along with projects for improvement of the Groups' plants.

The property, plant and equipment are constructed over a land in Jubail Industrial City leased from the Royal Commission for Jubail and Yanbu' for 30 years commencing on 16 Muharram 1423H corresponding to 30 March 2002. The lease agreements are renewable upon the agreement between the two parties.

Some of the Group's property, plant and equipment are pledged as security against Saudi Industrial Development Fund loans, Public Investment Fund loans and commercial loans (note 13).

Construction work in progress is stated at cost and is comprised of construction costs under various agreements and directly attributable costs to bring the asset for its intended use which also includes costs of testing to ensure the asset is functioning properly, and after deducting net proceeds from the sale of production generated during the testing phase. Directly attributable costs includes employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs.

Financing costs related to the projects of IAC, IVC, IPC and IGC were capitalized during the year ended 31 December 2011 in construction work in progress amounted to SR 16 million (2010: SR 436.5 million).

7. PROJECTS' DEVELOPMENT COSTS

The movement in the projects' development costs was as follows:

	2011 **SR**	2010 SR
At the beginning of the year	**62,624,486**	52,032,381
Additions during the year	**182,958,655**	78,827,201
Transferred to construction work in progress	**(60,714,505)**	(68,235,096)
	184,868,636	62,624,486

8. GOODWILL

Pursuant to board resolutions of the Group, Sipchem European Operations was formed where Sipchem Marketing and Servicers Company acquired 100% of the voting shares of Aectra SA (a subsidiary of Sipchem Europe Cooperatief U.A) on 31 December 2011, an unlisted company registered in Switzerland. Accordingly, the balance sheet of the company has been consolidated in these consolidated financial statements

The acquisition amount of SAR 105.7 million is inclusive of SAR 75.8 million cash and SAR (4) million of other working capital and also an amount of SAR 33.9 million for valuation premium including contingent consideration reflected as goodwill on the balance sheet date. The Group management is in the process of allocating the excess consideration paid to the respective assets. The allocation will be completed during 2012.

9. INTANGIBLE ASSETS

	2011 SR	2010 SR
Cost:		
At the beginning of the year	**57,172,474**	45,974,372
Additions	**13,894,990**	5,156,970
Transfers from construction work in progress	**10,844,955**	6,041,132
At the end of the year	**81,912,419**	57,172,474
Amortization:		
At the beginning of the year	**24,379,289**	14,882,731
Charge for the year	**17,823,244**	9,496,558
Transfers	**546,702**	
At the end of the year	**42,749,235**	24,379,289
Net book value:		
At the end of the year	**39,163,184**	32,793,185

10. ACCOUNTS PAYABLE, OTHER PAYABLES AND PROVISIONS

	2011 SR	2010 SR
Trade accounts payable	**144,375,726**	189,514,156
Retentions	**17,395,363**	8,733,255
Accrued expenses	**402,699,375**	159,608,339
Other payables	**156,619,958**	28,026,665
Zakat provision	**53,804,968**	60,640,189
	774,895,390	446,522,604

11. ADVANCES FROM PARTNERS

The partners of IAC, IVC and IGC have agreed to contribute long term advances to finance certain percentage of their projects' costs as per the joint venture agreements. As per the joint venture agreements, long term partners' advances shall be repaid after the repayment of external indebtedness and funding of reserve accounts. At 31 December 2011, the parent Company and the minority partners had long term advances of SR 1,503.1 million and SR 353.2 million, respectively (2010: SR 1,288.9 million and SR 313.5 million, respectively). The Parent Company and the minority partners have also made short term advances of SR 193.1 million and SR 54.9 million, respectively (2010: SR 22.6 and SR 3.3 million, respectively). The long term advances do not carry any financial charges whereas the short term advances carry financial charges at normal commercial rates.

12. BANK FACILITIES

The Group has short term facilities with local commercial banks including short term revolving loans, guarantees, letters of credit, and other facilities. The revolving loans facilities carry financial charges at SIBOR/LIBOR plus a margin and are secured by promissory notes equivalent to the total facilities.

13. LONG TERM LOANS

	2011 SR	2010 SR
Saudi Industrial Development Fund loans (note a)	**1,470,000,000**	1,570,000,000
Syndicated bank loans (note b)	**1,210,509,185**	1,396,865,441
Public Investment Fund loans (note c)	**1,306,218,715**	1,598,999,963
	3,986,727,900	4,565,865,404
Less: current portion of long term loans	**(423,468,044)**	(363,900,902)
	3,563,259,856	4,201,964,502

a) The Saudi Industrial Development Fund (SIDF) granted loans to IDC, IAC, IVC and IGC. These loans are secured by partners' guarantees proportionate to their shareholding and a first priority mortgage on all present and future assets. The loans are repayable in unequal semi-annual installments. The loan agreements include covenants to maintain financial ratios during the loans period. Management and follow up fees are charged to the loans as stated in the loan agreements.

b) IDC on one hand, and IAC, IVC and IGC on the other hand entered into two credit facility agreements with two syndicates of financial institutions. The loans are secured by partners' guarantees and a second priority mortgage on the assets already mortgaged to SIDF. Under a partner support agreement for the projects financing, the partners are obligated following completion of a project to provide a letter of credit for support of operations during the life of the loans. The loans are repayable in unequal semi-annual installments. The agreements include covenants to maintain certain financial ratios and also require maintenance of certain restricted bank accounts. The loans carry financial charges at LIBOR plus a variable margin.

c) The Public Investment Fund (PIF) granted loans to IDC, IAC, IVC and IGC to finance the construction of the plants of these companies. The obligation under this loan agreement at all times ranks at pari passu with all other creditors. The loans are repayable in unequal semi-annual installments other than that of IDC loan which is repayable in equal semi-annual installments. The agreements include covenants to maintain certain financial ratios. The loans carry financial charges at LIBOR plus a fixed margin. The loan agreements require the companies to enter into an interest rate swap contract to cap the financial charges associated with the PIF loans.

The combined repayment schedule for the long term loans is as follow:

	2011 SR	2010 SR
2011	**-**	363,900,902
2012	**423,468,044**	423,467,875
2013	**489,940,823**	489,940,823
2014	**544,368,427**	544,368,427
2015	**588,796,032**	588,796,032
2016	**584,442,437**	-
After	**1,355,712,137**	2,155,391,345
	3,986,727,900	4,565,865,404

14. SUKUK

On 27 November 2010, the Extraordinary General Assembly has approved the issue of Islamic Modaraba Bonds (Sukuk) so as to be in compliance with Shari'a Laws, for the purpose of financing the capital expansions of the new projects. The Parent Company obtained the approval of the Capital Market Authority for Sukuk issuance during the second quarter of 2011 and the first issuance completed at 29 June 2011 for an amount of SR 1,800 million which will be for five years and carry a interest rate equal to SIBOR plus a profit margin of 1.75% per annum payable at the end of each quarter.

15. OBLIGATIONS UNDER CAPITAL LEASE

	2011 SR	2010 SR
Minimum lease payments (fixed and variable rental payments)	**489,968,443**	541,416,862
Less: variable rental payments	**(88,617,092)**	(97,254,700)
	401,351,351	444,162,162
Less: Payments made during the year	**(42,810,811)**	(42,810,811)
Present value of minimum lease payments	**358,540,540**	401,351,351
Less: current portion of obligations under capital lease	**(48,162,160)**	(42,810,811)
	310,378,380	358,540,540
Future minimum lease payments:		
Within a year	**48,162,160**	42,810,811
More than one year and less than five years	**272,918,919**	246,162,162
More than five years	**37,459,461**	112,378,378
	358,540,540	401,351,351

IMC entered into an Islamic lease agreement with a syndicate of financial institutions for the purpose of converting a commercial loan into an Islamic mode of financing. IMC has the right to purchase property and equipment leased for a nominal fee at the end of the leasing agreement. The company's commitment under the lease is secured by the lessor's ownership of the leased assets.

16. EMPLOYEES' TERMINAL BENEFITS

	2011 SR	2010 SR
At the beginning of the year	**52,611,444**	40,318,729
Provision made during the year	**19,406,379**	14,845,272
Payments made during the year	**(6,090,535)**	(2,552,557)
At the end of the year	**65,927,288**	52,611,444

17. INTEREST RATE SWAP AGREEMENTS

As at 31 December 2011, IDC, IAC, IVC and IGC ("subsidiaries") 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 31 December 2011, the notional amount of IRS contracts was SR 1,872 million (31 December 2010: SR 2,145 million).

The fair value of the interest rate swap has declined as of 31 December 2011 compared to the contract date by SR 178.8 million (31 December 2010: SR 187.4 million). The Group share amounted to SR 135.4 million (31 December 2010: SR 140.4 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 agreements. However, the Group's management has no intention to cancel the agreements. In case of the increase in the interest rates, this difference will be eliminated and may become positive during the agreement term.

18. SHARE CAPITAL

Share capital of the Parent Company amounted to SR 3,666,666,660 (2010: SR 3,333,333,330) is divided into 366,666,666 shares of SR 10 each (2010: 333,333,333 shares of SR 10 each).

The share capital of the Parent Company before the increase is SR 3,333,333,330 divided into 333,333,333 shares of SR 10 each. The shareholders of the Parent Company, during Extraordinary General Assembly meeting held on 15 March 2011, have approved the recommendation of the Board of Directors to increase the Parent Company's share capital by 10% by way of capitalizing a part of the Parent Company's retained earnings through the issuance of one bonus share for every ten shares held by the shareholders. As a result, the share capital has been increased from SR 3,333,333,330 to SR 3,666,666,660, divided into 366,666,666 shares of SR 10 each.

19. GENERAL RESERVE

In 2007, the Extraordinary 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 Parent Company future projects. The Parent Company became no longer in need for this reserve. Accordingly, the Extraordinary General Assembly, in its meeting held on 15 March 2011, has approved the recommendation of the Board of Directors to transfer this amount back to retained earnings.

20. RESERVE FOR THE RESULTS OF SALE OF SHARES IN SUBSIDIARIES

On 30 June 2010, the Saudi Organization for Certified Public Accountants issued its opinion regarding the treatment of the difference between the fair value of the consideration received and the amount of the change in minority interests upon the sale of shares in a subsidiary without the Group losing its control on it. Accordingly, the Group changed its presentation in this regard so that such differences are presented in the reserve for the results of sale of shares in subsidiaries transactions instead of presenting them in the statutory reserve. The change has been applied retrospectively.

21. PROPOSED DIVIDENDS

The board of directors of the Parent Company has recommended in its meeting held on 20 December 2011, for the approval of the general assembly, the distribution of cash dividends of SR 458.3 million i.e. SR 1.25 per share, equivalent to 12.5% of the share capital for shareholders in records at the date of the next general assembly meeting.

22. MINORITY INTERESTS

	2011 SR	2011 SR
International Methanol Company	**418,557,168**	352,336,289
International Diol Company	**316,785,832**	202,574,806
International Acetyl Company Ltd.	**212,737,178**	209,533,357
International Vinyl Acetate Company Ltd.	**147,854,387**	139,838,512
International Gases Company	**119,618,209**	111,744,855
International Polymers Company	**175,755,048**	76,381,060
	1,391,307,822	1,092,408,879

23. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influences by such parties.
Material related party transactions during the year were as follows:

- Certain foreign partners market part of the Group's products. Total sales made to foreign partners amounted to SR 1,833 million (2010: SR 1,543.7 million).
- One of the subsidiaries has bought certain fixed assets from one of the foreign partner. Total purchases of fixed assets from the foreign partner during the year amounted to SR 12.7 million (2010: SR 20.3 million).
- The company and the foreign partners of the Group grant advances to the companies of the group to support their operations and comply with debt covenants. Some of the long term advances do not carry any financial charges and have no specific maturity date. Short term advances carry financial charges at normal commercial rates.

The prices and terms of the above transactions are approved by the board of directors of the companies of the Group.

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR	2010 SR
Employee costs	**84,506,258**	64,637,987
Expenses of board of directors and board meetings for the Group	**2,016,994**	1,367,015
Depreciation	**9,270,449**	5,250,927
Others	**28,997,014**	25,946,169
	124,790,715	97,202,098

25. ZAKAT

Zakat charge:

The zakat charge consists of:

	2011 SR	2010 SR
Current year provision	**25,798,432**	43,941,943

The zakat charge for the Group was as follows:

	2011 SR	2010 SR
Current year zakat charge of the Parent Company	**9,961,706**	21,084,303
Company's share in the zakat of subsidiaries	**15,836,726**	22,857,640
Charge in consolidated statement of income	**25,798,432**	43,941,943

Movement in zakat provision

The movement in the zakat provision was as follows:

	2011 SR	2010 SR
At the beginning of the year	**60,640,189**	49,344,994
Provision for the year	**25,798,432**	43,941,943
Payments made during the year	**(32,633,653)**	(32,646,748)
At the end of the year	**53,804,968**	60,640,189

Status of zakat assessments

The Parent Company received zakat assessments for the years from 2001 through 2008 which showed an additional amount due of SR 43.9 million. The Company filed an appeal against the assessments received from the Department of Zakat and Income Tax (DZIT). In regard of subsidiaries, the zakat assessments for IGC have been agreed with the DZIT up to 2007 and for SMSC up to 2010. The assessments of the other subsidiaries for all years have not been raised by the DZIT yet.

26. OPERATING LEASE ARRANGEMENTS

	2011 SR	2010 SR
Payments under operating leases recognized as an expense during the year	**2,165,207**	2,165,207

The main leases are with the Royal Commission and the Port Authority. The lease with the Royal Commission is for an initial term of 30 Hijra years and is renewable upon the agreement of the two parties.

The minimum lease payments under non-cancellable operating leases are as follows:

	2011 SR	2010 SR
Less than one year	**2,165,207**	2,165,207
Year two	**2,165,207**	2,165,207
Year three	**2,165,207**	2,165,207
Year four	**2,165,207**	2,165,207
Year five	**2,165,207**	2,165,207
More than five years	**32,835,937**	35,001,144
Net minimum lease payments	**43,661,972**	45,827,179

27. EARNINGS PER SHARE

In view of the capitalisation of retained earnings to increase the share capital of the Parent Company, the calculation of the earnings per share for all years presented has been adjusted retrospectively.

28. CAPITAL COMMITMENTS

As at 31 December 2011, the Group had capital commitments amounting to SR 2,290 million (31 December 2010: SR 480 million).

29. CONTINGENCIES

Sipchem and Saudi Ethylene and Polyethylene Company (SEPC) have entered into an agreement for the supply of Ethylene to Sipchem. SEPC is claiming compensation for the failure by Sipchem to lift the annual contract quantity during the period from 1 March 2009 up to 31 December 2009, when the related plant was not yet operational. Discussions between the Group and Saudi Ethylene and Polyethylene Company (SEPC) regarding this dispute is at a very advanced stage. The Group management believes that this dispute will be resolved shortly amicably.

30. FAIR VALUES

The fair values of the Group's financial assets and liabilities approximate their carrying amounts in the consolidated financial statements.

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