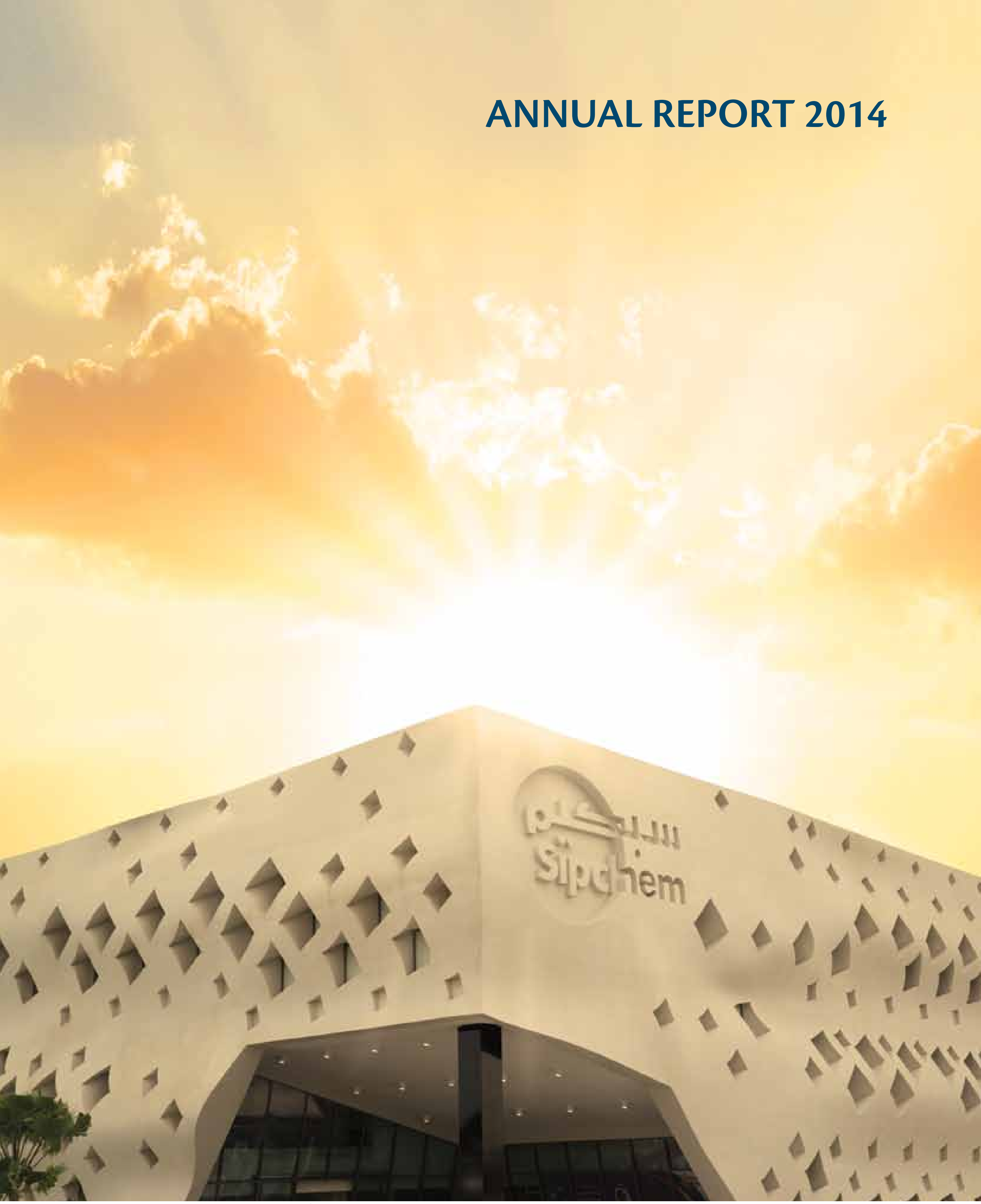
ANNUAL REPORT 2014



Creating excellence in 2014

سبكيم
Sipchem
EXCELLENCE everywhere

In the Name of Allah the Most Compassionate, the Most Merciful

Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al-Saud

His Royal Highness
Prince Mohammed Bin Naif Bin Abdulaziz Al-Saud
Crown Prince, Deputy Prime Minister And Minister of Interior

His Royal Highness
Prince Mohammed Bin Salman Bin Abdulaziz Al-Saud
Deputy Crown Prince, Second Deputy Prime Minister And Minister of Defense

The Product & Application Development Center (PADC) is a key component of Sipchem's mission; to grow our capability and reach by constantly pushing the boundaries that inspire, enhance and sustain excellence. This report is not just a testimonial of our growing business but of our continued commitment to enhance more lives in our quest to deliver a better tomorrow **here, there and everywhere.**

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Chairman's Message

Since Sipchem celebrated its fifteenth birthday, the 2014 annual report offers an important moment for reflection to when Sipchem was only an idea. In those early days with private capital of only SR500 million the idea that we could build an international petrochemicals company, without state investment, producing globally competitive petrochemical products, many manufactured for the first time in the region, seemed so bold as to be almost foolhardy. Our courage, however, was matched by that of employees, our government, our partners and our clients. To all who have passionately supported our vision of building a global petrochemicals production and marketing company rooted in Saudi Arabia, delivering excellence everywhere around the world, thank you for making this incredible journey possible.

Values, the foundation of success

Since our very first days, however, beyond building a great company, Sipchem has also stood for something. From the start we wanted to make a positive difference – to shareholders, customers, partners, employees, the communities in which it operate and all whom we serve in Saudi Arabia and the world.

This ambition is reflected in Sipchem's values - demonstrated in the courage and passion with which, consistently, over the last 15 years, we've brought new products to market. This high level of production and growth has been made possible by Sipchem's single-minded pursuit of the higher efficiencies that have and will continue to sustain growth into the future.

These values are, today, incorporated in Sipchem's brand promise, excellence everywhere - achieved by each and every employee challenging traditional assumptions to deliver responsible solutions that will enhance quality of life for generations to come.
The result, I am pleased to say, combines growth, capability, sustainability and the discipline of rational metrics into a powerful value proposition.

An unassailable value proposition

Sipchem ensures growth by developing and delivering new products to high growth sectors and geographies. Growth is achieved through an intelligent mix of organic growth and acquisition. In the process capability is expanded through the planned pursuit of greater value from existing products. At the same time global marketing reach is extended through greater marketing intelligence and customer service sophistication. Critically, sustainability is ensured through strategic alignment with future consumer megatrends while nurturing the human and natural environments that support us. Finally, the ruthless measurement of profitability, performance, efficiency and effectiveness - along with the constant review of our capital structure, investment philosophy and risk profile - balance liquidity with stability ensuring intelligent, safe and sustainable growth over the long term.

Importantly for us, Sipchem's products form the chemical building blocks of many of the world's fastest growing sectors, including; healthcare, education, leisure, construction and agriculture. The quality of Sipchem's products and the efficiency of their global distribution, literally, determine the quality of life of millions of people around the world every day. As such, Sipchem has a duty to excellence in the production and effective global delivery of products central to the efficiency, comfort and enjoyment of modern life.

Excellence everywhere

Over the last 18 months Sipchem has embarked on a journey to identify and establish its brand. In this process we have come to recognize that this duty to excellence is at the heart of what we do.

As such, our brand promise, excellence everywhere, inspires us to do better, achieve more and develop a quality of product that is recognized globally – for excellence.

To ensure the highest quality and service we have developed an internal philosophy that will help us deliver excellence everywhere. This philosophy, or way of doing things, is called challenge logic. As scientists, engineers and professionals, we rely on logic. It determines chemical formulas, it gives order and structure to our daily lives. However, if we accept today's logic without question then we will not improve the outcome for tomorrow.

This brand promise allows us to apply technology intelligently, building higher capabilities into our operating model, enabling Sipchem to act effectively with speed and decision as we identify, target and leverage ever-new ways to provide excellence to all we touch everywhere.

A bright future

Sipchem's value proposition, and the philosophy that drives it, has, even in the face of uncertain global conditions, extended Sipchem's core product capabilities while expanding access to high-growth sectors in new geographies. This has positioned Sipchem for a bright future even in an uncertain world.

Despite this uncertainty all at Sipchem looks forward with courage and passion to our bright future. In this exciting future the new capabilities demanded by increased production, diversification and expanded global reach will inspire us to challenge logic even further as we develop the people, leadership and skills to sustain and drive growth into the future through the passionate pursuit of excellence, everywhere.

Sincerely,
Abdulaziz A. Al-Zamil

In the name of Allah the most Compassionate, the most Merciful

CEO's Message

Courage to meet the challenges

In 2014 Sipchem rose to the challenges of a difficult business environment. Despite a turbulent year for global business I am proud to say that the passion and courage that define everything we do at Sipchem kept us true to our planned strategy of organic growth. The 2014 financial year also saw Sipchem extend its search for the right global partners in pursuit of our strategy to align production and marketing capabilities with global consumer megatrends.

Strategic decisions pay off

2014 saw Sipchem's expanding portfolio strengthen its alignment with strong end markets.

In the pursuit of excellence through the interrogation of global market realities, Sipchem has identified four global megatrends that will determine growth for much of this century.

The world's population is;

- Increasing and ageing,
- Urbanizing and moving into megacities,
- Adapting technology for energy creation and in response to climate change,
- Evolving new markets and products.

In this exciting new future; health and nutrition, housing and construction, energy and climate, and mobility and communication, offer growth opportunities that will define business success for at least the next half century. Sipchem's value chain focuses on exactly these future consumer megatrends. This means that Sipchem is strategically positioned in strong and stable product and growth portfolios – for generations to come.

Our rapidly expanding product range, designed to reduce supply and price volatility risk through the production of our own chemical feedstock, combined with impressive volume increases, means Sipchem is well-placed to maximize global growth opportunities while managing risk.

In 2014 we continued to expand our global marketing capacity. In fact, by 2016 we expect the Sipchem Marketing Company to be responsible for 65% of our total merchant volume. This is a truly remarkable achievement in a global environment where few petrochemicals producers market their own products.

Difficult global conditions have only proved the efficacy of Sipchem's growth and diversification strategy. By the end of 2014 we faced several challenges associated with crude price influence on commodities and their respective derivatives. Despite this uncertain trading environment, our strategy saw Sipchem continue to deliver steady profitability and performance while ensuring sustainability through production flexibility and our extended geographic reach.

Our commitment to growth through building our capabilities on a sustainable and efficient basis is clear from maintained sales performance. While margins have been impacted by the distressed market conditions affecting our product mix, Sipchem has nonetheless managed to out-perform international competitors by successfully managing many of the operational issues endemic to our industry.

This higher performance has ensured that Sipchem maintained year-to-date growth despite global industry headwinds.

Furthermore, Sipchem's careful management of its financial position has also allowed it to mitigate the margin impact of a difficult trading environment through net earnings. As such, our full year performance continued to show growth in sales and margins, delivering positive growth and continued earnings.

The reported EBITDA margin for fiscal year 2014 was 43.2%, reflecting both the strength of our strategy as well as core profitability and growth at operating level. Our earnings per share reported for the 12 months are SAR 1.65 while, adjusting for non-recurring items produced continuing EPS of SAR 1.91, or growth of 8.9 % on a continuing basis.

Our brand promise – Excellence Everywhere

After 15 years of building strong physical assets, we unveiled perhaps the most essential asset of all - our brand. With a powerful yet simple idea at it's heart, we are committing to a way of making decisions at Sipchem that will deliver excellence everywhere.

As engineers, scientists and professionals, interrogating existing production and market realities to develop higher efficiencies is at the core of what we do as a business. Equally, our products, many of them produced by no one else in the Kingdom, are used across the electronics, textiles, agricultural, insulation, chemicals, packaging, paints, pharmaceuticals, and construction industries around the world.

Our new brand is now guiding us in how we reason decisions. This strategic exercise has energised our management and teams, making us more aware of just how essential we have become to the world around us. This realisation garners an even deeper sense of pride from within and I am expecting all involved to enjoy the momentum our brand generates.

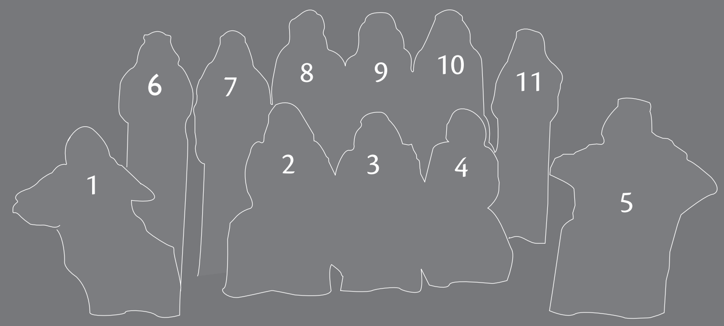
Onwards and upwards, yet always humble

Sipchem is excited about the future because it is prepared for this future. Our ever-increasing product range combined with growing global reach position us to support tomorrow's consumer megatrends. Realising this potential means we have the great opportunity to expand upon the employees in their represntative regions, allowing for further cultural growth within our industry.

Though our efforts stretch globally, we remain cognizant of our deep roots in the Kingdom of Saudi Arabia and the Middle East. As such I wish to thank all our employees, partners, suppliers, the Government of the Custodian of the two Holy Mosques, and HRH the Crown Prince for their unfailing help in making our journey to excellence a reality. I look forward to overcoming the challenges set for 2015, as I genuinely believe in our teams, our spirit and our future.

Sincerely,
Ahmad A. Al-Ohali

Board of Directors



1 - Dr. Abdulrahman A. Al-Zamil - Member
2 - Mr. Abdulrahman 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 - Mr. Ibrahim H. Al-Mazyad - Member

THERE

AND EVERYWHRE

HERE

From the products we buy to the food we eat, the whole process needs to be done with great care. This is why Sipchem does its due diligence to make sure our part in the agricultural process has excellence written all over it.

Responsible Care

Since its inception Sipchem has always had a higher purpose for being, namely; to improve and advance the human and natural environment in Saudi Arabia and all the communities, countries and environments that it touches around the world.

The Responsible Care Global Charter continues to give invaluable structure and guidance in how we function.

Since its inception in Canada in 1985, Responsible Care has been the chemical industry's premier performance initiative. It embodies the chemical industry's commitment to sustainable development through innovative technologies and other solutions to societal problems. Responsible Care also seeks to improve environmental, health and safety performance while expanding economic opportunities for all.

Through Responsible Care chemical companies are equipped to achieve high standards of performance while generating greater value for their businesses. Responsible Care management systems offer an integrated, structured approach to improve company performance in: community awareness and emergency response; security; distribution; employee health and safety; pollution prevention; and process and product safety.

The Responsible Care Management System's framework builds on a simple "Plan-Do-Check-Act" philosophy seeking to consistently improve industry performance while providing sufficient flexibility for individual companies to realise their unique business goals and developmental visions.

As one of the first Saudi Arabian companies to implement Responsible Care Sipchem has achieved significant milestones in effectively implementing the system. In the 2014 financial year Sipchem passed its third party certification for renewal of its ISO and OHSAS qualifications, receiving the following certificates:

- ISO RC 14001, Responsible Care
- ISO 14001, Environmental
- ISO 9001, Quality
- OHSAS 18001 for Health and Safety

These certifications are important steps in Sipchem's ongoing campaign to live its higher purpose by building a culture that consistently improves the human and natural worlds in which it operates.

Each year Sipchem will advance its Responsible Care certification in pursuit of continual improvement as it seeks to make its brand promise, excellence everywhere, a practical reality within its business and amongst the communities it serves.

Sustainability

Sipchem's brand promise, excellence everywhere, grew out of an innovative culture that challenges logic by constantly seeking new and better ways of doing things. Any logical interrogation of business opportunity recognizes that organizations, their employees, the people they serve, the communities and environments in which they operate, and, indeed, the planet of which they are a part, cannot thrive over the long term unless they are sustainable.

To this end Sipchem earmarks 1% of profit annually for corporate social responsibility efforts. In 2014 this amounted to SR 7 million. This is professionally administered by a dedicated and fully staffed Corporate Social Responsibility (CSR) department which identifies, evaluates, selects and executes community and individual support and development projects on a quarterly basis.

This department is currently developing a broader CSR strategy to include global initiatives in line with Sipchem's global growth. The Sipchem CSR Department is also exploring opportunities to work with the Saudi Arabian government to align CSR efforts nationally with national development programs and challenges.

In the 2014 financial year Sipchem was proud to associate itself with 26 initiatives that supported the human or natural environments of Saudi Arabia.

In addition, Sipchem operates over 350 world-class internal training and leadership development systems. These deliver the higher capabilities required to maintain momentum as a growth company. Sipchem's commitment to Saudization is reflected in almost three quarters of its employees being Saudi nationals. Sipchem provides further support to employees through; a home ownership program, employee incentive scheme and a savings assistance policy.

2014 saw the completion of the final phases of the Sipchem Product and Application Development Centre (PADC) at the Dhahran Techno Valley (DTV) of King Fahd University of Petroleum and Minerals (KFUPM). The Sipchem PADC represents an investment of over SR300 million in the beneficiation of the Saudi petrochemicals industry, positioning Saudi Arabia as a global petrochemicals leader. As such, the PADC represents a key component of Sipchem's mission; to grow the company's capability and reach by pushing the boundaries that inspire, enhance and sustain excellence for all.

From everyday activities to once in a lifetime leisurely trips, Sipchem products are present in all aspects of life and its details, making sure excellence is everywhere they are.

Sipchem Activities

Saudi International Petrochemical Company (Sipchem) is one of the Saudi public shareholding companies listed on the Tadawul (Saudi Capital Market). Sipchem was founded on December 22, 1999 with a capital worth SR 3.6 billion divided on 336.6 million shares. Sipchem is actively investing in basic and intermediary petrochemical and chemical materials that can be utilized as feedstock for manufacturing of a vast array of products that provide prosperity and welfare for humans. Sipchem is committed to implementing its activities in compliance with the highest quality standards whether in its products or maintaining the integrity of the surrounding environment or the safety of its employees generally.

Sipchem selected Jubail Industrial City to establish its industrial complex for the production of various petrochemical and chemical materials because of the availability of all the required basic infrastructure, the abundance of raw materials and necessary petrochemical products in the Eastern Province and the ease of export operations via King Fahd Industrial Port.

The gross production of all existing plants is up to 2.1 million metric tons in 2014, while it was 2.3 million metric tons in 2013. That reduction is a result of the periodical interruptions and maintenance conducted by Sipchem plants in the first quarter of 2014.

It should be noted that the Saudi international petrochemical company "Sipchem" occupies an area of 1 million square meters in the area of basic industries in Jubail Industrial City, eastern Saudi Arabia. The aim of the company strategy which operates the phased integration of current and future chemical products, to establish a series of finished products the value, contribution to the creation of large industrial Castle in Jubail, as well as increased domestic output, and support industrial development in overall development plans implemented by Saudi Arabia, which doubles the proceeds and profits of shareholders.

Sipchem has become a regionally and globally recognized petrochemical leader. This achievement is due to Sipchem's administrative, professional and technical capabilities, which push it to the top of global companies operating in this area.

Sipchem Affiliates

1. International Methanol Company (IMC)

The International Methanol Company (IMC) is a Saudi limited liability company, established in the year 2002 with a capital of SR 360,970,000 of which Sipchem owns 65% of its share capital. Japan-Arabia Methanol Company Limited (JAMC) owns the rest shares. JACOBS provided the company technology. IMC is operating a plant for the production of Methanol with a designed production capacity of 970 thousand metric tons per annum (mtpa). The plant is currently working at its full designed production 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. IMC`s site is in Jubail Industrial City, Kingdom of Saudi Arabia.

The company has conducted non-scheduled regular maintenance to its plant in January and July for two weeks in each. The plant suspended its operations again for about three weeks in November 2014 for maintenance and repair in line with the criteria used for preventive maintenance needed and raising the level of reliability. The production quantities of the plant during the year were affected. Such suspension has a positive impact on the performance level of the in production and operational efficiency. The company has taken all the precautions necessary to mitigate this impact on their obligations towards clients and reduce the financial impact on the financial results for the year 2014.

2. International Diol Company (IDC)

International Diol Company (IDC) is a limited liability company established in 2002, with a capital of SR 431,250,000 of which Sipchem owns 53.9%. The rest of the shares are owned by the Public Pension Agency, General Organization for Social Insurance, Abdul Latif Al-Babtain & Associates, Arab Supply & Trading Co., Huntsman Corporation and Davy Process Technology. Both Huntsman Corporation and Davy Process Technology provided the company technology. IDC is operating a plant producing Butanediol (BDO) and its derivatives such as Maleic Anhydride (MAn) and Tetrahydrofuran (THF) with a designed production capacity of 75 thousand mtpa. The plant produces high quality Butanediol (BDO) which is shipped to the company's customers regionally and internationally. IDC's site is in Jubail Industrial City, Kingdom of Saudi Arabia.

IDC was able to link the new expansion establishments to the existing plant equipment and systems in September 2014. It included substituting the stimulus reactor and thermal oxidizer. It was also supplied with a new products; i.e. Gamma Butyrolactone. Although the new unit of Gamma Butyrolactone is initiated, it is still under installation to ensure the efficiency of operation. The IDC team has exerted tireless efforts achieving a significant transformation. It accomplished about 2 million hours without any serious injury.

IDC scheduled a comprehensive regular maintenance to its plant unites in April 2014 for 35 days and also in August 2014 for 4 weeks as per the schedules that aims at completing linking the new expansion establishments to the existing plant equipment and systems and conducting the regular maintenance for some plant unite utilities which has a positive influence on performance in production and operational efficiency. The company has taken all the precautions necessary to mitigate this impact on their obligations towards clients and reduce the financial impact on the financial results for the year 2014.

3. International Gases Company

The International Gases Company (IGC) is a limited liability company established in the year 2006 with a capital of SR 425,400,000 of which Sipchem owns 72%. The rest of the shares are owned by the National Power Company and the Supreme Council of Endowments. The IGC operates a plant for the production of Carbon Monoxide (CO) with a designed production capacity of 340 thousand mtpa. This plant is considered to be the largest CO plant of its kind in the world. Carbon Monoxide (CO) is used as a feedstock for the production of Acetic Acid by IAC. IGC`s site is in Jubail Industrial City, Kingdom of Saudi Arabia.

IGC, in September 2014, signed a long term agreement with Sabic to supply the Saudi Methacrylates Company (SAMC), a Sabic affiliate, with Carbon Monoxide, after full establishment and operation with productive power. It is expected to be in the first half of 2017. It will produce 250,000 tons of Methyl Methacrylate annually.

IGC has conducted non-scheduled maintenance to its plant in January 2014 for two weeks due to technical reasons, which were fixed leading to the improvement of operational efficiency.

4. International Acetyl Company (IAC)

International Acetyl Company (IAC) is a limited liability company established in 2006 with a capital of SR 1,003,000,000 of which Sipchem owns 76%. The rest shares are owned by Ikarus Petroleum Industries, Helm (German Company) and the Supreme Council of Endowments. Eastman (US Company) provided the company technology. The IAC operates a plant for producing Acetic Acid (AA) and Acetic Anhydride (AAn) with a designed production capacity of 460 thousand mtpa. IAC production is partially used as a feedstock by IVC (International Vinyl Acetate Company) to produce Vinyl Acetate Monomer while the rest of the production is shipped to customers regionally and internationally. IAC`s site is in Jubail Industrial City, Kingdom of Saudi Arabia.

5. International Vinyl Acetate Company (IVC)

International Vinyl Acetate Company (IVC) is a Saudi limited liability company established in the year 2006 with a capital of SR 676,000,000 of which Sipchem owns 76%. The rest shares are owned by Ikarus Petroleum Industries, Helm (German Company) and the Supreme Council of Endowments. The US DuPont company provided the company technology. The International Vinyl Acetate Company (IVC) operates a plant for the production of Vinyl Acetate Monomer with a designed production capacity of 330 thousand mtpa. The IVC plant is performing its work at full designed production capacity producing high quality Vinyl Acetate Monomer which is shipped to customers regionally and internationally. IVC`s site is in Jubail Industrial City, Kingdom of Saudi Arabia.

6. Sipchem Chemicals Company (SCC)

Sipchem Chemicals Company (SCC) is a Saudi limited liability company established in the year 2011 with a capital of SR 266,000,000 of which Sipchem owns 95% and 5% by Sipchem Marketing Company (SMC), a Sipchem's affiliate. Rhodia provided the company technology. The plant is designed to produce 100,000 mtpa of Ethyl Acetate / Butyl Acetate. These specialist products are of the company strategies to implement integrated transformative projects with the current products in order to meet the local needs of this product, in addition to meeting the demand of international markets. The raw materials needed for the production of Ethyl Acetate are acetic acid which is provided by the IAC, Sipchem Affiliate and ethanol which are imported from the international markets. This product is used as a solvent in manufacturing inks, industrial fluids, granules used in the packaging of surfaces and coatings.

One of the SCC's projects under execution is Polybutylene Terephthalate has 63,000 mtpa of Polybutylene Terephthalate annually. SCC announced in December 2014 that the external utility and facility unit of the Polybutylene Terephthalate plant are initiated. SCC examines the key equipment in preparation to the initial trial run, which is expected to be in the first quarter of 2015. As well, using Butanediol produced by the IDC (Sipchem Affiliate) as a basic material for producing the PBT will allow Sipchem to get benefit from its integrated package of products and will strengthen the added value chain.

7. International Utilities Company (IUC)

International Utilities Company (IUC) is a Saudi limited liability company, established in the year 2009, with a capital of SR 2,000,000 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). Sipchem`s actual ownership is 68.58% of the IUC capital. The purpose of the company is to manage, operate and maintain utilities, facilities and services for Sipchem`s affiliates. IUC site is in Jubail Industrial City, Kingdom of Saudi Arabia.

8. Sipchem Marketing Company (SMC)

Sipchem Marketing Company (SMC) is a Saudi limited liability company, established in the year 2007 with capital of SR 2,000,000 fully owned by Sipchem . The company's location is in Al-Khobar in the Eastern Province, Kingdom of Saudi Arabia. Sipchem Marketing Company (SMC) works independently in the marketing and sales of the entire range of Sipchem`s products in addition to other products. The company has a highly competent and experienced sales force with diverse backgrounds. Currently SMC sells and markets a number of products including Methanol, Butanediol (BDO), Maleic Anhydride (MAn), Tetrahydrofuran (THF), Acetic Acid (AA) and Vinyl Acetate Monomer (VAM). SMC has marketed products at 568,000 metric tons of aforementioned products in 2014 compared with 722,000 metric tons in 2013 - an decrease of 29% due to the reduction of production throughout the year because of work interruptions and periodical maintenance of some plants.

A) Sipchem Europe Cooperative UA and its Affiliates

Sipchem Europe (Cooperative UA) Company was established in 2011, with capital of Swiss Franc 1,000,000. (99.99%) of its capital is owned by SMC and (0.01%) of the capital is owned by SCC. It is located in Amsterdam, the Netherlands. Its major activity is to provide administrative support in marketing and logistics fields. Aectra SA is an affiliate of Sipchem Europe Cooperative UA which is headquartered in Geneva, Switzerland. The main activities of Acetra SA are marketing, logistics services and commercial experience in European markets. Aectra has become a major support to market Sipchem products in Europe as it marketed and sold 186 thousand mtpa of Sipchem›s products and 285 thousand mtpa of other companies› products during 2014.

B) Sipchem Asia Pte Ltd

In 2013, the Sipchem Marketing Company (SMC) founded Sipchem Asia Pte Ltd which is fully owned by Sipchem. Sipchem Asia site is Singapore, with a share capital of SAR 752,970. It added a more strategic depth in marketing area allowing the company to provide services for its customers in Asia optimally by making a link between the customers and SMC. This achievement completes the geographical organization of the company as it exists in the strategic markets in a manner that reflect positively on the company›s performance and facilitate the movement towards more growth. Singapore is a well-established and important logistics and trading hub for the petrochemical industry and an ideal gateway for delivering excellent service to customers throughout Asia The foundation of Sipchem Asia in Singapore shows the extent of SMC commitment to provide its service at an international level, symbolizes a clear breakthrough in meeting the needs of the customers directly and clearly demonstrates the interest given by SMC for customers. It marketed and sold 233 thousand mtpa of its products during 2014. To emphasize the transparency and support of customer relations, Sipchem Asia will limit selling and marketing Sipchem products through other specialist marketing companies.

Affiliates (Project Under Construction)

1. International Polymers Company (Ethylene Vinyl Acetate and Low Density Polyethylene Project)

The International Polymers Company (IPC) is a limited liability company established in the year 2009 with a capital of SR 703,200,000 of which Sipchem owns 75%. The Korean company of Hanwha owns the rest shares of the capital. ExxonMobil provided the company technology. The company's main activity is to produce Ethylene Vinyl Acetate (EVA) and Low-Density Polyethylene (LDPE) with a planned production capacity of 200 thousand mtpa. This plant is considered the first of its kind in the Middle East to produce Ethylene Vinyl Acetate (EVA).The project location is in Jubail Industrial City, Kingdom of Saudi Arabia.

In July 2014, the IPC announced the initiation of the trial run of the Ethylene Vinyl Acetate and Low Density Polyethylene plant. The plant operation will continue till the end of examination concluded over the equipment in order to ensure the production efficiency as per the technology license and execution agreements. The announcement of the commercial operation is expected to be in the first quarter of 2015. The total cost of the project is SR 3 billion which will be financed by a number of loans and banking facilities in accordance with Islamic Shariah law and also by shares from shareholders and government loans provided by SIDF (Saudi Industrial Development Fund) and PIF (Public Investment Fund). The Vinyl Acetate Monomer (VAM) will be provided as a second feedstockfrom IVC (Sipchem affiliate), and Ethane gas from Aramco to be treated byUnited Company (Sabic Affiliate), to be converted into Ethylene as mainfeedstock for the project. Ethylene Vinyl Acetate (EVA) is used as feedstockto produce heat soluble adhesives, resin products and high-quality sportsbandages. Low Density Polyethylene (LDPE) is used as a feedstock in theproduction of various types of containers, bottles and medical detergents.

2. Gulf Advanced Cable Insulation Company - GACI - Wire and Cable Compounds Project

The Gulf Advanced Cable Insulation Company (GACI) is a limited liability company established in the year 2012 with a capital of SR 57,240,000 As part of Sipchem`s enhancement of its capabilities for integration of its projects and finding new products needed by local and international market, Sipchem had founded GACI as a joint venture owned equally by Sipchem and Hanwha Chemicals Company. The total cost of the plant is SR 230 million. The company technology is provided also by Hanwah. GACI`s site is in Jubail Industrial City, Kingdom of Saudi Arabia. In March 2014, The GACI announced the trial run of the wire and cable compounds plant. The trial run will continue until the end of examinations conducted over the plant equipment to ensure their efficiency.

The new plant will produce petrochemical materials such as cable insulation polymers that will be used in manufacturing electric cable insulation materials. These specialized products are a part of the GACI strategy in implementing integrated transformative projects together with the current products of the company. The establishment of this plant is a part of the developmental program of the third phase of Siphcem's projects. Furthermore, this product will meet the local and regional needs of cable insulations, in addition to meeting the needs of international markets.

It is worthy note that the raw material used in this project is low density polyethylene and ethylene vinyl acetate will be obtained from the IPC (a Sipchem's affiliate). The product will be marketed in Middle East and Europe.

3. Saudi Specialized Products Company (SSPC)

The Saudi Specialized Products Company (SSPC) is a limited liability company established in the year 2013 with a capital of SR 56,320,000 for which Sipchem Chemicals (Sipchem Affiliate) owns 75% and Hanwha Chemicals Company owns 25%. SSPC`s site is in Riyadh City, Kingdom of Saudi Arabia. The SSPC aims at establishing and operation of transformative project in both Riyadh and Hail. The total amount of the investment value is about SR 260 million. Below is a description of the two projects:

A) Ethylene Vinyl Acetate - EVA - Film Project, Hail.

In 29 December 2014, the SSPC announced the trial run of EVA Film plant. The trial run will continue until the end of examinations conducted over the plant equipment to ensure their efficiency.

The total cost of the project is estimated at about SR 150 million, and annual production capacity is 4,000 mtpa of ethylene vinyl acetate films. Mitsui Chemicals Tohcello, Inc. provides the company technology. It is located on 40 thousand square meters. The product will be distributed through the Sipchem Marketing Company which is one of the Sipchem affiliates. The company and loans from local financial quarters will fund the project. It is considered the first project in the Gulf region, which shows the commitment of Sipchem to the objectives of the Kingdom that seeks to be one of the driving forces in the field of renewable energy. The ethylene vinyl acetate films are used to make the panels of solar cells used for generating electricity from the solar energy. The company has got the necessary technology for manufacturing from the Japanese firm Mitsui Chemicals Tohcello, Inc.

The establishment of this project in the city is considered a supportive opportunity to create investment opportunities for new projects that use this product. The project will also create many job opportunities for the people of this region.

B) Metal Models Production Project (Riyadh)

The total cost of the project is estimated at about SR 110 million, and one thousand metric tons for annual production capacity of mental molds specialized for manufacturing the plastic products. Take note that the company has got the necessary technology form the German company Kiefer Rkzajabu for manufacturing equipment. The product will be distributed by the same firm will be funded by the company and loans from local financial quarters. The metal molds are used for manufacturing and forming multiple types of molds and alloys used in factories of plastic and packaging. It had been provided and created the necessary infrastructure of the establishment for designing any industrial or commercial product. The prototypes and the product are produced completely by designing templates or alloys according to the necessary criteria. The institution of manufacturing of molds will support the transferred industries including polymers and metal panels and aluminum to get the tools and alloys in accordance with precise requirements. Not only is the institution manufacturing the molds and new equipment, but also it will support the maintenance service of existing molds and alloys, as the high technical experience is available for the German company as a provider of technology in the field of manufacturing tools and alloys.

In September 2014, the SSPC announced the trial run of specialized metal models. The trial run will continue until the end of examinations conducted over the plant equipment to ensure their efficiency.

4. Sipchem Creativity & Technology Center Project

Sipchem invests SR 225 million to establish Sipchem Creativity & Technology Center at Dhahran Techno Valley of King Fahd University of Petroleum and Minerals (KFUPM). Sipchem signed an MOU with the Ministry of Petroleum & Minerals and King Fahd University of Petroleum and Minerals (KFUPM) to establish this center on a 15,000 m2 site at Dhahran Techno Valley. In line with this MOU, Sipchem will manage and operate this center which will include 40 laboratories to cover all fields of research, technical services and development of products, their applications, analysis and testing. The Center site construction has already been started, which has been designed to the latest world-class in terms of buildings, laboratories and equipment and modern equipment, with the aim of developing the use of polymer products for serving and developing the transformative industries in the Kingdom, where more than 860 plants within the Kingdom are operating therein.
It is scheduled that the Center will focus in its researches on the main uses of the products, i.e. films used in manufacturing the solar cells and thin sheets for agricultural uses, flexible pipe, adhesives for timber, papers and paints industry, electrical cables, optical fiber cables, and other products that will support the national program for the development of industrial clusters. The Centre will also promote cooperation in research using laboratory devices and exchange of experiences between King Fahd University of Petroleum and Minerals (KFUPM) and Sipchem. Constructions are scheduled to come into an end during the first quarter of 2015.

Sipchem is proud to be present in the most important aspect of consumer's lives, their health. With that in mind, we make sure our part in healthcare is done with excellence in every detail.

Sipchem's Strategies

Despite price fluctuations taking place in oil prices during this period, Sipchem studies the available investment opportunities in order to maximize the profits of the company and shareholders. This is done in accordance to the strategic plans adopted by the Company and Board of Directors. The framework of a clear strategy for the KSA has paid great importance to industry and helped the development and enhancement of KSA industry according to high quality global standards. In order to achieve these plans, the Board of Directors adopted a number of long and short term programs and projects that will lead the company to an excellent performance that pushes it to the top of global companies operating in this area.

(A) Sipchem's strategy depends on following elements

1 Increase of production capacity and to optimize operational capability for affiliates` plants.
2 To develop long-term relations with vendors and clients to decrease operational costs.
3 Continuous development in quality of products through research and development operations and application of best international standards.
4 To reduce costs to enhance competitiveness among companies.
5 Long-term investment in Saudi manpower which reflects positively on company`s performance.
6 Expansion of the variety of company`s products via investment in downstream projects and other projects associated to industry.
7 Finding out appropriate opportunities for mergers and acquisitions in line with the strategic objectives of the company.

(B) Sipchem's Project Strategy

Sipchem has adopted the development and implementation of the best scientific and global practices and standards in all departments in order to ensure the proper choice of project that should implemented easily and smoothly. To reach the optimal development of its projects, Sipchem has chosen a unique approach in the implementation of these projects with quality and effectiveness. This approach is the development of large projects and stages of implementation accurately and using and managing the best sources of investment and finance to achieve the goals of each phase with risk reduction. This approach helps to expand the industry and increase the work opportunities with better allocation and development of capital resources and prioritization of distribution, and also seek to reduce the risk to a minimum.

Sipchem has developed an innovative strategy and distinguished initiatives to use the best practices in order to study the appropriate investment opportunities of merge, acquisition and procurement of shares of existing projects inside and outside the KSA, which is concluded in a highly professional way. Sipchem also specified its schedule. This initiative aims at the development of the projects and investment opportunities through merger and acquisition in conformity with Sipchem strategic objectives that are supervised and executed by the BOD.

Sipchem Future Plans and Expectations

1. Operation of Sipchem Projects

Sipchem is currently implementing several projects with total investments of SR five billion, in addition to Sipchem Centre project for creativity, technology, and staff housing project, which has cost about SR 800 million.
In 2014, the following plants are initially run:
1 Cable Insulation Polymer Plant in March 2014.
2 Ethylene Vinyl Acetate and Low Density Polyethylene Plant in July 2014.
3 Specialized Metal Model Plant in September 2014.
4 Ethylene Vinyl Acetate (EVA) Film Plant in December 2014.
Sipchem seeks to run the following industrial projects in 2015:
a Polybutylene project of Sipchem Chemicals
b Expansion of IDC plant

Concerning the prices, Sipchem expects relative price reduction in petrochemical products in 2015. Sipchem development plan focuses on joining new markets in Europe and Asia though SMC with developing detailed plans that use the best methods of operation and needed abilities to achieve the best returns for shareholders of Sipchem.
Sipchem is also currently studying feasibility of many new industrial projects and studying new investment opportunities to purchase existing shares or projects inside and outside the KSA, as well as expanding some of the existing plants to increase overall operational efficiency; the results of which are expected to be announced during 2015.

2. Merger with Sahara Petrochemicals Company

In June 2014, Sipchem announced both Sipchem and Sahara Petrochemicals Company has reached that it is difficult to complete such a merge according to a sound structure acceptable by each and approvable regularly by the competent authorities in a manner that allows both companies to achieve integrated operation. Both companies, therefore, decided to delay the commercial negotiations and the merge proposed currently. Furthermore, both companies suspended exchanging information under such negotiations and did not sign the agreement of merger as per their announcement. In the future, the two companies may reach an agreement on another structure other than the currently agreed upon in a way that serves both companies. Any developments will be regularly disclosed.

Not only is Sipchem present in every aspect of the consumer's lifestyle, but we're also present in many stages of their growth in life.

Risks related to Sipchem and affiliates business

Risk of prices fluctuation

- Risk of chemical, petrochemical products and shipping prices fluctuations.
- International market competition that could affect both supply and demand.
- Change of the price of raw materials on which the company relies for production.

Risks of financing

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

Operation risks

- General operation risks.
- Risks of the non-availability of the basic supply items (feedstock) and prices fluctuations.
- Prices fluctuation.

Environmental risks

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

Financial highlights

Sipchem achieved a net profit of SR 606.2 million in 2014 compared to SR 260.5 million in 2013. It is worthy note that during 2014, most of the plants were ceased several times for maintenance leading to the reduction of production and sales quantities. However, the increase in average sales price of acetyl plants' products compared with 2013 contributed in reduction of net profit, which was reduced to 2.3% only.

Below are the financial indicators of the year 2014 compared with the previous year 2013:

- The total profit for the year 2014 was SR 1,396.6 million compared with SR 1,364.6 million for the previous year 2013; an increase of 2.3%.
- The operational profit for the year 2014 was SR 1,177.8 million compared with SR 1,162.1 million for the previous year 2013; an increase of 1.4%.
- The net profit for the year 2014 was SR 606.2 million compared with SR 620.5 million for the previous year 2013; a decrease of 2.3%.
- The Earnings Per Share (EPS) was SR 1.65 for 2014 and SR 1.69 for the previous year.

A) Summary of the business results for the previous five years:

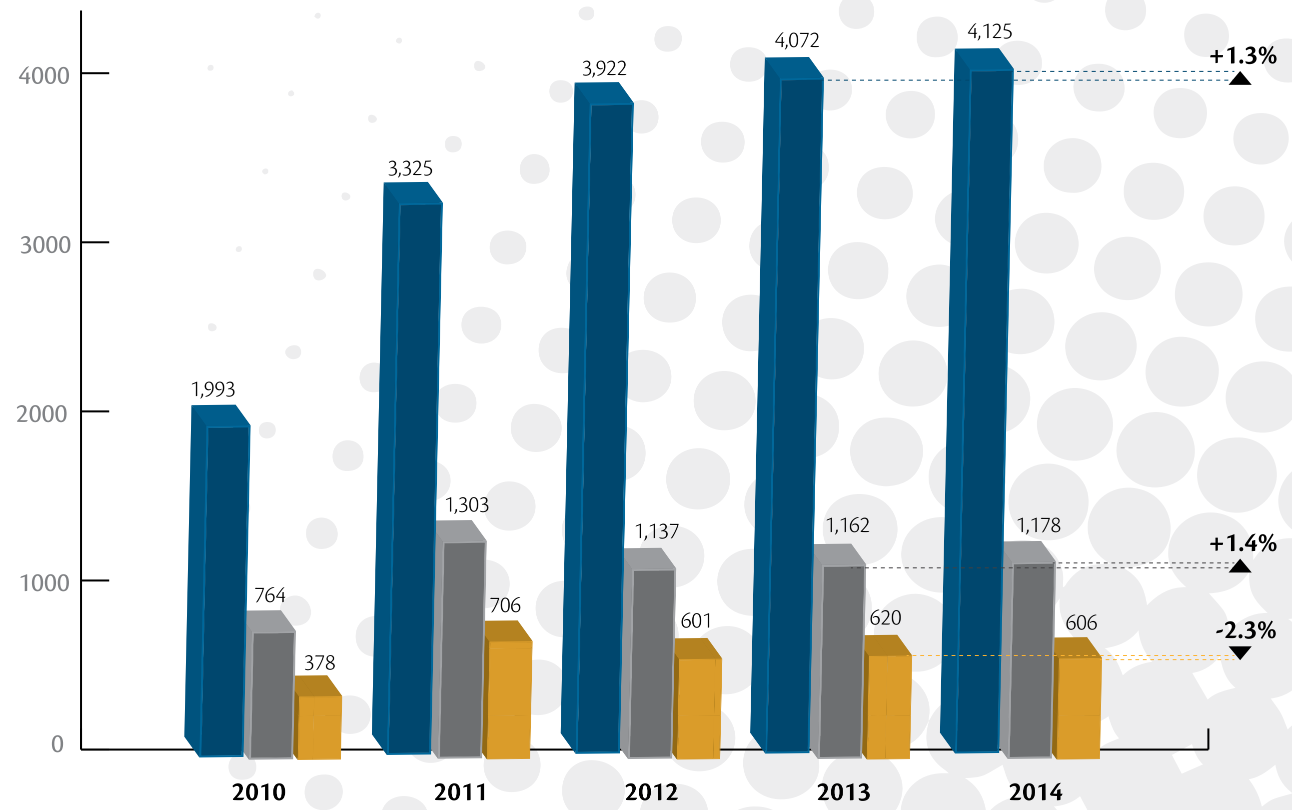
1- A) Financial Position Statement (Million Saudi Riyals)

Details	2014	2013	2012	2011	2010
Total current assets	4,060	4,475	4,189	4,599	2,426
Total non-current assets	13,149	12,214	11,000	10,066	9,601
Total assets	17,209	16,689	15,189	14,665	12,027
Total current liabilities	1,562	1,285	1,389	1,317	857
Total non-current liabilities	7,693	7,983	6,665	6,326	5,156
Total shareholders' equity and minority interest	7,954	7,421	7,135	7,022	6,014
Total liabilities, shareholders' equity and minority interest	17,209	16,689	15,189	14,665	12,027

2- A) Income Statement (Million Saudi Riyals except EPS)

Description	2014	2013	2012	2011	2010
Sales	4,125	4,072	3,922	3,325	1,993
Cost of sales	(2,726)	(2.707)	(2,654)	(1,897)	(1,131)
Total profit	1,397	1,365	1,268	1,428	862
Administrative and public expenses	(219)	(203)	(131)	(125)	(98)
Income from operations	1,178	1,162	1,137	1,303	764
Investment earnings	9	17	20	12	8
Financial expenses	(156)	(172)	(183)	(182)	(107)
Net revenues of operations before run	-	-	2	-	(1)
Net (expenses) of other revenues	(93)	(22)	12	(1)	(4)
Income before minority interest, zakat allocation and income tax	938	985	988	1,132	660
Minority equity	(245)	(310)	(315)	(400)	(238)
Zakat and income tax	(87)	(55)	(72)	(26)	(44)
Net profit	606	620	601	706	378
Earnings Per Share (EPS) Saudi Riyal	1.65	1.69	1.64	1.93	1.03

B) Development of sales, income from operations and net profit for the past five years: (Million Saudi Riyals)



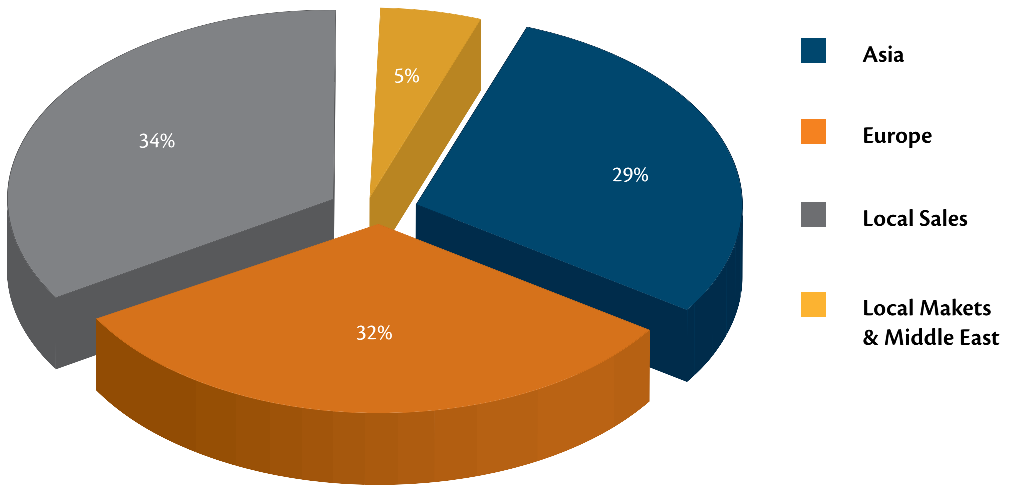
C) Significant differences in operational results from previous year (Million Saudi Riyals)

Details	Year 2014	Year 2013	Changes +/-	Change percentage
Total Profit	1,396.6	1,364.6	32	2.3%
Operational Profit	1,177.8	1,162.1	15.7	1.4%
Net profit	606.2	620.5	(14.3)	(2.3)%

The main reason for the decrease of the net profit of the year 2014 compared with the year 2013 was mainly due to the increasing public and administrative expenses. As well, the company incurred expenses related to the studies of proposed merger with Sahara Petrochemicals, in addition to the increasing zakat allocation. It is worthy note that the quantities of production and sales reduced due to the suspension of most plants during 2014 for many times. However, the higher average price of Acetyl Plant products compared with 2013, which contributed in reducing the low net profits, which reduced with 2.3% only.

D) The Geographical Analysis of Sipchem's Sales

The marketing and sales of company products take place in the local markets, the Middle East and the international markets. The graph here shows the geographical distribution of the company sales during 2014.



E) Total Debts for Sipchem and its Affiliates

The following schedule shows the loans and debts of the company and its affiliates during 2014.

Saudi International Petrochemical Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Islamic Sukuk	5 years	1,800	1,800	-	-	**1,800**

International Methanol Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Islamic facilitations	10.6 years	325	255	-	-	**255**

International Diol Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Islamic facilitations	10.6 year	484	465.9		(37.9)	428
Islamic facilitations	12.6 years	524	140	383.9	-	523.9
Partners	undefined	undefined	27	-	(27)	-

International Acetyl Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Transferred to capital	Balance at end
Commercial Banks	12.5 years	618	614.6	-	(8.4)	-	606.2
SIDF	9.8 years	400	310	-	(60)	-	250
PIF	11.4 years	769	499.7	-	(76.9)	-	422.8
Partners	undefined	undefined	772.3	-	(37.5)	(622.3)	112.5

Note: During 2014, the partner advances were transferred into an additional capital in such company.

International Vinyl Acetate Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Transferred to capital	Balance at end
Commercial Banks	12.5 years	355	353.7	-	(7.1)	-	346.6
SIDF	9.8 years	400	310	-	(60)	-	250
PIF	11.4 years	439	285.2	-	(43.9)	-	241.3
Partners	undefined	undefined	536	-	-	(536)	-

Note: During 2014, the partner advances were transferred into an additional capital in such company.

International Gases Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Transferred to capital	Balance at end
Commercial Banks	8.5 years	61.4	61.1	-	(1,2)	-	59.9
SIDF	9.8 years	400	280	-	(60)	-	220
PIF	11.4 years	143	92.6	-	(14,3)	-	78.3
Partners	undefined	undefined	369	-	-	(369)	-
Partners (short term)	undefined	undefined	13	-	(13)	-	-

Note: During 2014, the partner advances were transferred into an additional capital in such company.

Sipchem Marketing Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Partners	undefined	undefined	99	-	-	99

International Polymers Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Transferred to capital	Balance at end
Islamic facilitations	14.6 years	704	704	-	(19,7)	-	684.3
SIDF	11 years	600	480	120	-	-	600
PIF	14 years	704	704	-	(27,1)	-	676.9
Partners	undefined	undefined	165	-	-	(165)	-
Partners (short term)	undefined	undefined	160.9	5.4	(45)	-	121.3

Sipchem Chemicals Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
SIDF	9.6 years	165	72.5	85.4	-	157.9
SIDF	9.9 years	257	98	-	-	98
Islamic facilitations	3 months	300	300	-	100	200
Partners	undefined	undefined	285	249	-	534

Gulf Advanced Cables Insulation Company (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
SIDF	8 years	99	-	88.1	-	88.1
Partners	undefined	undefined	74.5	1.5	-	76
Partners (short term)	undefined	undefined	63.8	1.9	-	65.7

Note: During 2014, the partner advances were transferred into an additional capital in such company.

Saudi Specialized Products Company (SSPC) (Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Partners	undefined	undefined	-	73.9	-	83.9
Partners (short term)	undefined	undefined	-	68.5	-	68.5

F) Governmental Due Payments (Million Saudi Riyals)

Entity	Government payments up to 31/12/2014
Zakat & Income Tax Department	139.1
General Organization for Social Insurance (GOSI)	24.1

Internal audit

The Internal Audit department monitors all controls and risk management activities of the company and its activities. 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. Preparing the annual strategic plan for the work of internal audit committee.
2. Auditing and periodic examinations of 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. Submitting reports on the auditing results and recommendations in addition to following up on these recommendations to ensure their application by the concerned departments.

During the year, the company has activated the performance of the Internal Audit through the appointment of new and additional cadres experienced in internal auditing. The Internal Audit department developed in 2014 an internal control system and notified all employees of the importance of its role through lectures on the importance of internal audit and the role of departments in its development and improvement.

In addition to the above, the company`s external auditor, as part of its 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 among functions, control systems and strict control on company operations.

The Internal Audit Department has not discovered during 2014 any violation or any integral weakness in the company`s internal audit system or different operations.

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 develop the company's core business activities. The Board is composed of eleven members elected by the General Assembly Meeting on 03/12/2013 and it will last for 3 years. The business of the current session started on 10/12/2013 and will last for 09/12/2016. 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	Notes
1	H.E. Eng. Abdulaziz A. Al-Zamil Representative of Al-Zamil Holding Group	Board Chairman	Non-executive	-
2	Eng. Ahmad A. Al-Ohali	Managing Director and CEO	Executive	-
3	Eng. Reyadh S. Ahmed Representative of Ikarus Petrochemical Holding Company	Member	Non-executive	-
4	Mr. Abdulaziz A. Al-Khamis Representative of Public Pension Agency	Member	Non-executive	-
5	Dr. Sami M.Zaidan Representative of Olayan Financing Company	Member	Non-executive	-
6	Dr. Abdulaziz A. Al-Gwaiz	Member	Non-executive	-
7	Mr. Fahad S. Al-Rajhi	Member	Non-executive	
8	Mr. Ibrahim H. Al-Mazyad Representative of The Arab Investment Company			-
9	Dr. Abdulrahman A. Al-Zamil	Member	Independent	-
10	Mr. Abdulrahman A. Al-Turki	Member	Independent	-
11	Eng. Mohammed A. Al-Ghurair	Member	Independent	-

2 - Participation of the Board Members in the other joint stock companies

No.	Name	Membership in other joint stock companies
1	H.E. Eng. Abdulaziz A. Al-Zamil	Sahara Petrochemicals Company (Public Shareholding-KSA) Alinma Bank (Joint Stock-KSA) Al Zamil Group Holding Company (Closed Joint Stock-KSA)
2	Eng. Ahmad A. Al-Ohali	Al Bilad Bank (Public Joint Stock-KSA)
3	Dr. Abdulaziz A. Al-Gwaiz	Al Khaleeg Training & Education Co. (Public Shareholding-KSA)
4	Mr. Abdulrahman A. Al-Turki	Al-Saqr Cooperative Insurance Company (Public Shareholding-KSA) Investcorp Co. (Public Shareholding-Bahrain) Golden Pyramids Plaza Co. (Public Shareholding-Egypt) Zara Investment Holding Co. for hotels (Public Shareholding-Jordan. Dhahran International Exhibitions Co (Closed Joint Stock-KSA)
5	Dr. Abdulrahman A. Al-Zamil	Sahara Petrochemicals Company (Public Shareholding-KSA) International Energy Co (Closed Joint Stock-KSA)

2 - Participation of the Board Members in the other joint stock companies

No.	Name	Membership in other joint stock companies
6	Mr. Abdulaziz A. Al-Khamis	Saudi Investment Bank (Public Shareholding-KSA) National Petrochemical Company (Closed Joint Stock-KSA)
7	Eng. Reyadh S. Ahmed	Privatization Holding Company (Closed Joint Stock-Kuwait) Noor Financial Investment Co. (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-Jordan)
8	Eng. Mohammed A. Al-Ghurair	National Cement Company (Public Shareholding-UAE) Al-Ghurair Group (Closed Joint Stock-UAE)
9	Mr. Ibrahim H. Al-Mazyad	Arab Jordan Investment bank (Public Joint Stock, Jordan) Arab Jordan Investment bank (Public Joint Stock, Qatar) Kenana Sugar Company (Closed Joinit Stock, Sudan)
10	Mr. Fahd S. Al-Rajhi	National Industries Company (Closed Joint Stock-KSA) Al Rajhi Brothers Group Co.(Closed Joint Stock-KSA)
11	Dr. Sami M. Zaidan	N/A

3 - Board meeting attendance registers

The Sipchem Board held five meetings during the 2014. It is worth noting that the members who did not attend any board meetings authorized other board members to represent them. The below schedule shows the attendance register for every board member:

No.	Name	Board meetings in 2014 First 20/2/2014	Second 16/03/2014	Third 03/06/2014	Forth 16/09/2014	Fifth 30/11/2014	Total attendance
1	H.E. Eng. Abdulaziz A. Al-Zamil	✓	✓	✓	✓	✓	5
2	Eng. Ahmad A. Al-Ohali	✓	✓	✓	✓	✓	5
3	Eng. Mohammed A. Al-Ghurair	✓	✓	✓	✓	✓	5
4	Dr. Abdulrahman A. Al-Zamil	✓	✓	✓	✓	✓	5
5	Dr. Abdulaziz A. Al-Gwaiz	✓	✓	✓	✓	✓	5
6	Mr. Abdulrahman A. Al-Turki	✓	✓	✓	✓	×	4
7	Mr. Fahad S. Al-Rajhi	✓	✓	✓	✓	×	4
8	Mr. Ibrahim H. Al-Mazyad	✓	✓	✓	✓	×	4
9	Eng. Reyadh S. Ahmed	×	✓	✓	✓	✓	4
10	Mr. Abdulaziz A. Al-Khamis	✓	×	✓	✓	✓	4
11	Dr. Sami M. Zaidan	×	×	✓	✓	✓	3

4 - Description of any benefits for Board members, their wives and children below eighteen years in shares or debt instrument in Sipchem

Name	Shares on 1 January 2014 No.	%	Shares on 31 December 2014 No.	%	Net Change	Change percentage	First class relative ownership and changes
H.E. Eng. Abdulaziz A. Al-Zamil	186,600	0.051%	186,600	0.051%	0	0%	N/A
Eng. Ahmad A. Al-Ohali	289,525	0.079%	289,525	0.079%	0	0%	N/A
Eng. Mohammed A. Al-Ghurair	700,000	0.191%	700,000	0.191%	0	0%	N/A
Dr. Abdulrahman A. Al-Zamil	1,001,000	0.273%	883,892	0.2%	- 117,108	- 11.69%	N/A
Dr. Abdulaziz A. Al-Gwaiz	30,000	0.008%	30,000	0.008%	0	0%	N/A
Mr. Abdulrahman A. Al-Turki	8,305,000	2.265%	8,305,000	2.265%	0	0%	N/A
Mr. Fahad S. Al-Rajhi	6,111,342	1.667%	6,111,342	1.667%	0	0%	N/A
Mr. Ibrahim H. Al-Mazyad	48	0%	48	0%	0	0%	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 1 January 2014 No.	%	Shares on 31 December 2014 No.	%	Net Change	Change percentage	First class relative ownership and changes
Eng. Abdulrahman Abdulkarim Al-Saif	11,000	0.003%	0	0%	- 11,000	- 100%	N/A
Eng. Abdullah Saif Al-Saadoon	0	0%	0	0%	0	0%	N/A
Mr. Hussain Saeed Al-Saif	0	0%	0	0%	0	0%	N/A
Mr. Rashid Mohammed Al Dossari	50	0%	50	0%	0	0%	N/A
Mr. Kevin John Hayes	0	0%	0	0%	0	0%	N/A
Mr. Abdullah Nasser Al-Jaber	28,152	0.0076%	28,152	0.0076%	0	0%	N/A

6 - Description of any benefit related to the shares of major shareholders

Below is a list of major shareholders (who own 5% and above), the number of their shares and their ownership percentage during the year 2014

Name	Shares on 1 January 2014		Shares on 31 December 2014		Net Change	Change percentage
	No.	%	No.	%		
Al-Zamil Holding Group Company	35,549,375	9.70%	35,549,375	9.70%	0%	0%
Ikarus Petrochemical Holding Company	30,295,377	8.26 %	30,025,511	8.18%	269,866-	0.89%-
Public Pension Agency	28,405,514	7.75%	28,405,514	7.75%	0	0%
Olayan Financing Ltd Company	19,250,000	5.25%	18,940,000	5.16%	310,000-	1.61%-

7 - Rewards and compensations for the board members and senior executives

The below table shows the highest rewards and compensations paid to the Board members and senior executives including the CEO and the General Manager of Finance during the year 2014

Name	Executive Board members	Non-executive / independent Board members	Five of senior executives who received the highest rewards & compensations including CEO and Financial manager
Salaries and compensations	-	-	9,578,712
Allowances	19,310	200,363	-
Periodic and annual rewards	200,000	2,000,000	2,042,211
Incentive Plans	-	-	-
Any other compensations or in- kind benefits paid annually or monthly	-	-	-

Board Committees

1 - The Audit Committee

The Audit Committee is composed of three members; one of them 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. It recommends to the Board of the Directors the assignment of the chartered accountants, determines their scope of works, proposes their annual fees and follows up the audit plan. The committee also regularly reviews the financial systems, the risks threatening the company, its compliance with legal requirements, statutory and accounting rules on the basis of requirements of the Capital Market Authority (CMA) and its executive regulations. The responsibilities of the committee include the review of the annual financial statements of the company before submission to the Board of Directors and the study of the accounting policies and making recommendations thereof to the board.

The committee has held three meetings during the year 2014. Mr. Fahd Abdullah Sawai, a member in the Audit Committee representing the Public Pension Agency, resigned while the Board appointed Mr. Abdel Salam Nasser instead of him.

Members of Audit Committee

Name	Title	
Mr. Fahad S. Al-Rajhi	Committee chairman - Board member	-
Mr. Adib A. Al-Zamil	Committee member - Al Zamil Group Holding	-
Mr. Fahad A. Sawai	Committee member - Public Pension Agency	Membership ends on 29/11/2014
Mr. Abdel Salam Nasser	Committee member - Public Pension Agency	Membership begins on 30/11/2014

Dates of meetings

Sl No.	Meeting	Date
1	First	20/2/2014
2	Second	10/9/2014
3	Third	20/11/2014

2 - The Nominations and Remunerations Committee

The Nominations and Remunerations Committee consists of five Board members. The committee is responsible of 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 lays the company policies for the compensations and remunerations of the Board members and the senior executives in addition to determining the strengths and weaknesses of the Board of Directors and proposing certain treatment in a way that serves the interests of the company. During 2014, the committee evaluated the performance of the Board of Directors, approved certain mechanism for estimating the CEO's performance and submitted the recommendations required to improve the performance and efficiency of the Board. The committee held two meetings during the year 2014.

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

Name	Title
H.E. Eng. Abdulaziz A. Al-Zamil	Committee chairman
Dr. Sami M. Zaidan	Committee member
Mr. Fahad S. Al-Rajhi	Committee member
Eng. Mohammed A. Al-Ghurair	Committee member
Mr. Ibrahim H. Al-Mazyad	Committee member

Dates of meetings

Sl No.	Meeting	Date
1	First	27/10/2014
2	Second	15/12/2014

3 - The Executive Committee

The executive committee is composed of six Board members. Its duty is to submit 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 and recommendations related to strategic resolutions on the operational priorities of the company. The committee held three meetings during the year 2014.

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

Name	Title
H.E. Eng. Abdulaziz A. Al-Zamil	Committee chairman
Eng. Ahmad A. Al-Ohali	Committee member
Eng. Reyadh S. Ahmed	Committee member
Dr. Abdulaziz A. Al-Gwaiz	Committee member
Dr. Sami M. Zaidan	Committee member
Mr. Abdulaziz A. Al-Khamis	Committee member

Dates of meetings

Sl No.	Meeting	Date
1	First	27/10/2014
2	Second	15/12/2014
3	Third	25/11/2014

Board of Directors' Declarations

The Board of Directors declares the following:

1. The accounts register has been prepared in the correct format.
2. The internal control system has been prepared on sound basis and is being implemented effectively.
3. There are no doubts about the company's ability to continue the performance of its activities.
4. The consolidated financial statements have been prepared according to the standards and the accounting systems issued by the Saudi Organization for Certified Public Accountants and according to the related requirements of the Companies Law and the company's by- laws with regard to the preparation and publication of financial details.
5. The company has not issued any bonds or debt instruments except for what is mentioned in VII, paragraph (f) "Total Debts of Sipchem & its Affiliates". Consequently, Sipchem has not recovered, purchased or canceled any debt instruments.
6. The company was not entitled to any transfer or subscription rights based on debt transferable instruments to shares or options rights or any other similar rights issued or granted by the company during the year 2014.
7. The company did not enter into any contract in which there is or has been any substantial benefit either to a Board member, the Chief Executive Officer, the General Manager of Finance or to any person related to any one of them.
8. No arrangements or agreements are made through which any of the Board members or the senior executives waive any of his salary or compensation.
9. There are no arrangements or agreements through which any of the Company's shareholders waive any equity 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. Sipchem has entered into dispute with the construction contractor of Sipchem Research & Development Center, entitled Technology & Creative Exchange (STCE), at Al Dhahran, Kingdom of Saudi Arabia after the termination of the construction contract. This dispute has been referred to arbitration according to the Saudi Arbitration Law. The engineering company issued its final report and submitted it to the Arbitration authority which is expected to issue its final decision with regard to the amount of the works accomplished by the contractor and compensations paid to any of the parties during the year 2015. It is worth mentioning that Sipchem received the work site since the end of February 2014 while the construction works still exist. Sipchem believes that it will not be obliged to fulfill any payment with the except for the payments due for the operations accomplished by the Contractor.

Board of Directors' recommendations

Sipchem's Board of Directors submitted recommendations to the Ordinary General Assembly - to be held in the first quarter of the year 2015- for the following:

1- Approval of the Board's report for the year 2014.
2- Approval of the financial statement and profit/losses statements on 31/12/2014.
3- Approval of auditor's report for financial year ended 31/12/2014.
4- Discharge of the board members from liability for the previous year 2014.
5- Approval of Board of Directors' recommendation to distribute cash dividends for shareholders for the second half of 2014 at a rate of SR 0.65 per each share representing 6.5% of nominal value of SR 238,333,333 per each share provided that eligibility of these dividends will be for the listed shareholders at Tadawul, at end of meeting of General Assembly noting that SR 0.6 per share was cashed for the first half of the year 2014.
6- Approval to pay the amount of SR (2,200,000) two million and two hundred thousand riyals as remuneration for the Board members with the amount of SR (200,000) Two hundred thousand riyals for each member for the fiscal year 2014.
7- Approval of the appointment of the external auditor as nominated by the Audit Committee for the fiscal year 2015 to audit the company's accounts, the quarterly financial statement and determine their fees.

Shareholders' General Assembly

Sipchem held its Ordinary General Assembly Meeting on 16 March 2014 and an Extraordinary General Assembly for the Sukuk holders. The company announced the date of each meeting, its place and agenda on the Capital Market Authority (Tadawul) website, the company website and in the official newspaper and the local newspapers at least 25 days prior to the determined date.

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 both meetings and the voting procedures in General Assembly's invitation in addition to the distribution of file containing all the information sufficient for enabling the shareholders to adopt any resolution. The company also notified Tadawul about the results of the two meetings immediately after their conclusion. The shareholders were also able to view the minutes of the meetings at the company head office and through the company's website. Due to Sipchem's keenness to develop communication channels with its shareholders and facilitate all procedures, Sipchem enables the shareholders, who are unable to attend the General Assembly meeting, to vote on the items of the assembly's agenda via Tadawulati website. Below are the adopted resolutions:

Sl No.	Assembly Meeting's date	Attendance %	Adopted resolutions
1	16/3/2014 General Assembly	64%	1- Approval of the Board`s report for the year 2013. 2- Approval of auditor's report for financial year ended 31/12/2013. 3- Approval of the financial statements and profit/losses statements on 31/12/2013. 4- Discharge the Board members from liability for the previous year 2013. 5- Approval of Board of directors' recommendation to distribute cash dividends on shareholders for the second half of the year 2013 at SR (0.65) per each share representing (6.5%) of the share nominal value of with total amount of SR (238,333,333). Such profits are granted only to the shareholders, who are registered in the registers at the end of the trading day in which the assembly meeting is held. It is worth mentioning that share profit of SR (0.6) per each share representing (6%) of the share nominal value with total amount of SR (220,000,000) are granted for the first half of the year 2013. 6- Approval to allocate the amount of two million two hundred thousand (2,200,000) Saudi Riyals as awards for the members of the Board of Directors. Each member shall take the amount of two hundred thousand (200,000) Saudi Riyals for the fiscal year 2013. 7- Approval to appoint Deloitte & Touche Bakr Abulkhair & Co.as an auditor for the company`s accounts and quarterly financial statements for the fiscal year 2014, whereas Ernst & Young (E&Y) will audit Zakat & tax services for the year 2014. The remuneration of the two auditors will be determined in the meeting.
2	29/5/2014 Extra- ordinary General Assembly for Sukuk holders	86%	1- Approving the amendments made by the company to the terms and provisions of Sukuk. 2- Approving any cancellation, amendment, settlement or arrangement concerning the rights of Sukuk holders which are resulting from or being implemented under the amendments referred to in paragraph (1) of the agenda in addition to implementing it. 3- Authorizing, directing, asking and enabling the representative of Sukuk holders to approve the amendments in order to become into force. In addition, signing the first complementary announcement of the agency and the first complementary agreement of Mudaraba, approving and signing other documents , performing acts and things which may be necessary, appropriate or advisable for the implementation and performance of this resolution and amendments. 4- Granting Sukuk holders' representative discharge from any responsibility, which he is or will be liable for pursuant to the announcement of the agency or the Sukuk as a result of taking any action of failing to take any action associated with such resolution or the implementation thereof.

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- 10% of the net profits as statutory reserve. The Ordinary 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 special purpose (s).

3- From the remaining amount, a first payment, equivalent to 5% of the paid-up capital, is granted to the shareholders.

4- 10% at most of the remaining amount shall be assigned as 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 shall be distributed to the shareholders as an additional portion of the profit.

5- The company may, subject to its financial capabilities, distribute the dividends to the shareholders on a quarterly basis provided to abide by the conditions, regulations and circulars issued by the ministry of Commerce and Industry with this regard.

On 26/03/2014, shareholders received cash dividends for the second half of the year 2013 at the rate of SR 0.65 per each share which represents 6.5% of the nominal value per each share, totaling 238,333,333 Saudi Riyals. Such dividends are granted only to the shareholders, who are listed in Tadawl registers at the end of the trading day in which the assembly meeting is held, namely, on 16 March 2014. It is worth mentioning that share profit of SR (0.6) per each share representing (6%) of the share nominal value with total amount of SR (220,000,000) are granted for the first half of the year 2013. Accordingly, the distributed dividends for the year 2013 reached 1.25 Riyal for each share.

On 17/07/2014, shareholders received cash dividends for the first half of the year 2014 at the rate of SR 0.6 per each share which represents 6 % of the nominal value per each share, totaling 2014 Saudi Riyals per share. Such dividends are eligible only to the shareholders, who are listed in Tadawl registers at the end of the trading day 6/7/2014. The Board of directors issued its recommendation to the General Assembly of the company to approve the distribution of cash profits on the shareholders for the second part of the year 2014 at the rate of SR (0.65) per each share representing (6.5%) of the share nominal value with total amount of SR (238,333,333) . The maturity date of distributing such cash profits on the shareholders listed in Tadawel registers will be at the end of the trading day in which the General Assembly to be held in the first quarter of the year 2015. Accordingly, the distributed dividends for the year 2014 reached SR 1.25 for each share.

Communication with shareholders

Disclosure of information in a clear, accurate and quick manner is an essential feature of "Sipchem". It believes in the importance of building communication channels with the shareholder, investor and the financial auditor who want to be kept informed of all our activities and projects. In "Sipchem", we're keen on building a base of confidence at all levels with our shareholders. We were able to gain the confidence of the shareholder and the investor foremost, and even to make them partners in the process of growth and expansion.

Based on our core values which emphasize commitment to the highest ethical standards, ensures full impartiality and trust-based work and responsibility, and as justice is an essential axis in building communities, and a strong motivation for building, advancement and progress, Sipchem has committed itself, both individuals and companies, to the principle of fairness in the financial market through the availability of company information to all market parties, individuals and companies, without discrimination. Also all are subject to the rules and regulations without distinction. To this end, Sipchem Governance Regulation supports the content of the principle of disclosure and transparency in accordance with the concept of corporate governance and financial market authority regulations and in accordance with the Companies Act and the Sipchem by- laws.

Sipchem is fully committed to achieve the principle of 'justice' in regards to providing the appropriate information to enable shareholders and investors to take their investment decisions depending on adequate and correct information. Sipchem has taken many measures to guarantee the shareholders' rights to obtain information through the CMA 'Tadawul' website and the company website www.sipchem.com Sipchem also 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. Sipchem has also provided remote-vote technology to give the opportunity to shareholders who were unable to attend the meeting of the General Assembly to vote on assembly agenda sections.

We would like to express our gratitude to all who choose "Sipchem" as an important starting point in the successful investments. We also would like to thank hundreds of thousands of shareholders and investors who put their trust in us as one of the building blocks of excellence in the petrochemical industry in the Kingdom and the world.

Description of any deal between Sipchem and interested parties

Interested parties are the associated companies, major employees and the establishments that are controlling or jointly controlled and significantly influenced by such interested. Below are the most important deals with the interested parties during the year:

The foreign partners (Japan-Arabia Methanol Company Ltd. and Arabian Helm and Partners Ltd.) have marketed a portion of the Group's products. The total sale of foreign partners was SR 1,835 million compared to SR 1,710 million in 2013.

International Diol Company, one of Sipchem's Affiliates, has purchased some fixed assets from Devy Process Technology Limited, one of its foreign partners. The total purchase of fixed assets was SR 97.1 million compared to SR 20.7 million in 2013.

The company and the minority partners have granted advances to the group companies in order to support their operations and comply with the lender terms. Some of the long-term advances don't have finance costs and no dates are determined for payment thereof, while other long and short term advances have finance costs as per the ordinary commercial prices.

Sipchem has allocated an amount of SAR 114.2 million of its financial resources to the International Polymers Company for the purpose of building polymers plant. In return, the International polymers company will pay some of Sipchem's R&D Center costs during the year 2015.

The prices of these deals and the conditions relating thereto are adopted by the Boards of Directors of the group companies.

The amounts required to and from related parties are mainly associated with certain balances pertaining to the deals referred to above. Such amounts are part of current assets and current liabilities.

Corporate Governance

Governance means consistent management, cohesive policies, guidance, processes and decision-making. This is what "Sipchem" adheres to in all the phases of its operations. Therefore, governance is important for all companies, whether local or global, in the present era. The financial crises that hit the global economy put the concept of corporate governance among the top priorities for any successful company. Governance aims at activating the role of the Board of directors; enhancing the internal audit; following up the implementation of the strategies ; defining the roles and responsibilities of each of the shareholders, the Board of Directors, the executive management and stakeholders in addition to emphasizing the importance of transparency and disclosure. The concept of corporate governance is the a reforming method and a new working mechanism that will consolidate the fairness of the financial transactions by developing mechanisms that serve the public interests and shareholders' rights.

Based on its belief in the importance of governance, Sipchem has applied all the mandatory regulations as included in the Corporate Governance list issued by the Capital Market Authority (CMA) that protect the shareholders' rights and reinforce the company's commitment to declaration and transparent standards. Accordingly, Sipchem established a database through its electronic site that enables its eligible shareholders, who have not received their dividends for the previous year, to know the details of their dividends on the link below:
http://www.sipchem.com/ar/shares.asp

Sipchem has prepared its governance bylaws, which is approved in the General Assembly meeting held on 4/4/2009, according to the requirements of Article (10) paragraph (C) of the corporate governance regulation issued by the Capital Market Authority without prejudice to Companies Law, the listing and inclusion rules and the company by-laws. Sipchem published its governance bylaws on the following link to enable its shareholders to review its regulations: http://www.sipchem.com/ar/Government.htm

In compliance with Article (10) paragraph (B) of the corporate governance regulation issued by the Capital Market Authority, Sipchem has adopted the conflicts of interest policy and has applied all articles of corporate governance with the exception of the articles below:

Article	Paragraph	Action	Reasons and details
6 Voting Rights	B	In the General Assembly, the voting method used for the nomination of the board members shall be the accumulative voting method.	The company by-laws do not stipulate the accumulative voting method. The company is currently applying the normal voting system.
	D	Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies and actual voting.	Not applicable
12 Formation of the Board	I	Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors.	Not applicable

Human Resources

Over the past years, Sipchem has witnessed a rapid growth in the optimum employment of human resources. From employment perspective, Sipchem is more than just a petrochemical company; it has a skilled team in all specialized fields. Since the company establishment, training and development programs has been intensified as per specialties and administrative grade to ensure progress of work according to the highest standard of efficiency based on the latest training and development management systems.

The table below shows the number and percentage of employees in Sipchem and its affiliates as of the end of 2014 compared to 2013:

Employees	**2014**		**2014**	
	No.	**%**	**No.**	**%**
Saudi	799	74%	627	71%
Non- Saudi	277	26%	255	29%
Total	**1,076**		**882**	

Sipchem signed a new agreement with the Human Resources Development Fund (HDF) in Jubail Industrial City in February 2014 to support the new employees through various programs provided by the Fund to the private sector. Sipchem held a meeting with the Fund in order to discuss the latest support programs provided by the Fund to the private sector, whether for employment or training ended with employment. The Fund provided a detailed proposal to the program of the additional support for the wage-related employment and display of modern programs that serve the private sector in general.

During the year 2014, "Sipchem" has carried out 408 training programs in collaboration with qualifies and professional training authorities, both internal and external, in order to raise the efficiency and enhance the functional capabilities of the employees , administrators and technicians . The number of employees who benefited from such programs reached 1,920 employees.

Sipchem has applied via-internet training system that includes more than 350 training programs in various technical and administrative fields, business, and security and safety skills, in addition to computer courses. It is worth noted that the content of such training materials is prepared by international universities such as Harvard Business School.

Sipchem also implemented a distinguished and intensified program for leadership development. This program focused on the modern theories in administration and leadership, and the way of applying such theories in a manner that benefits the company employees and enhances the work flow. The total number of employees in this program was 125 employees from various sectors and administrative levels. The training plan for 2015 has been prepared with 375 training programs in various technical and administrative fields.

Sipchem held its annual ceremony to honor its employees who completed five, ten or fifteen years of continuous service in January 2015 wherein more than 115 employees were honored.

Employees' Incentive Programs

1 - Home Ownership Program (SHOP)

The company is currently implementing a Home Ownership Program for its Saudi employees. The program aims at giving a chance to the company's Saudi employees, who meet the program conditions, to own housing units in light of Sipchem policy of assuring comfort and stability for its employees and motivating them to continue their services with the company. The company is currently proceeding with the program as per the set plan. The 354 residential units are built using high standard prefabricated units.

Sipchem arranges for its employees rounds to the work site in order to follow the construction and finishing works so as the employee be able to monitor the development works on an ongoing basis.

2 - Sipchem Employee Incentive Program

Sipchem implemented an Employee Incentive Program aimed at encouraging the company's 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 objectives. The program also contributes in attracting highly qualified personnel in the field of petrochemicals.

The program is currently managed by Al Bilad Securities and Investment Co., through a special portfolio opened for the program in 2010. A total of 168,777 shares have been transferred from the program portfolio to the eligible employees who completed the subscription period during the year 2014. Total number of the program shares reached 1,096,648 as of December 31, 2014.

3 - Savings Program

Sipchem initiated to put an Islamic Shariah-compliant savings program to motivate its employees and enhance their loyalty to the company hence improving the work performance, and attracting well-qualified Saudi employees and motivating them to continue their services. The program is aimed at helping Saudi employees to accumulate their savings to be utilized upon retirement or end of services.

The company takes a part of the subscribed employee's salary and may invest these savings according to his desire. The company has the right to manage this investment in the way which it believes to be beneficial for the program subscriber in accordance with the best available Islamic Shariah-compliant investment portfolio. Also, the company has the right to invest the subscriber's 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 are in low-risk Islamic portfolios.

The savings program was initiated in 2011. Sipchem had made it compliant with Islamic Shariah so that it attracted the biggest numbers of employees. Al-Jazeera Bank is in charge of managing the savings program which was reviewed and approved by the bank's Shariah Committee.

4 - EMPLOYEES' Benefits Allocations

The following table shows the allocations and compensation of Sipchem's employees for the 2014 compared to the year 2013:

Item	2014	2013
End of Services Rewards	130.4	99.8
Saving Program	6.3	3.2

Conclusion

The initial overview of this report shows that Sipchem projects strengthen the Kingdom's position as a global competitive industrial destination. The current situation requires from all the participants of the Saudi economic system and Sipchem, in the forefront , to be in constant contact and dialogue about common means of confronting the challenges of this era. Such challenges become more complicated as a result of such rapid and successive developments experienced by the world.

The comprehensive, permanent and continuous development has been and is still the most prominent objective, since the foundation of Sipchem. Besides, it was the most present in all its stages and on the priorities of the board of directors and executive management. Sipchem owns a wealth of specialized workforce in all specialties. All employees of the company have performed their best efforts reflected by the ideas, initiatives, and vision provided by Sipchem, resulting in positive outcome for all.

At the end of our report for the year 2014, the Board members would like to express their thanks and appreciations to shareholders for their trust asking Allah the Al-Mighty to increase His graces, grant our County the grace of security and stability and protect the leader of our renaissance, the Custodian of the Two Holy Mosques and HRH Crown Prince, for their sponsorship and support of the company's activities. Also, the board expresses its gratitude to all the governmental departments and institutions as well as the company's customers and suppliers for their sincere cooperation and permanent support. Thanks and appreciations are due to Sipchem's employees for their sincere efforts and their keenness on its prosperity and progress.

Sipchem prides itself in being a part of the world's dining experience, making sure our role in there is executed excellently.

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
for the year ended 31 December 2014

Deloitte.

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AUDITORS' REPORT

To the stockholders
Saudi International Petrochemical Company
Kingdom of Saudi Arabia

Scope of Audit

We have audited the consolidated balance sheet of Saudi International Petrochemical Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries (collectively "the Group") as of December 31, 2014 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended and notes 1 to 33 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Group and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Nasser M. Al-Sagga
License No. 322
20 Rabi' II, 1436
February 9, 2015

Lic. 96
C.P.A
Deloitte & Touche
Bakr Abulkhair & Co.

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2014

Details	Note	2014 SR	2013 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	**2,458,750,403**	2,857,603,807
Accounts receivable, prepayments and other receivables	4	**1,069,450,860**	1,314,330,713
Inventories	5	**532,008,409**	302,726,432
Total current assets		**4,060,209,672**	4,474,660,952
Non-current assets			
Property, plant and equipment	6	**12,888,114,174**	11,547,456,930
Projects' development costs	7	**62,160,218**	473,322,399
Intangible assets	8	**169,069,149**	163,765,313
Goodwill	9	**29,543,923**	29,543,923
Total non-current assets		**13,148,887,464**	12,214,088,565
Total Assets		**17,209,097,136**	16,688,749,517
LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS			
Current liabilities			
Bank overdrafts	10	**-**	48,744,532
Current portion of long term loans	13	**545,956,032**	416,510,465
Current portion of obligations under capital lease	15	**20,400,000**	-
Accounts payable, accrued and other liabilities	11	**915,009,956**	744,465,823
Short term advances from partners	12	**80,287,729**	75,388,206
Total current liabilities		**1,561,653,717**	1,285,109,026
Non-current liabilities			
Long term loans	13	**5,386,538,817**	5,354,903,733
Sukuk	14	**1,800,000,000**	1,800,000,000
Obligations under capital lease	15	**234,600,000**	255,000,000
Long term advances from partners	12	**58,981,712**	392,077,039
Employees' benefits payable	16	**136,728,449**	103,006,580
Fair value of interest rate swaps	17	**21,952,554**	71,754,197
Other non-current liabilities	18	**54,398,018**	5,860,886
Total non-current liabilities		**7,693,199,550**	7,982,602,435
Total liabilities		**9,254,853,267**	9,267,711,461

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2014

Details	Note	2014 SR	2013 SR
Stockholders' equity and non-controlling interests			
Share capital	1	**3,666,666,660**	3,666,666,660
Statutory reserve	21	**1,169,570,531**	1,108,947,975
Reserve for the results of sale of shares in subsidiaries		**48,893,677**	48,893,677
Retained earnings		**868,398,032**	783,328,357
Proposed dividends	22	**238,333,333**	238,333,333
Net change in fair value of interest rate swaps	17	**(16,952,840)**	(54,992,116)
Foreign currency translation reserve		**(6,411,004)**	2,045,140
Total stockholders' equity		**5,968,498,389**	5,793,223,026
Non-controlling interests	23	**1,985,745,480**	1,627,815,030
Total stockholders' equity and non-controlling interests		**7,954,243,869**	7,421,038,056
Total liabilities, stockholders' equity and non-controlling interests		**17,209,097,136**	16,688,749,517
Sales	20	**4,124,406,137**	4,071,609,554
Cost of sales		**(2,727,763,704)**	(2,707,052,326)
Gross profit		**1,396,642,433**	1,364,557,228
Selling, general and administrative expenses	24	**(218,793,573)**	(202,511,556)
Operating income		**1,177,848,860**	1,162,045,672
Investment income		**9,146,003**	17,091,938
Finance charges	10,13,14, 15	**(156,151,501)**	(171,308,067)
Other expenses, net	25	**(93,138,585)**	(22,273,639)
Income before non-controlling interests, zakat and foreign income tax		**937,704,777**	985,555,904
Non-controlling interests	23	**(244,582,325)**	(309,900,853)
Net income before zakat and foreign income tax		**693,122,452**	675,655,051
Zakat and foreign income tax	19	**(86,896,888)**	(55,205,996)
Net Income		**606,225,564**	**620,449,055**
Earnings per share			
Earnings per share from net income		**1.65**	1.69
Earnings per share from continuing main operations		**1.88**	1.70
Earnings per share from other operations		**(0.23)**	(0.01)
Weighted average number of shares outstanding		**366,666,666**	366,666,666

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY YEAR ENDED DECEMBER 31, 2014

	Share capital SR	Statutory reserve SR	Reserve for the results of sale of shares in subsidiaries SR	Retained earnings SR	Proposed dividends SR	Net change in the fair value of Interest rate swaps SR	Foreign currency translation reserve SR	Total SR
January 1, 2013	3,666,666,660	1,046,903,069	48,893,677	960,457,541	-	(99,492,806)	2,402,706	5,625,830,847
Net income for 2013	-	-	-	620,449,055	-	-	-	620,449,055
Net change in fair value of interest rate swaps	-	-	-	-	-	44,500,690	-	44,500,690
Net change in foreign currency translation reserve	-	-	-	-	-	-	(357,566)	(357,566)
Transfer to statutory reserve	-	62,044,906	-	(62,044,906)	-	-	-	-
Dividends paid (note 22)	-	-	-	(495,000,000)				(495,000,000)
Proposed dividends (note 22)	-	-	-	(238,333,333)	238,333,333	-	-	-
Board of Directors' remuneration	-	-	-	(2,200,000)	-	-	-	(2,200,000)
December 31, 2013	3,666,666,660	1,108,947,975	48,893,677	783,328,357	238,333,333	(54,992,116)	2,045,140	5,793,223,026
Net income for 2014	**-**	**-**	**-**	**606,225,564**	**-**	**-**	**-**	**606,225,564**
Net change in fair value of interest rate swaps	**-**	**-**	**-**	**-**	**-**	**38,039,276**	**-**	**38,039,276**
Net change in foreign currency translation reserve	**-**	**-**	**-**	**-**	**-**	**-**	**(8,456,144)**	**(8,456,144)**
Transfer to statutory reserve	**-**	**60,622,556**	**-**	**(60,622,556)**	**-**	**-**	**-**	**-**
Dividends paid (note 22)	**-**	**-**	**-**	**(220,000,000)**	**(238,333,333)**	**-**	**-**	**(458,333,333)**
Proposed dividends (note 22)	**-**	**-**	**-**	**(238,333,333)**	**238,333,333**	**-**	**-**	**-**
Board of Directors' remuneration	**-**	**-**	**-**	**(2,200,000)**	**-**	**-**	**-**	**(2,200,000)**
December 31, 2014	**3,666,666,660**	**1,169,570,531**	**48,893,677**	**868,398,032**	**238,333,333**	**(16,952,840)**	**(6,411,004)**	**5,968,498,389**

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2014

	2014 SR	2013 SR
OPERATING ACTIVITIES		
Net income before zakat and foreign income tax	**693,122,452**	675,655,051
Adjustments for:		
Depreciation and amortization	**569,436,506**	558,071,107
Employees' benefits payable, net	**33,721,869**	17,238,066
Finance charges	**156,151,501**	171,308,067
Non-controlling interests	**244,582,325**	309,900,853
Loss on disposal of property, plant and equipment	**-**	21,043,063
Property, plant and equipment written off	**-**	3,680,405
Investment income	**(9,146,003)**	(17,091,938)
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other receivables	**244,879,853**	(453,968,488)
Inventories	**(229,281,977)**	(24,770,254)
Accounts payable, accrued and other liabilities	**188,845,100**	(18,529,554)
Cash from operations	**1,892,311,626**	1,242,536,378)
Finance charges paid	**(150,172,213)**	(257,762,488)
Zakat and income tax paid	**(62,640,011)**	(38,589,917)
Net cash from operating activities	**1,679,499,402**	946,183,973
Investing Activities		
Additions to property, plant and equipment	**(1,026,804,197)**	(1,309,403,283)
Additions to intangible assets	**(59,230,704)**	(183,125,438)
Projects' development costs, net	**(418,200,504)**	(220,745,646)
Investment income received	**9,146,003**	17,091,938
Net cash used in investing activities	**(1,495,089,402)**	(1,696,182,429)
Financing Activities		
Change in bank overdraft, net	**(48,744,532)**	48,744,532
Long term loans, net	**161,080,651**	1,304,614,127
Repayment of obligations under capital lease	**-**	(55,378,380)
Advances from partners	**(328,195,804)**	(40,397,454)
Change in non-controlling interests	**101,585,758**	(205,877,332)
Dividends paid	**(458,333,333)**	(495,000,000)
Board of Directors' remuneration paid	**(2,200,000)**	(2,200,000)
Net cash (used in) from financing activities	**(574,807,260)**	554,505,493
Net change in cash and cash equivalents	**(390,397,260)**	(195,492,963)
Cash and cash equivalents, January 1	**2,857,603,807**	3,053,454,336
Foreign currency translation reserve	**(8,456,144)**	(357,566)
Cash And Cash Equivalents, December 31	**2,458,750,403**	2,857,603,807

Non-cash transactions (note 27)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

1. Organization and Activities

Saudi International Petrochemical Company (the "Company" or "Sipchem") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010156910 dated 14 Ramadan, 1420, corresponding to December 22, 1999. The Company's head office is in the city of Riyadh with one branch in Al-Khobar, where the headquarters for the executive management is located, which is registered under commercial registration number 2051023922 dated 30 Shawwal, 1420, corresponding to February 6, 2000, and a branch in Jubail Industrial City which is registered under commercial registration number 2055007570 dated 4 Jumada I, 1427, corresponding to June 1, 2006.

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

As of December 31, 2014 and 2013, share capital of the Company amounted to SR 3,666,666,660 divided into 366,666,666 shares of SR 10 each.

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

Effective ownership (%)

	2014	2013
International Methanol Company (IMC)	**65%**	65%
International Diol Company (IDC)	**53.91%**	53.91%
International Acetyl Company (IAC)	**76%**	76%
International Vinyl Acetate Company (IVC)	**76%**	76%
International Gases Company (IGC)	**72%**	72%
Sipchem Marketing Company (SMC)	**100%**	100%
International Utility Company (IUC)	**68.58%**	68.58%
International Polymers Company (IPC)	**75%**	75%
Sipchem Chemical Company (SCC)	**100%**	100%
Sipchem Europe Cooperative U.A and its subsidiaries	**100%**	100%
Gulf Advanced Cable Insulation Company (GACI) (note 1)	**50%**	50%
Saudi Specialized Products Company (SSPC) (note 2)	**75%**	75%
Sipchem Asia PTE. Ltd. (note 3)	**100%**	100%

The principal activity of IMC is the manufacture and sale of methanol. IMC commenced its commercial operations in 2004.

The principal activity of IDC is the manufacture and sale of maleic anhydride, butanediol and tetra hydro furan. IDC commenced its commercial operation in 2006.

The principal activities of IAC and IVC are the manufacture and sale of acetic acid and vinyl acetate monomer respectively. IAC and IVC commenced their commercial activities in 2009.

The principal activity of IGC is the manufacture and sale of carbon monoxide. IGC commenced its commercial operations in 2009.

The principal activities of SMC and its subsidiary Sipchem Europe Cooperative U.A are to provide marketing services for the products manufactured by the group companies and other petrochemicals products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014

The principal activity of IUC is to provide industrial utilities to the group companies.

The principal activity of IPC is to manufacture and sale of low density polyethylene (LDPE), polyvinyl acetate (PVAC) and polyvinyl alcohol (PVA). It is currently under trial production. IPC is expected to commence its commercial operation in the second quarter of 2015 after the successful commissioning, testing and completion of acceptance formalities with the main contractors.

The principal activity of SCC is the manufacture and sale of ethyl acetate, butyl acetate and polybutylene terephthalate. Ethyl acetate plant commenced its commercial operations in 2013 while polybutylene terephthalate plant is under development stage and expected to commence its commercial production in 2015.

The principal activity of GACI is the manufacture and sale of cross linked polyethylene and electrical connecting wire products. It is currently under trial production. GACI is expected to commence its commercial operation in the second quarter of 2015 after the successful commissioning, testing and completion of acceptance formalities with the main contractors.

The principal activities of SSPC Company is the manufacture and sale of Molds and Dies and related services as well as Production of EVA films. SSPC is under development stage and expected to commence its commercial production in 2015.

Note 1: Although the Company has only 50% share in GACI, the operations of Gulf Advances Cable Insulation Company are controlled by the Company effectively from the date of its commercial registration. Accordingly, the investee company is treated as a subsidiary of the Company.

Note 2: SSPC was formed during 2013 and its article of association is dated 12 Safar 1435, corresponding to December 15, 2013. The legal formalities relating to the establishment of the company have been completed in 2014.

Note 3: The investee company was incorporated during 2013 in Singapore, its article of association is dated 13 Jumada I, 1434, corresponding to March 25, 2013.

Sipchem signed a Memorandum of Understanding (MOU) with Sahara Petrochemical company (Sahara), a Saudi Joint stock company, on December 4, 2013 to begin non-binding negotiations relating to the detailed terms of a proposed business merger between Sipchem and Sahara based on the principles of merger of equals (the Proposed Merger).

Sipchem and Sahara have agreed that in the event the proposed merger occurs, it will be implemented by way of an exchange of shares and Sahara will become a subsidiary of Sipchem. As per the terms of proposed merger, Sipchem will issue 0.685 new shares for every one issued share in Sahara. As per the terms of the MOU, Sipchem and Sahara have agreed to continue to cooperate with each other to complete the financial, technical, commercial, market and legal due diligence, agree an integration plan and the governance and strategy for the combined group.

The Proposed Merger was subject to various conditions and approvals including, without limitation, the approval of the Capital Markets Authority (CMA), the approval at the general assembly for each of Sipchem and Sahara and the approval of the relevant Saudi Arabian Regulatory authorities.

During the second quarter of 2014, Sipchem and Sahara reached a conclusion that it would be difficult to implement the Proposed Merger under the current Regulatory Framework using a structure acceptable to both the companies. Therefore, Sipchem and Sahara, have decided to postpone the commercial negotiations related to the Proposed Merger for the time being and agreed to independently pursue their business and strategic objectives. As per the management of Sipchem, this decision is not expected to impact the operations of the Company or its financial results. All expenses incurred towards the Proposed Merger amounting to SR 37 million have been expensed and classified as part of other expenses, net.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014 *(Continued)*

2 Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The significant accounting policies adopted by the Group are as follows:

Accounting convention

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

Use of estimates

The preparation of the 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 contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries which are controlled by the Company and are prepared for the same period using unified accounting policies. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The consolidation of the subsidiaries' financial statements in these consolidated financial statements starts from the date control is obtained by the Group 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 the Group are classified under non-controlling interests in these consolidated financial statements. All significant inter-group transactions, unrealized profit and balances between the Group companies have been eliminated in preparing the consolidated financial statements.

Revenue recognition

The Group markets their 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 and distribution. Adjustments are made as they become known to the Group. Both export and local sales are recognized at the time of delivery of the products.

Expenses

All period and marketing expenses other than costs of sales, finance charges and other expenses, net are classified as selling, general and administrative expenses.

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 spare parts, finished goods and raw materials, 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, finished goods and raw materials are arrived at using the weighted average cost method. Appropriate provisions are made for slow moving items and damaged inventories.

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. Leasehold land and construction work-in-progress are not depreciated. Expenditure on maintenance and repairs is expensed while expenditure for improvement 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014 *(Continued)*

	Years
Plant and machinery	10 - 25
Buildings on leasehold land	2 - 33.3
Vehicles	4
Catalyst and tools	1 - 10
Computer, furniture, fixtures and office equipment	1 - 10

Projects' development costs

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

Intangible assets

Intangible assets mainly represent turnaround maintenance costs, upfront fees paid for an existing long term off take agreement and other deferred expenses. The planned turnaround costs are deferred and amortized over the period 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 intangible assets are amortized over the estimated period of benefits.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognized directly as loss in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment

At each consolidated balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as an income immediately.

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 and foreign income tax

The Group is subject to zakat and income tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat and income taxes are provided on an accruals basis. The zakat charge is computed on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. The zakat and foreign income tax charge in the consolidated statement of income represents the zakat for the Company and the Company's share of zakat in subsidiaries and the foreign income tax on foreign shareholders' income. The zakat and income tax assessable on the non-controlling shareholders are included in non-controlling interests.

Foreign income tax is provided for in accordance with foreign fiscal regulations in which the Group's foreign subsidiaries operate.

End-of-service indemnities

End-of-service indemnities, required by labor law, are provided in the consolidated financial statements based on the employees' length of service.

Employee's saving plan

The Company maintains an employee's saving plan for Saudi employees. The contribution from the participants are deposited in separate bank account and liability is established for this contribution. The Company's contribution under the saving plan is charged to the consolidated statement of income.

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.

Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the Annual General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

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 period or periods during which the hedged item affects net profit or loss. For hedges of forecasted transactions, the gain or loss on the hedging instrument will adjust the recorded carrying amount of the acquired asset or liability.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014 *(Continued)*

The results and financial position of a foreign subsidiaries having reporting currency other than Saudi Riyals are translated into Saudi Riyals as follows:

(i) Assets and liabilities for the balance sheet are translated at the closing exchange rate at the date of that consolidated balance sheet;
(ii) Income and expenses for consolidated statement of income are translated at average exchange rates; and
(iii) Components of the shareholders' equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

Cumulative adjustments resulting from the translations of the financial instruments of the foreign subsidiaries into Saudi Riyals are reported as a separate component of consolidated stockholders' equity.

Dividends received from the foreign subsidiary are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of income.

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. 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.

Earnings per share

Earnings per share from net income are computed by dividing net income for the period by the weighted average number of shares outstanding during the period.

Earnings per share from the continuing main operations are computed by dividing net income excluding investment income and other expenses, net for the period by the weighted average number of shares outstanding during the period.

Earnings per share from other operations are computed by dividing the sum of investment income and other expenses, net for the period by the weighted average number of shares outstanding during the period.

Weighted average number of outstanding shares as of December 31, 2014 and 2013 were 366,666,666 shares.

3. Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. As of December 31, 2014 and 2013, cash and cash equivalents comprises the following:

	2014 SR	2013 SR
Cash and bank balances	**1,154,644,410**	886,566,694
Murabaha deposits	**1,304,105,993**	1,971,037,113
	2,458,750,403	2,857,603,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014 *(Continued)*

4. Accounts receivables, prepayments and other receivables

	2014 SR	2013 SR
Accounts receivable	**861,519,582**	1,087,813,095
Deposits, prepayments and other receivables	**207,931,278**	226,517,618
	1,069,450,860	1,314,330,713

5. Inventories

	2014 SR	2013 SR
Spare parts	**191,589,899**	146,209,300
Finished goods	**316,279,678**	118,714,576
Raw materials	**24,138,832**	37,802,556
	532,008,409	302,726,432

Spare parts are primarily related to property, plant and equipment and, are accordingly, expected to be utilized over more than one year.

	Buildings on leasehold land SR	Plant and machinery SR	Catalysts and tools SR	Vehicles, computers, furniture, fixtures and office equipment SR	Construction work- in-progress SR	Total SR
Cost						
January 1, 2014	191,622,151	10,192,537,404	300,969,013	75,037,168	3,237,224,122	13,997,389,858
Additions	96,827	10,222,819	85,578,282	5,509,340	925,396,929	1,026,804,197
Transfers	951,096	133,710,959	30,466,747	14,368,370	611,508,388	791,005,560
Reclassification	-	(12,381,442)	12,381,442	-	-	-
Write-off	-	-	(88,356,621)	-	-	(88,356,621)
December 31, 2014	**192,670,074**	**10,324,089,740**	**341,038,863**	**94,914,878**	**4,774,129,439**	**15,726,842,994**
Depreciation						
January 1, 2014	25,158,406	2,072,385,201	294,474,061	57,915,260	-	2,449,932,928
Charge for the year	5,698,815	410,968,583	53,951,041	6,534,074	-	477,152,513
Reclassification	-	(12,381,442)	12,381,442	-	-	-
Write-off	-	-	(88,356,621)	-	-	(88,356,621)
December 31, 2014	30,857,221	2,470,972,342	272,449,923	64,449,334	-	2,838,728,820
Net book value						
December 31, 2014	**161,812,853**	**7,853,117,398**	**68,588,940**	**30,465,544**	**4,774,129,439**	**12,888,114,174**
December 31, 2013	166,463,745	8,120,152,203	6,494,952	17,121,908	3,237,224,122	11,547,456,930

As of December 31, 2014, property, plant and equipment includes plant and equipment held under capital lease obligation with a cost of SR 535.1 million (2013: SR 535.1 million) and accumulated depreciation of SR 236 million (2013: SR 216 million) (note 15).

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

Some of the Group's property, plant and equipment which has net book value of SR 6,259 million (2013: SR 6,433 million) are pledged as security against Saudi Industrial Development Fund loans, syndicated bank loans and Public Investment Fund loans (note 13).

As of December 31, 2014 and 2013, construction work-in-progress is comprised of construction costs of various plants under development stage (note 1) along with other support facilities. The assets are stated at cost, comprising construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in the manner intended by the management. Also included are 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 include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs.

Borrowing costs relating to projects under development in IDC, IPC, SCC, SSPC and GACI have been capitalized during the year amounting to SR 77.1 million (2013: SR 86.5 million).

7. Projects' development costs

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

	2014 SR	2013 SR
January 1	**473,322,399**	252,576,753
Additions during the year	**418,200,504**	220,745,646
Transferred to property, plant and equipment (note 6)	**(791,005,560)**	-
Transferred to intangible assets (note 8)	**(38,357,125)**	-
December 31	**62,160,218**	473,322,399

8. Intangible Assets

	2014 SR	2013 SR
Cost		
January 1	**352,372,188**	168,088,414
Additions	**59,230,704**	183,125,438
Transfer (note 6,7)	**38,357,125**	1,158,336
December 31	**449,960,017**	352,372,188
Amortization		
January 1	**188,606,875**	98,839,018
Charge for the year	**92,283,993**	89,767,857
December 31	**280,890,868**	188,606,875
Net book value		
December 31	**169,069,149**	163,765,313

In 2013, the Group paid an amount of SR 37.5 million upfront fee to an existing long term off-take agreement. The amount is amortized over the remaining useful life of the agreement.

9. Goodwill

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

The acquisition amount of SR 105.7 million is inclusive of SR 75.8 million cash and SR 4 million of other working capital and also an amount of SR 33.9 million for valuation premium including contingent consideration reflected as goodwill on the acquisition date.

In 2012, the Group completed purchase price allocation exercise on acquisition of Aectra SA. In accordance with the exercise, the Group identified and reclassified to intangible assets SR 4.4 million related to customers relationship and this amount is being amortized over the life of 3 years. The excess amount over the net book value of SR 29.5 million is reflected as goodwill as shown in the consolidated balance sheet and is subject to impairment testing.

10. Bank facilities

The Group obtained bank facilities ("the Facilities") from local banks in the form of bank overdrafts, letters of credit and guarantee, and other facilities. The Facilities carry commission at the prevailing market rates. The Facilities are secured by corporate guarantees.

11. Accounts payable, accrued and other liabilities

	2014 SR	2013 SR
Accounts payable	**111,764,848**	168,937,676
Zakat and income tax (note 19)	**124,280,164**	100,023,287
Accrued expenses	**423,665,808**	380,798,815
Retentions payable	**243,244,640**	36,156,156
Others	**12,054,496**	58,549,889
	915,009,956	744,465,823

12. Advances from partners

The partners of IAC, IVC, IGC, IPC, SCC, GACI, and SSPC have agreed to contribute long term advances to finance certain percentages 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 the reserve accounts.

In 2014, full settlement was made by IDC to the partners. As of December 31, 2014, the Company and the minority partners had long term advances of SR 596 million and SR 58.9 million respectively (2013: SR 1,897 million and SR 392 million respectively). The Company and the minority partners have also made short term advances of SR 240.9 million and SR 80.3 million, respectively (2013: SR 591.5 million and SR 75.4 million respectively). Some of the long term advances do not carry any finance charges and have no specific maturity dates, while other long term advances and the short term advances carry finance charges at normal commercial rates.

The minority partners in both IAC and IVC made contribution lesser than their prorated ownership percentage which lead in diluting their share from these two investments share of results. The Company's share of long term and short term advances to the above mentioned subsidiaries amounting to SR 596 million and SR 240.9 million respectively (2013: SR 1,897 million and SR 591.5 million respectively) have been eliminated at the consolidated financial statements level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014 *(Continued)*

13. Long term loans

	2014 SR	2013 SR
Saudi Industrial Development Fund loans (note a)	**1,664,092,000**	1,550,540,000
Syndicate bank loans (note b)	**1,419,396,000**	2,639,374,198
Public Investment Fund loans (note c)	**2,849,006,849**	1,581,500,000
	5,932,494,849	5,771,414,198
Less: current portion	**(545,956,032)**	(416,510,465)
Non-current portion	**5,386,538,817**	5,354,903,733

a) The Saudi Investment Development Fund ("SIDF") granted loans to IAC, IVC, IGC, IPC, SCC and GACI. These loans are secured by partners' guarantees proportionate to their shareholdings 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) The Group has entered into credit facility agreements with 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 obliged 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 finance charges at SIBOR plus a variable margin. During 2013, several were refinanced which provided for reduced scheduled repayments via an extension for loan tenor. IAC, IVC and IGC restructured their commercial loan facilities providing an additional 5 year loan tenor, conversion of LIBOR to SIBOR, and the reduction in loan margin. IMC refinanced its loans for an additional 6 years of loan repayment with an additional SR 70 million to fund miscellaneous requirements. IDC refinanced its commercial bank providing for an additional 6 years loan repayments, conversion of LIBOR to SIBOR, reduction in loan margin, and the ability to borrow for expansion purposes with a 10 year loan tenor in the amount of SR 525 million.

c) The Public Investment Fund ("PIF") granted loans to IAC, IVC, IGC and IPC to finance the construction of plants of these companies. The obligation under this loan agreements at all times ranks a pari passu with all other creditors. The loans are repayable in unequal semi-annual installments. The agreements includes covenants to maintain certain financial ratios. The loans carry financial charges at LIBOR / SIBOR plus a fixed margin. The loan agreements for IAC, IVC and IGC requires the companies to enter into an interest rate swap contract to cap the finance charges associated with PIF loans. In 2013, PIF granted a new loan to IPC with an amount of SR 704 million. The loan is repayable on 26 equal semi-annual installments, the loan carry financial charges at SIBOR plus a fixed margin.

Aggregate maturities of the long term loans at December 31, 2014 were as follows:

	2014 SR	2013 SR
2014	**-**	416,510,465
2015	**545,956,032**	526,325,855
2016	**720,244,449**	653,710,698
2017	**788,933,553**	725,021,389
2018	**601,819,916**	531,840,757
Above	**3,275,540,899**	2,918,005,034
	5,932,494,849	5,771,414,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2014 *(Continued)*

14. Sukuk

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

15. Capital lease obligations

Commitments for minimum lease payments under capital leases are as follows:

	2014 SR	2013 SR
Minimum lease payments	**255,000,000**	255,000,000
Current portion	**(20,400,000)**	-
Non-current portion	**234,600,000**	255,000,000
Within one year	**20,400,000**	-
Later than a year and less than five years	**117,300,000**	109,650,000
Later than five years	**117,300,000**	145,350,000
	255,000,000	255,000,000

	2014 SR	2013 SR
Finance costs from capital leases recognized as an expense during the year	**5,095,815**	8,380,688

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 commitments under the lease is secured by the lessor's ownership of the leased assets.

In 2013, the Group refinanced its capital lease obligation with a new Islamic loan facility providing an extension of loan tenor for an additional 6 years, conversion from LIBOR to SIBOR and reduction in loan margin.

16. Employees' benefits payable

	2014 SR	2013 SR
End-of-service indemnities (note a)	**130,465,812**	99,783,090
Thrift plan (note b)	**6,262,637**	3,223,490
	136,728,449	103,006,580

a) End-of-service indemnities

	2014 SR	2013 SR
January 1	**99,783,090**	82,545,023
Provision for the year	**36,228,200**	23,200,490
Utilization of provision	**(5,545,478)**	(5,962,423)
December 31	**130,465,812**	99,783,090

b) Thrift plan

The Group maintains an employee's saving plan for Saudi employees. The contribution from the participants are deposited in separate bank account and liability is established for this contribution. The Group's contribution under saving plan is charged to the consolidated statement of income.

17. Interest rate swaps contracts

As of December 31, 2014, IDC, IAC, IVC and IGC had interest rate swap ("IRS") contracts with local commercial banks in relation to the loans obtained from Public Investment Fund and syndicated commercial loans as required by the loan agreements. As of December 31, 2014, the notional amount of IRS contracts was SR 1,075 million (December 31, 2013: SR 1,333 million).

The fair value of the interest rate swap has declined as of December 31, 2014 to SR 21.9 million (December 31, 2013: SR 71.8 million). The Group share amounted to SR 16.9 million (December 31, 2013: SR 55.0 million), which has been recorded in the consolidated statement of stockholders' 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. Other non-current liabilities

	2014 SR	2013 SR
Product supply advance from customer (note a)	**50,602,500**	-
Others	**3,795,518**	5,860,886
	54,398,018	5,860,886

a) In 2014, IGC entered into a Carbon Monoxide ("CO") supply an agreement with a customer to process the Natural Gas and supply of Carbon Monoxide. IGC has received an advance of USD 13.5 million, equivalents to SR 50.6 million, which will be adjusted against the agreed supply price of CO during the first sixty months from the commencement date of CO supply to the customer.

19. Zakat and income tax

The principal elements of the zakat base of the Group are as follows:

	2014 SR	2013 SR
Non-current assets	**13,148,887,464**	12,214,088,565
Non-current liabilities	**7,693,199,550**	7,982,602,435
Opening shareholders' equity	**5,793,223,026**	5,625,830,847
Net income before non-controlling interest, zakat and income tax	**937,704,777**	985,555,904
Spare parts	**191,589,899**	146,209,300
Dividends paid	**458,333,333**	495,000,000

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movements in zakat and income tax provisions are as follows:

	2014 SR	2013 SR
Zakat		
January 1	**100,023,287**	83,407,208
Provision for the year	**86,896,888**	55,205,996
Payments during the year	**(62,640,011)**	(38,589,917)
December 31	**124,280,164**	100,023,287

The zakat charge for the Group was as follows:

	2014 SR	2013 SR
Current year zakat charge for the Company	**54,146,663**	34,000,000
Company's share in the zakat and income taxes in subsidiaries	**32,750,225**	21,205,996
Charge to consolidated statement of income	**86,896,888**	55,205,996

Outstanding assessments

The Company received zakat assessments for the years 2007 to 2010 with additional zakat liability of SR 118.3 million. The Company does not agree with the additional liability and has appealed against these assessments. The Preliminary Appeal Committee ruled in favor of the DZIT in respect of the Company's appeal against the DZIT's these assessments. The Company does not agree with the Preliminary Appeal Committee decision and filed an appeal with the Higher Appeal Committee.

IMC received withholding tax assessment for the years 2007 to 2012 for the delay fines of SR 17.7 million. IMC does not agree with the delay fines and has filed an appeal against this assessment.

All of the other companies within the Group submitted their zakat and income tax declarations up to 2013 which are still subject to the DZIT review.

20. Related party transactions

Related parties represent associated companies, key personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. The following are the details of major related party transactions during the year:

Foreign partners to the Company marketed part of the Group's products. Total sales made through those foreign partners amounted to SR 1,835 million (2013: SR 1,710 million).

One of the subsidiaries bought certain fixed assets from one of the foreign partners. Total purchases of fixed assets from the foreign partner during the year amounted to SR 97.1 million (2013: SR 20.7 million).

The Company and the minority partners granted 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 finance charges and have no specific maturity dates, while other long term advances and the short term advances carry finance charges at normal commercial rates (note 12).

Sipchem has allocated SR 114.2 million of its funds to IPC for the construction of its polymers plant. In exchange, during 2015 Sipchem will allocate costs of its Research and Development Centre to IPC.

The prices and terms of the above transactions were approved by the Board of Directors of the companies of the Group.

Amounts due from / to related parties arising mainly as a result of the transactions listed above, are disclosed as part of current assets and current liabilities.

21. Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia and Company's articles of association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

22. Dividends

The General Assembly of the Company, in its meeting held on 16 March 2013, approved the distribution of cash dividends amounting to SR 458.3 million, i.e. SR 1.25 per share, equivalent to 12.5% of the share capital for stockholders at the date of the General Assembly. Out of the approved dividends of SR 458.3 million, interim dividends of SR 183.3 million were distributed during 2012 and the remaining dividends of SR 275 million were distributed during the first quarter of 2013.

On July 14, 2013, the Board of Directors approved to distribute interim cash dividends for the first half of the year 2013 amounting to SR 220 million i.e. SR 0.6 per share, equivalent to 6% of the share capital. These dividends were distributed during August 2013.

The Board of Directors in their meeting held on December 3, 2013 proposed to distribute cash dividends amounting to SR 238.3 million i.e. SR 0.65 per share, equivalent to 6.5% of the share capital that was approved by the stockholders in the General Assembly meeting held on March 16, 2014. The Company distributed such dividends during the quarter ended March 31, 2014.

On June 26, 2014, the Board of Directors approved to distribute interim cash dividends for the first half of the year 2014 amounting to SR 220 million i.e. SR 0.6 per share, equivalent to 6% of the share capital and the Company distributed such dividends during the quarter ended September 30, 2014.

The Board of Directors in their meeting held on November 30, 2014 proposed to distribute final cash dividends amounting to SR 238.3 million i.e. SR 0.65 per share, equivalent to 6.5% of the share capital for the approval of the General Assembly in their next meeting which is expected to be held in 2015. Distributions will be made to the shareholders registered on the closing of the General Assembly meeting day.

23. Non-controlling interests

	2014 SR	2013 SR
International Methanol Company	**430,555,416**	497,265,637
International Diol Company	**347,542,566**	386,470,742
International Acetyl Company	**347,380,827**	225,091,878
International Polymers Company	**217,477,969**	176,781,663
International Vinyl Acetate Company	**338,749,620**	155,099,740
International Gases Company	**261,384,130**	144,262,739
Gulf Advanced Cables Insulation Company	**28,639,551**	28,842,631
Saudi Specialized Products Company	**14,015,401**	14,000,000
	1,985,745,480	1,627,815,030

24. Selling, general and administrative expenses

	2014 SR	2013 SR
Employees' related costs	**98,625,957**	88,275,948
Selling and marketing expenses	**63,382,893**	65,977,015
Depreciation	**11,102,923**	14,737,019
Expenses of board of directors and board meetings for the Group	**2,131,601**	2,042,077
Others	**43,550,199**	31,479,497
	218,793,573	202,511,556

25. Other expenses, net

	2014 SR	2013 SR
Exchange loss (gain)	**50,691,080**	(6,424,667)
Proposed merger expenses (note 1)	**37,500,000**	7,170,056
Others expenses, net	**4,947,505**	21,528,250
	93,138,585	22,273,639

26. Operating lease arrangements

	2014 SR	2013 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 Hijri years and is renewal upon the agreement of the two parties.

Commitments for minimum lease payments under non-cancelable operating leases are as follows:

	2014 SR	2013 SR
Not later 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
Later than five years	**26,340,316**	28,505,523
Total net minimum lease payments	**37,166,351**	39,331,558

27. Non-cash transactions

	2014 SR	2013 SR
Receivables against disposals of property, plant and equipment	**-**	3,142,913
Transfer from property, plant and equipment to intangible assets	**-**	1,158,336
Transfer from projects' development costs to intangible assets	**38,357,125**	-
Transfer from projects' development costs to property, plant and equipment	**791,005,560**	-
Net changes in fair value of interest rate swaps	**11,762,367**	14,298,306

28. Contingent liabilities

Sipchem is currently in a dispute with the construction contractor of Sipchem's Research and Development Centre in Dhahran, Saudi Arabia after terminating the construction contract. This dispute has been referred to arbitration under the current Saudi Arabian Arbitration Regulation. The Arbitration Panel has appointed an independent Engineering firm to inspect the site and assess the extent of work which has been completed by the contractor. The Engineering firm has issued its final report and submitted to the Arbitration Panel. The Arbitration Panel is expected to take its final decision on the value of the work completed by the contractor and also its decision on the compensation for any party in 2015. The site has been handed over to Sipchem since February 2014 and construction work is ongoing.

Sipchem believes that it will not be liable to any payments other than what has already been accrued for the work completed by the contractor.

The Company has received zakat assessments for the years 2007 to 2010 with additional zakat liability of SR 118.3 million. The Company does not agree with the additional liability and filed appeals against these assessments.

In 2013, IMC received withholding tax assessments for the years 2007 to 2012 for the delay fines of SR 17.7 million. IMC does not agree with the delay fines and has filed an appeal against this assessment.

29. Commitments and contingencies

As of December 31, the Company had the following commitments and contingencies:

	2014 SR	2013 SR
Letters of guarantees and credits	**773,627,852**	592,605,968
Capital commitments	**829,006,541**	1,047,246,445

30. Segmental analysis

	Petrochemical operations SR	Marketing activities SR	Total SR
2014			
Sales	**3,399,955,384**	**724,450,753**	**4,124,406,137**
Gross profit	**1,378,762,900**	**17,879,533**	**1,396,642,433**
Net assets	**5,898,461,951**	**70,036,438**	**5,968,498,389**
2013			
Sales	3,275,397,201	796,212,353	4,071,609,554
Gross profit	1,339,960,235	24,596,993	1,364,557,228
Net assets	5,699,605,335	93,617,691	5,793,223,026

Marketing activities include the marketing activities of Sipchem and its European subsidiary Aectra SA. These marketing activities support the customer development activities to enhance the Petrochemical operations.

No geographical segment disclosure has been prepared as significant portion of sales are export sales.

31. Risk management

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market rates. The Group is subject to commission rate risk on its commission bearing assets including bank deposits and its commission bearing liabilities including short term loans, long term loans, sukuk, and the obligations under capital lease, The Group has an interest rate swap contract to hedge against the variability of the commission on term loans.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by monitoring outstanding receivables. Adequate allowances are made for debts considered doubtful. At the balance sheet date, no significant credit risk was identified by the management.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group limits its liquidity risk by ensuring that bank facilities are available. The Group's sales invoices are usually settled within 45 to 120 days of the date of the invoice. Trade payables are normally settled within 45 to 120 days of the date of purchase.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than Saudi Riyals, US Dollars and Euro, during the year. As Saudi Riyal is pegged to US Dollar, balances in US Dollars are not considered to represent significant currency risk. The Group has not entered into any forward currency deals to cover the currency risk in Euro.

32. Fair value

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

33. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.

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