الصحراء للبتروكيماويات

sahara petrochemicals

Annual Report 2014

www.saharapcc.com

In The Name of Allah The Most Mercifull

Custodian Of The Two Holy Mosques
King Sultan bin Abdulaziz Al Saud

King of Saudi Arabia

His Royal Highness Prince
Miqren Bin Abdulaziz Al Saud

Crown Prince, Deputy Prime Minister

His Royal Highness Prince
Muhammad bin Nayef Bin Abdulaziz Al Saud

Heir to the Crown Prince, Second Deputy Prime Minister
and Minister of the Interior

Index

06 Chairman’s Message

10 Managing Director/CEO’s Message

12 Executive President’s Message

14 Company Profile

26 Affiliates

30 Board of Director Report

50 Annual Report

H.E. Engr. Abdulaziz bin Abdullah Al–Zamil

Chairman

In The Name of Allah, Most Gracious, Most Merciful

Messrs. Shareholders of Sahara Petrochemicals Company
Dear Brothers

May Peace be upon you!

Sahara Petrochemicals Company continues its endeavors to attain its strategic expectations within the framework of sustainability. Sahara takes into account the essential pillars of such sustainability, namely maintaining environment, safety and production efficiency in addition to its social responsibility. Sahara's performance in the year 2014 reflected on the enhancement, development and motivating its businesses and employees so as to accomplish the company's strategy related to effective sustainability.

Sahara, along with Sipchem, were able to achieve notable progress in regards with the due diligence studies; the proposed merger was expected to greatly enhance both companies' businesses in regards with technical, economic and marketing sides and this ultimately would support the interests of the two companies' shareholders and employees alike. However, although both companies were fully aware that such merger would be for the good of both companies' shareholders and employees, but both of them realized the difficulty to execute such a merger within an accepted structure and in compliance with the governing discipline, namely a structure that can guarantee the continuity of the two companies and to enable them to accomplish the operational integration. Therefore, both companies decided to postpone the commercial negotiations and the proposed merger at the time being as previously announced.

Also, I am pleased to announce, that the distinguished performance of Sahara affiliates, thanks to Allah, was reflected to the financial statements of this year despite the economic challenges. Such results encouraged the board of directors to recommend the distribution of profits for the year 2014. The year 2014 profits amounted to Three Hundred Seventy Two Million and Nine Hundred Seventy Five Thousand and Seven Hundred Fifty Saudi Riyal (372,975,750). Shareholders who are eligible to receive the 2014 profits are only those registered in Tadawul records at the end of the trading activity on the day of holding the ordinary general assembly meeting. The amount represents %8.5 of the company's capital.

Undoubtedly, the year 2004 crowned the efforts exerted within a decade: the year 2014 witnessed the announcement of the commercial operation of four of Sahara's affiliates on 4 Ramadan 1435H, corresponding to

1 July, 2014. They are:

1- Sahara & Ma'aden Petrochemicals Company (SAMAPCO): SAMAPCO was established to produce Caustic Soda and Ethylene Dichloride, with the capacity of 250 ktpa of concentrate soda and 300 ktpa of ethylene dichloride.
2- Saudi Acrylic Polymers Company (SAPCO): SAPCO was established to produce 80 ktpa of super absorbent acylate polymers.
3- Saudi Acrylic Monomer Company Limited (SAMCO): SAMCO was established to produce 64 ktpa of Glycol acid to be supplied to SAPCO in addition to the production of 160 ktpa of butyl acrylates which will be sold to Saudi Butanol Company, expected to enter the commissioning phase in the third quarter of 2015.
4- Saudi Acrylic Acid Company (SAAC): SAAC owns and operates all the utilities of the integrated acrylates complex.

At the end, I would like to extend my thanks to the government of the custodian of the two holy mosques for its continuous support and its real endeavors to develop the industrial and investment environment. Such distinguished efforts help all the concerned parties and support our trend towards enhancing the company's database of clients and investors, which will ultimately have a positive impact on the national economy.

Abdulaziz Abdullah Al-Zamil
Chairman

نحفز ونحمي ونحسن الأداء من أجل الإستدامة

We Inspire, Protect and Optimize for Sustainability

Engr. Esam bin Fouad Himdy

Managing Director / CEO

In The Name of Allah, Most Gracious, Most Merciful

Jubail Industrial City played, and still participating, as a significant milestone in the Saudi economy march towards supporting chemical and petrochemical industries to be a major element in the kingdom's resources instead of relying fully on oil industries. The step was an unprecedented challenge. However, the ambitious march started to achieve remarkable success especially after the effective implementation of all RCJY development plans. RCJY saved no effort that might take a part in supporting the development march in our beloved kingdom and at the same time participate in new technology transfer, particularly in petrochemicals industries. Sahara realized such ambitious trend and managed to adopt and implement it effectively. Sahara is keen to cope with all criteria that support the development in KSA and at the same time achieves the best returns on investments for its shareholders.

It is worth mentioning that Sahara was enthusiastically following up the execution of its joint ventures with its affiliates. Thanks to Allah, all efforts were crowned with the announcement of the commercial operation of one of its affiliates, Sahara & Ma'aden Petrochemicals Company (SAMAPCO), a joint venture between Sahara Petrochemicals Company and Saudi Arabian Mining Company (Ma'aden). The JV was developed to produce 250 ktpa of concentrated caustic soda and 300 ktpa of ethylene dichloride ktpa starting from 1 Ramadan 1435H, corresponding to 1 July 2014.

Similarly, Sahara managed to achieve a lot of milestones in regards with its partnerships and strategic investments which participate in attaining its vision in the importance of varying its products. Sahara announced the successful commercial operation of the Acrylic Acid Complex and its utilities. This complex is %100 owned by the Saudi Acrylic Acid Company (SAAC), 43.16 % owned, directly and indirectly, by Sahara. It includes the plants of Acrylic Acid and The Acrylic Monomers, %75 owned by SAAC, whereas The Dow Chemicals Company owns the remaining %25. The complex also includes the Super Absorbent Polymers Plant which is owned by the Saudi Acrylic Polymers Company (SAPCO), %75 owned by SAAC, whereas Evonik of Germany owns the remaining %25.

In conclusion, I am honored to extend my appreciations and thanks to our wise government for its continuous support to the industrial sector in our beloved kingdom. Also, I am pleased to express my thanks to all the board members for their prominent encouragement and support to continue in our development march steadily to guarantee the permanent success of such promising industrial castle.

May all have permanent success ...

Engr. Saleh bin Mohammed Bahamdan

Executive President

In The Name of Allah, Most Gracious, Most Merciful

May Allah's peace, mercy and blessings be upon you

We at Sahara Petrochemicals Co. and its affiliates are seeking to improve our products quality and expand the scope of business to enhance shareholders confidence towards the Company. We also aspire to strengthen our position as petrochemical leader so as to achieve planned investments, God willing, by providing the highest quality and achieving our future vision through investing with the latest technology and building supportive strategic alliances. Sahara is also committed to the highest standards of safety and quality through safe and environmentally friendly products.

Thanks to Allah, Sahara was able to reach advanced stages of construction in many of its affiliates, which will be positively reflected in revenue growth, so as to achieve the aspirations and expectations of investors in the near future.

I would also like to acknowledge here the effective initiatives of Sahara through its role towards social responsibility, which includes sponsoring various events and occasions for the benefit of the individual and the community. This reflects the company›s keenness to support and improve the development plans for different agencies and authorities, as the social responsibility is a priority at Sahara Petrochemicals Co. that we always strive to pay our highest attention to.

Finally, first time every time, I thank Allah for his blessings and I do appreciate our wise government for its unlimited support and constant encourage of developmental projects and investments through a package of facilities starting from legislation and laws and ending with the procedures for obtaining loans from state funds. I also would like to thank the President and the members of the Board of Directors for their continuous development in support of the company's goals and vision and increasing the confidence of the shareholders. Moreover, I extend my thanks and appreciation to the employees of Sahara and its affiliates for their efforts in enhancing performance in conjunction with achieving safety requirements in order to avoid any injury at work, God forbid.

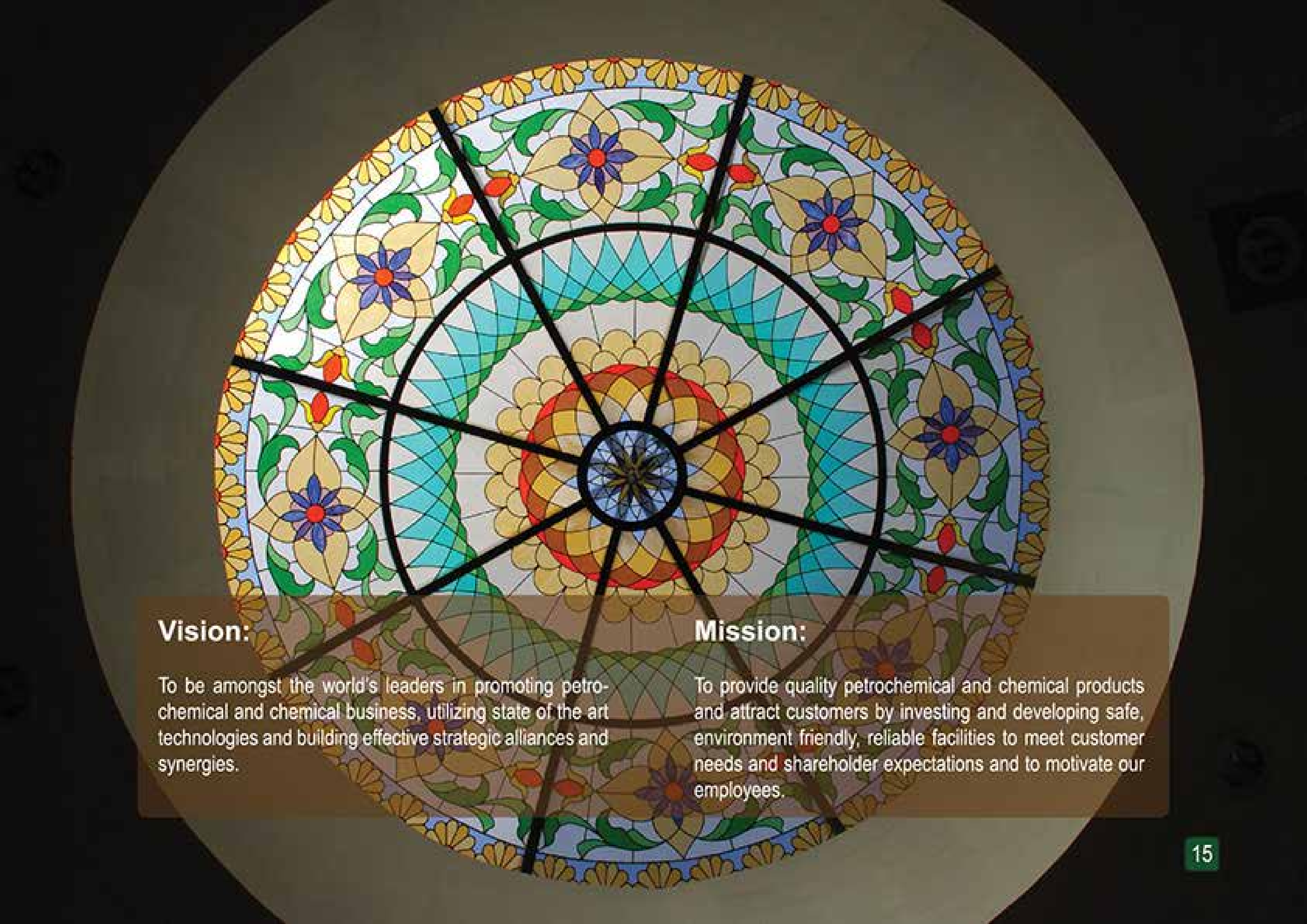
May God take care of you..

Company Profile

1st : Sahara's Major Activity .

Sahara Petrochemicals Co. is one of the Saudi companies registered in Saudi financial market «Tadawul». Sahara Petrochemicals was established on 1425/05/19 H (corresponding to 2004/07/07 AD) under a commercial register No. (1010199710) with a capital of SAR 4.388 billion. Its headquarters is located in Riyadh and the company works as a holding company that focuses its main activity on petrochemicals in KSA. Sahara, in its works, sticks to high quality standards of production with a great commitment to preserve the environment, the safety of its employees and society in general. The company participates in many joint ventures with local and international partners in the following fields:

- Providing valuable investment opportunities for Saudi private sector in petrochemicals manufacturing and petrochemicals industry.
- Providing contemporary and modern technologies, well-trained and skilled labors for manufacturing high added value products of competitive competencies consistent with export requirements.
- Providing promising work opportunities for its employees with a focus on applying the Saudization program in all departments of the company.



Vision:

To be amongst the world's leaders in promoting petro-chemical and chemical business, utilizing state of the art technologies and building effective strategic alliances and synergies.

Mission:

To provide quality petrochemical and chemical products and attract customers by investing and developing safe, environment friendly, reliable facilities to meet customer needs and shareholder expectations and to motivate our employees.

Our Commitments:

Many ethics, morals and values are respected and considered in every moment of our day that is impassioned with ideas and innovation. We have preferred, in Sahara Petrochemicals, to strictly abide by such ideals and values because it is part of or identity which we are proud of and a duty of thanking and appreciation to our surroundings which supported and provided us with a wide chance to participate in building the development boom.

Our environment, quality, community and human resources deserve our attention and commitment in adopting such regulations and legislations which cope with them. Accordingly, Sahara has enacted much legislation which assures sustainability and realization for those four items.

Our Commitment towards:

Environment

Sahara Petrochemicals give much care to our environment and our surroundings through the development of many strict laws against damage of environment and its different components such as air, water and soil in addition to the development of policies that guarantee the maintenance of this surrounding in the manner in which Allah Has Created it; clean, pure and free of pollution and imperfections.

Our policy varies in many aspects, for example, we put environment into consideration when designing our productive factories and facilities besides the selection of the appropriate manufacturing technologies that are less harmful to environment. Furthermore, we adhere to the necessary local and international standards safely and properly to ensure obtaining the best environmental solutions in this regard. Such approach is applied under the full supervision and monitoring of Sahara's safety and environment engineers.

We draw our attention and focus our concentration on protecting our outside surrounding and its components; soil, water and air, from contamination. As for soil protection, we have prepared an ambitious and periodic program to measure the ratio of contamination in soil and its effect on both soil and ground water in our production sites. Regarding water, we use distinct techniques in desalinating seawater which is used for cooling purposes in our factories. With respect to air protection, we regularly monitor the continuous emissions of our plants and analysis their effect on our surrounding .We endeavor with great effort to decrease such emissions as possible. We adhere to the approved international standards for environment.

Environmental Culture:

Sahara develops, on regular and permanent basis, training and cultural programs for its employees and labors to provide the environmental awareness required for contributing in protecting the environment inside and outside the company. Such programs are paid wide attention and up-following by the executive department which feel how greatness of the responsibility with this regard.

In addition, environmental culture isn›t limited to Sahara›s employees and labors only, but also extends to developing programs and making training sessions in number of schools, institutions, and faculties within Jubail Industrial City and hosting many of their students to be qualified in this regard. Besides, we sponsor many conferences and environmental seminars ...etc. in light of our commitment towards community.

Society :

Sahara Petrochemicals cares about whatever may give benefit to the society of its milieu. It provides complete chances for each institution, organization or supporting entity to produce its enlightening, educational or social programs to convey its high mission to the society quickly, directly and effectively. On these bases «Sahara Petrochemicals» provides the necessary support whether it is material or moral support based on its keenness and commitment towards the society. We in «Sahara Petrochemicals» consider participation in such activities is a noble objective that deserves to be a part thereof.

Within our sponsorship to society enrichment programs, we care about various kinds of public and shared benefit programs starting from Quran memorization competitions, charitable and cooperative activities, supporting scientific and educational programs for the fundamental educational stages, training seminars, courses and sessions in protective driving, traffic campaigns and public health in addition to contribution to touristic and social programs which achieve everyone› satisfaction.

Quality :

In «Sahara Petrochemicals» we constantly seek to arrive to the maximum degrees of integrity in our products; whenever an idea emerges regarding the improvement of one of our products in one way or another, we take the initiative sincerely to adopt it and bring it to reality. That is why we do our best for «Sahara Petrochemicals» products to obtain the highest standards of quality.

Our commitment to quality doesn›t stop at our products but it extends to our transactions and systems. We commence to put rules in order to obtain the admission of the International standards organization which is expected to be obtained within the current year .All this is achieved due to success granted from God at first then our commitment to the concept of comprehensive quality even in minor details of everyday, thus, achieving at the end the quality of our products and satisfaction of our clients all over the world. Starting from the flexible and regular management triangle , passing by presenting the useful training programs and courses which have high yield , precise routine maintenance for our production facilities and conducting standard testing on our products ‹ samples in our laboratories ending with the systematic transportation ,loading and exporting processes . This exact chain describes «Sahara Petrochemicals" as a title for "total quality" concept.
Depending on this commitment, AL WAHA Petrochemicals, an affiliate, has obtained the admission of International Standards Organization when it is granted ISO 9001 certificate in quality management. We are still at the beginning of the journey. We look at any global innovations about the concept of quality in order to study and adopt it to achieve success and distinction.

Our Employees :

4 - 1 Human Resources :

Any success in any establishment would not happen without having successful staff. Thus, we have realized in «Sahara Petrochemicals» that our success and distinction shall be through our human resources whom we give direct care and commitment and a great priority to achieve the maximum possible achievement in an innovative industrial environment such as «Sahara Petrochemicals».

Our care about our human resources represents in the formation of comfortable and cooperative structure based upon the principle of justice in polices and treatment.

In order to make productive human, Sahara works hard to localize high level techniques that contribute to develop man, enhance his productivity and professional knowledge.

4 - 2 Attracting the best :

We , in Sahara Petrochemicals , always commit to choose the best and the most qualified applicants who have impassioned perception , super intelligence and ambitious effective personality taking into consideration attracting the best experiences , highest potentials and precise talents . We offer all the incentives that satisfy their ambitions and in the meantime support the development of innovative and inspired practical framework able to innovate and convert the impossible to possible.

4 - 3 Career training and development :

Our support to our employees in "Sahara Petrochemicals" forms the essence of our care about and commitment to them. We provide creative training programs about their jobs and responsibilities in addition to the training courses held either in our training center or in other high level training centers in the Kingdom.

We provide all our employees with the opportunity of recognizing the modernist technical systems and coping with up to dates and make all the resources of knowledge available.
Our care and commitment with this regard will assure us developing our work environment and allow our employees to make progress in their career in the company. Besides, it will contribute to choose the coming leaders of Sahara Petrochemicals.career in the company. Besides, it will contribute to choose the coming leaders of Sahara Petrochemicals.

4 - 4 Saudization :

We are always proud of our experienced native hands and brains that give and exert a lot of efforts to gain self-satisfaction and achieve the national vision of providing honorable life for their children.

In our commitment towards our beloved country; Kingdom of Saudi Arabia , we bear the responsibility of enhancing the Saudi youth to achieve development by designing high level training and progressive programs which extent for long periods and have significant influence.

Thanks to God, Sahara Petrochemicals is managed by honest native brains and hands characterized by their superior activeness.

2nd : Affiliates of Sahara Petrochemicals Company :

Current Joint Ventures :

1 - AL WAHA Petrochemicals Company (AL WAHA)

AL WAHA Petrochemicals Company was established in September 2006AD as a limited liability company. AL WAHA is a joint venture between Sahara and Basell Arabie Investissements S.A.S. with a seventy-five percent (75%) and twenty-five percent (25%) shareholding respectively. The share capital of AL WAHA is SAR 1,548 billion.

AL WAHA was established with the objective of constructing, possessing and operating a petrochemicals complex that produces467.6 KTA of propylene as primary feedstock for the production of 450,000 KTA of Polypropylene. The polypropylene will be sold in both regional and international markets. AL WAHA Plants are located in Jubail Industrial City in the eastern region of Saudi Arabia and commenced commercial operations on April 1, 2011.

2 - Tasnee& Sahara Olefins Company (TSOC)

TSOC was established in May 2006 as a closed joint stock company in which Sahara owns 32.55%, GOSI owns 7.00% and the remaining 60.45% is owned by Tasnee Petrochemicals and Tasnee Petrochemicals Marketing Company, National Gulf Company for Petro Chemical Technology and National Worldwide Industrial Advancement Company.

TSOC was incorporated with a share capital of SAR 2400 million, subsequently increased to be SAR 2530 million and SAR 2830 million during the fiscal years 2009 and 2010 respectively; as its issued shares are 56.600.000 fifty six million six hundred thousand shares of equal value. The nominal value of each is SAR 50.

TSOC was established as a holding company for investments in certain other joint venture projects.

Its current holdings comprise a seventy-five percent (75%) equity stake in Saudi Ethylene & Polyethylene Company (SEPC) and a sixty-five percent (65%) equity stake in Saudi Acrylic Acid Company Limited (SAAC).

3 - Saudi Ethylene & Polyethylene Company (SEPC)

SEPC was established in May 2006 AD as a limited liability company between TSOC and BasellMoyen Orient Investissements SAS with a seventy-five percent (75%) and twenty-five percent (25%) shareholding respectively. By virtue of Sahara's 32.55% equity stake in TSOC, Sahara owns an indirect equity stake of 24.41% in SEPC. The share capital of SEPC is SAR 2737.5 million.

SEPC was formed to develop, finance, construct, commission, own, manage and operate a petrochemical complex for the production of 284,800 tons per annum of propylene and 1,008,000 tons per annum of ethylene, approximately 80% of which will be used as the primary feedstock for the production of approximately 800,000 tons per annum of high and low density polyethylene. SEPC Plant is located in Jubail Industrial City in the eastern region of Saudi Arabia and has commenced its operations in June 2009.

4 - Sahara & Ma`aden Petrochemicals Company (SAMAPCO)

SAMAPCO was established in August 2011AD as a limited liability Company which is a 50:50 joint venture between Sahara and Ma'aden with a share capital of SAR 900 million.

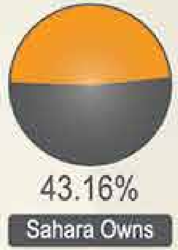
SAMAPCO was established to design, construct, commission, own and operate an integrated chlor-alkali plant capable of producing 227,000 tonnes per annum of chlorine and 250,000 tons per annum of caustic soda, as well as an ethylene dichloride plant capable of producing 300,000 tonnes per annum of ethylene dichloride, together with the associated utilities and support facilities to be located in Jubail Industrial City in the eastern region of Saudi Arabia. Commercial operation commenced on June 1, 2014.

5 - Saudi Acrylic Acid Company (SAAC)

Saudi Acrylic Acid Company (SAAC) was established in April 2009AD as a limited liability company in which Sahara owns (22%), TSOC owns (65%) and Tasnee owns the remaining (13%) of the share capital.

By virtue of Sahara's 32.55% equity stake in TSOC, Sahara owns an additional indirect equity stake of 21.16% in SAAC giving an aggregate shareholding of 43.16%.

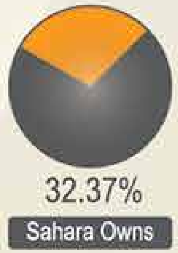
The share capital of SAAC is SAR1.777 million. SAAC was established as a holding company for investments in certain other joint venture projects including the Integrated Acrylates Complex project.
Current engagements of SAAC comprise into (75%) equity stake in SAMCO, a seventy-five percent (75%) equity stake in SAPCO and a thirty-three percent (33%) equity stake in Butanol JV.



SAAC will also own and operate the U&O Facilities for the Integrated Acrylates Complex project including product storage and warehouse, truck-loading/transportation and port facilities. SAAC started its commercial operations on 1 July, 2014.

6 - Saudi Acrylic Monomer Company Limited (SAMCO)

Saudi Acrylic Monomer Company Limited (SAMCO) is established in July 2009G as a limited liability company between SAAC and Rohm & Haas (Dow) with a seventy-five percent (75%) and twenty- five percent (25%) shareholding respectively. By virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara owns an indirect equity stake of 32.37% in SAMCO. The share capital of SAMCO is SAR 1.084.5 billion.



SAMCO is established to own, manage and operate the acrylic acid and esters plant of the Integrated Acrylates Complex. It will be supplied with up to 96,000 tons per annum of n-butanol from SAAC, up to 100,000 tons per annum of propylene from SEPC, and up to 14,000 tons per annum of propylene from S-Chem (Chevron). SAMCO will produce and sell up to 64,000 tons per annum of Glacial Acrylic Acid to SAPCO, and up to 160,000 tons per annum of butyl acrylate to Butanol Project. Commercial operations started on July 1, 2014.

7 - Saudi Acrylic Polymer Company (SAPCO)

Saudi Acrylic Polymer Company (SAPCO) is established as a limited liability company between SAAC and Evonik with a Seventy–five percent (75%) and twenty- five percent (25%) shareholding respectively. On this basis, by virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara owns an indirect equity stake of 32.37% in SAPCO noting that the capital of SAPCO is SAR 414.4 million.

SAPCO is established to own, manage and operate the super absorbent polymer plant of the Integrated Acrylates Complex. It will be supplied with up to 64,000 tons per annum of glacial acrylic acid from SAMCO and 24,000 tons per annum of dry caustic soda from SABIC or Cristal. SAPCO will produce 80,000 tons per annum of super absorbent polymer for sale to Evonik and SAAC. Commercial operations started on July 1, 2014.

3rd : Sahara Affiliates (Projects Under Construction) :

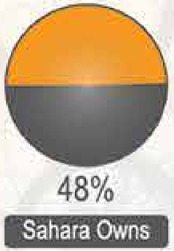
1 - Saudi Butanol Company (SABUCO)

At the end of 2012G, a partnership contract was signed for Butanol Project as a joint venture at cost of SAR1939 million among SACC, Saudi Kayan and Sadara Petrochemicals each with 33.3% shareholding. On this basis, by virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara owns an indirect equity stake of 14.38% in the Butanol JV.

Butanol JV IS established to own, manage and operate the Butanol Plant of the Integrated Acrylates Complex. The plant will produce 33.000 tons of n-butanol annually that will be made available in equal proportions to SAAC, Saudi Kayan and Sadara. Each of them will be responsible for procuring and supplying propylene for production of their share of n-butanol. All iso-butyraldehyde production and one-third of hydrogen capacity will be made available to SAAC, while the remaining hydrogen capacity will be made available to Saudi Kayan and each of SAAC and SABIC will have to arrange corresponding feedstock supply and product off-take accordingly. A contract for establishment of the plant has been signed with South Korean Daelim Industrial Co. with a value of SAR 1,100 millions. Commercial operations are expected to commence in 2015.

2 - NPG Project

NPG project is expected to be established as a limited liability joint venture company with a capital of SAR 468.8 million between Sahara and Chemanol. Each of them will contribute with a forty-eight percent 48% and fifteen percent 15% equity stake respectively while Mitsubishi Gas Chemicals and Sojitz Corporation will contribute with the remaining thirty-seven percent 37% equity stake.



NPG Company shall be formed to own, manage and operate a neopentyl glycol plant capable of producing 45,000 tonnes per annum of neopentyl glycol. The plant shall be constructed in Jubail Industrial City in the eastern region of KSA. NPG is currently at the economic feasibility stage.

4th: Risks related to Sahara Petrochemicals business and its affiliates

1 - Fluctuation risks related to the global prices of petrochemicals, chemical products and shipment,
2 - Finance risks, exchange rate fluctuations and the financial position of the affiliates that depend on finance,
3 - Operating risks,
4 - Risks to provide the necessary supply of raw materials (feed-stock) and the fluctuation in their prices,
5 - Environmental risks and the possibility of imposing more restrictive laws or other regulations in general.
6 - Competition and pricing risks for the products of Sahara Petrochemicals' affiliates
7 - Drowning complaints filed by some countries.

5th : Financial Results .

Sahara Petrochemicals witnessed in 2014 AD a decrease in its financial results. Profits reached SAR 385 million compared with SAR 570 in the previous year, decrease rate is 31%. This decrease is mainly due to the retreat of sales and petrochemical products manufactured by Sahara's affiliates that were commercially operated recently, namely Saudi Acrylic Acid Company (SAAC), Saudi Acrylic Polymer Company (SAPCO) and Sahara & Ma'aden Petrochemicals Company (SAMAPCO).

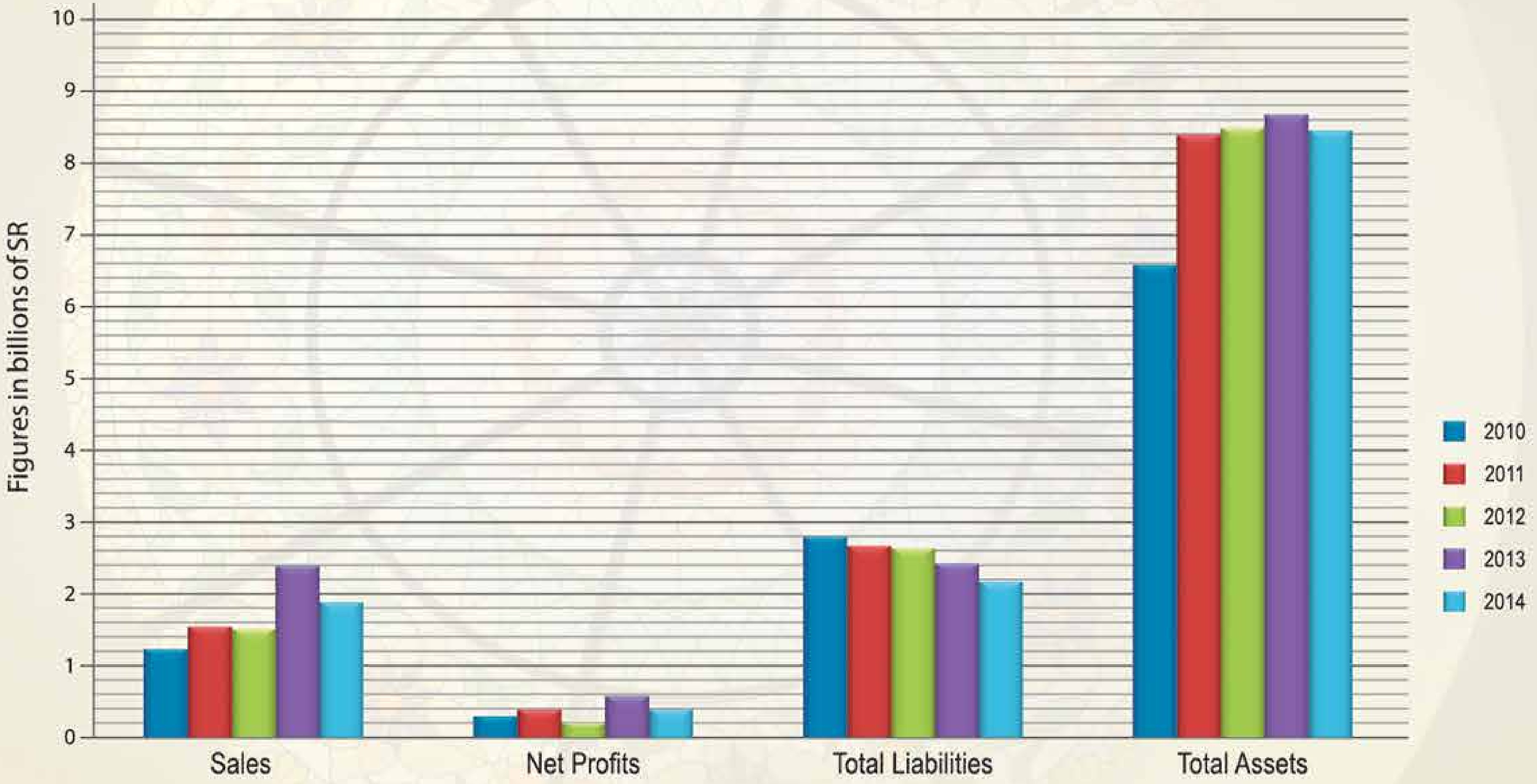
The following are the most significant financial indicators for the year 2014 compared to the previous year :

1- Total profit was SAR 390.5 million during 2014 compared to SAR 432.2 million for the previous year, with a decrease of 9.64%.
2- Operational profit was SAR 247.3 million during 2014, compared to SAR 312.3 million for the previous year, with a decrease of 20.81%.
3- Net profit reached SAR 385.4 million compared to SAR 570.8% million for the previous year, with a decrease of 32.48%.
4- Earnings per share reached SAR .88 during 2014 compared to SAR 1.3 for the previous year.

A- Outline of assets and liabilities & Financial Results for the last five years

Statement (Financial position (in thousands) Except earnings per share)	2014 SAR	2013 SAR	2012 SAR	2011 SAR	2010 SAR
Sales	1,898,346	2,377,984	1,543,224	1,525,984	_
Current assets	2,179,140	2,075,110	1,751,927	1,688,482	733,282
Total non-current assets	6,310,955	6,578,608	6,748,844	6,683,011	5,851,022
Total assets	8,490,095	8,653,718	8,500,771	8,371,493	6,584,304
Current liabilities	588,728	629,739	700,532	564,945	487,445
Total non-current liabilities	1,556,814	1,760,368	1,983,353	2,193,701	2,329,941
Total liabilities	2,145,542	2,390,125	2,683,885	2,758,646	2,817,386
Total shareholders' equity	5,817,391	5,794,433	5,418,254	5,196,20	3,304,821
Net Profit	358,378	570,775	204,450	411,587	329,159
Earnings per share (SAR)	.88	1.30	.47	1.35	1.13

B- Sales Progress, Operational Income & Net Income for the Last Five Years



C- Significant differences in operating results compared to last year

The decrease in net profits for the fiscal year 2014 compared to 2013 is mainly attributed to the shutdown SEPC plant (an affiliate of Sahara) because of the scheduled maintenance as advertised earlier in addition to the maintenance works which were conducted during the emergency shutdown in AL WAHA Petrochemicals Company (an affiliate of Sahara) as advertised earlier. This is in addition to the decrease of sales and prices of the products of the companies that recently announced their commercial operations, namely SAAC, SAPCO, and Ma'aden.

Description	2014	2013	Change +/-	Change %
Sales	390.5	432.2	- 42.70	- 9.64 %
Current assets	247.3	312.3	- 65.00	- 20.81 %
Total non-current assets	385.4	570.8	- 185.4	- 32.48 %

D- Geographical analysis of the gross revenues of the issuer and its affiliates outside

All the operations of the company are mainly performed within the geographical scope of KSA.

E- Total indebtedness of Sahara and its affiliates

1- Sahara Petrochemicals Company

Lenders	Loan term	Total loans (SAR)	Total payments in 2014	End Date	Balance (SAR)
Saudi British Bank	10 years	500,000,000	0	2026	500,000,000
(Revolving loan) Riyadh Bank	One year	500,000,000	0	2015	revolving loan
Saudi Investment Bank	One year	400,000,000	0	2015	revolving loan

2- AL WAHA Petrochemical Company

Lenders	Loan term (Years)	Total loans (SAR)	Total payments in 2014	End Date	Balance (SAR)
Commercial Banks (Note1)	11	1,037,062,515	62,290,124	2020	854,306,950
SIDF	6	400,000,000	65,000,000	2017	200,000,000
PIF	10	843,750,000	93,850,000	2020	532,500,000
Saudi Exports Support Program	1	58,500,000	-	2015	Revolving Loan
Saudi Hollandi Bank	2	56,250,000	-	2015	Revolving Loan

Note 1: The Commercial Banks are ANB, SFB, Gulf Bank, SAAB, Saudi Hollandi Bank

3- Sahara & Ma'aden Petrochemicals Company (SAMAPCO)

Lenders	Loan term (Years)	Total loans (SAR)	Total payments in 2014	End Date	Balance (SAR)
Commercial Banks (Note1)	13	1,206,413,000	586,147,282	2027	620,265,718
SIDF (Note2)	6	900,000,000	-	2021	900,000,000
PIF	10	660,000,000	26,400,000	2027	633,600,000

Note 1: The Commercial Banks are Riyadh Bank, SFB and SAAB

Note 2: 6,600,000 paid as a down payment fee for the loan

4- Saudi Ethylene & Polyethylene Company (SEPC)

Lenders	Loan term (Years)	Total loans (SAR)	Total payments in 2014	End Date	Balance (SAR)
Commercial Banks (Note1)	9	4,271,201,000	533,300,000	2021	3,737,901,000

Note 1: The Banks are APICORP, SFB, NCB, Riyadh Bank, SIB, SAAB, ANB, and Samba

5- Saudi Acrylic Acid Company (SAAC)

Lenders	Loan term (Years)	Total loans (SAR)	Total payments in 2014	End Date	Balance (SAR)
SIDF	7	1,500,000,000	-	2021	1,500,000,000
Commercial Banks (Note1)	13	4,088,921,000	-	2028	4,088,921,000

Note 1: The Banks are SAAB, NCB, Riyadh Bank, SFB, Samba, Saudi Hollandi Bank, AlInma Bank, and AlJazeera Bank

6th : Name of each affiliate, main activity, location and country of corporation.

Company	Capital (SAR million)	Type	Sahara ownership	Main activity	operational headquarter and country of corporation
AL WAHA Petrochemicals	1,660	Mixed Limited liability Company	75%	Production of Polypropylene and propylene	Jubail Industrial City
TSOC	2.830	joint stock company	32.55%	Construction, management, operation, ownership and investment in industrial projects specially petrochemicals and chemicals, marketing its products and all relevant activities.	Jubail Industrial City - Riyadh
SEPC	2.737.5	Mixed Limited liability Company	24.41%	Production of Ethylene, Polypropylene, high and low density poly ethylene	Jubail Industrial City
SAAC	1.777	Limited liability Company	43.16%	Construction, management, operation and ownership of Acrylic acid projects and its derivatives as well as petrochemicals industrial projects.	Jubail Industrial City-Riyadh
SAMCO	1.084.5	Mixed Limited liability Company	32.37%	Producing Acrylic acid derivatives: 1- Acrylic acid 2- Butyl Acrylates 3- Ethylhexyl Acrylates 4- Glacial Acrylic Acid	Jubail Industrial City
SAPCO	416.4	Mixed Limited liability Company	32.37%	Owning, managing and operating super absorbent polymer plant of the Integrated Acrylates Complex Project.	Jubail Industrial City
SAMAPCO	900	Limited liability Company	50%	Designing, constructing, owning and operating an integrated plant to produce chlorine , concentrated Soda in addition to ethylene dichloride	Jubail Industrial City
SABUCO	1,939	Mixed Limited liability Company	14.38%	Producing butanol and iso-butanol	Jubail Industrial City

7th : Dividends Policy .

The fiscal year of Sahara begins on 1 January and ends at 31 December of each Georgian year except the first fiscal year, it shall commence on the date of the resolution in which the incorporation of the company is declared and ends on 31 December of the next Georgian year.

The Board of Directors shall prepare at the end of each fiscal year an inventory for the company's assets and liabilities on the mentioned date as well as the company's balance sheet, profit and loss accounts and a report about its activity and financial position for the last year as well as suggesting a method for distributing net profits. This shall be done at least sixty (60) days prior the Ordinary General Meeting Assembly. The Board of Directors shall lay such documents before the auditor at least fifty five (55) days prior the determined date of the General Meeting Assembly. The chairman shall sign the documents referred to and a copy thereof shall be maintained in the headquarter under the disposal of the shareholders at least (twenty-five) 25 days prior the determined date of the General Meeting. The chairman shall also publish the balance sheet, profits and losses account, adequate summary of the Board's report and the auditor's report in a newspaper that is distributed in the company's headquarter and send a copy thereof to the company's General Department 25 days prior holding the general meeting.

Sahara annual net profit shall be distributed after deducting general costs and other costs, as follows:

1- 10% of net profits shall be set aside to form the statutory reserve .The Ordinary General Assembly may discontinue this deduction if the reserve reaches half of the capital,
2- The Ordinary General Assembly may, subject to the Board of Directors proposal, set aside specific portion of net profits to form agreed reserve for a certain purpose(s).
3- As for the remaining amount, a first dividend payment of five percent (5%) at least of the paid-in capital shall be allocated to the shareholders.
4- Not less than ten percent (10%) of the remaining profits shall be allocated to the Board of Directors remunerations applying the rules and regulations of The Ministry of Commerce and Industry regarding this matter .Then, the remaining shall be distributed to the shareholders as additional dividends of the profit.

Dividends have been allocated to be distributed among shareholders shall be paid at a place and time specified by the Board pursuant to the instructions of the Ministry of Commerce and Industry.
In its meeting held on 24 December 2014 in Riyadh City, headed by H.E Eng. Abdulaziz Abdullah Al-Zamil, the Board of Directors has recommended the Ordinary General Assembly to approve paying the shareholders the amount of SAR three hundred seventy two million, nine hundred seventy five thousand and seven hundred fifty (SAR 372,975,750) as cash dividends for the year 2014G, that is SAR (0.85) per share representing 8.5% of the company's capital. The priority of distributing dividends shall be for the shareholders registered in Tadawul records at the end of its trading day in which the Ordinary General Assembly will be held .It is expected to be at the end of March 2015.

8th : The Board of Directors.

1- Forming Sahara Petrochemicals' Board of Directors

The Board of Directors consists, in its third period, of eleven members assigned by accumulated voting by the seventh meeting of the Ordinary General Assembly dated 24/06/1433H corresponding to 15/05/2012AD. All directors may be reassigned.
The Board of Directors members are classified according to the definitions mentioned in Article (2) of the Corporate Governance Regulation issued by Saudi Capital Market Authority (CMA), as follows:

No.	Name	Position	Classification
1	H.E. Engr. Abdulaziz Abdullah Al-Zamil	Chairman	Non-executive
2	Dr. Abdulrahman Abdullah Al-Zamil	Director	Non-executive
3	Eng. Esam Fouad Himdy	Director and managing director	Executive
4	Eng. Ahmed Fahad Al-Dwayan	Director	Independent
5	Saleh Abdulrahman Al-waabel	Director	Independent
6	Tariq Mutlaq Al-Mutlaq	Director	Independent
7	Khalid Abdullah Al-Abdullatif	Director	Independent
8	Saeed OmerQasim El-Esayi	director	Independent
9	Rashid Saif Al-Ghurair	Director	Independent
10	Eng. Ali Mohammed Alsania	Director	Independent
11	Jabr Abdulrahman Al-Jabr	Director	Non-executive

2- Directors membership in other joint stock companies

No.	Name	Position	
1	H.E. Engr. Abdulaziz Abdullah Al-Zamil	- Sipchem - Zamil Group Holding Company	- AlInma Bank
2	Dr. Abdulrahman Abdullah Al-Zamil	- Zamil Industrial Investment - Zamil Group Holding Company	- Sipchem - National Power Co
3	Eng. Esam Fouad Himdy	NA	
4	Eng. Ahmed Fahad Al-Dwayan	Al Jouf Cement Co.	
5	Saleh Abdulrahman Al-waabel	NA	
6	Tariq Mutlaq Al-Mutlaq	- Almotlak Group - National Company for Installment - Arabia Insurance Cooperative Company	- Orix Saudi Arabia - ACWA Power International
7	Khalid Abdullah Al-Abdullatif	- IGC (Sipchem Affiliate) - Harf Information Technology	- Om Al-Qura Dev. & Construction - Makkah Construction Co.
8	Saeed OmerQasim El-Esayi	- Al Rajhi Bank	- Yanbu Cement Company
9	Rashid Saif Al-Ghurair	NA	
10	Eng. Ali Mohammed Alsania	- Saudi Real Estate	- Al-Yammama Agricultural Production Co.
11	Jabr Abdulrahman Al-Jabr	NA	

3- Attendance record of the Board of Directors for the year 2014:

The Board of Directors was held five times during 2014. The below table shows the attendance record of each board member.

No.	Member Name	First Meeting 20/02/2014	Second Meeting 19/03/2014	Third Meeting 25/05/2014	Fourth Meeting 24/09/2014	Fifth Meeting 24/12/2014	Total
1	H.E. Engr.Abdulaziz Abdullah Al-Zamil	✓	✓	✓	✓	✓	5
2	Dr. Abdulrahman Abdullah Al-Zamil	✓	✗	✓	✓	✓	4
3	Esam Fouad Himdy	✓	✓	✓	✓	✓	5
4	Ahmed Fahad Al-Dwayan	✓	✓	✓	✗	✓	4
5	Saleh Abdulrahman Al-waabel	✓	✓	✓	✓	✓	5
6	Tariq Mutlaq Al-Mutlaq	✗	✓	✓	✓	✗	3
7	Khalid Abdullah Al-Abdullatif	✓	✓	✓	✓	✓	5
8	Saeed Omer Qasim El-Esayi	✓	✓	✓	✓	✓	5
9	Rashid Saif Al-Ghurair	✓	✓	✓	✓	✓	5
10	Ali Mohammed Alsania	✓	✓	✓	✓	✓	5
11	Jabr Abdulrahman Al-Jabr	✓	✓	✓	✓	✓	5

4- A Description of any interests held by the Board members, their wives and their adolescent children in the shares or debt instruments of the company or any of its affiliates

No.	Name	Start of year 2014		End of year 2014		Net change	Change %
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		
1	H.E. Engr. Abdulaziz Abdullah Al-Zamil	1,651,500	_	1,651,500	_	0	0
2	Dr. Abdulrahman Abdullah Al-Zamil	4,438,000	_	4,001,000	_	437,000	-9.85%
3	Esam Fouad Himdy	40,000	_	21,000	_	-19,000	-47.5%
4	Ahmed Fahad Al-Dwayan	2,501,000	_	1000	_	2,500,000	-99.6%
5	Saleh Abdulrahman Al-waabel	376	_	376	_	0	0
6	Tariq Mutlaq Al-Mutlaq	0	_	0	_	0	0
7	Khalid Abdullah Al-Abdullatif	0	_	0	_	0	0
8	Saeed OmerQasim El-Esayi	9,768,134	_	9,768,134	_	0	0
9	Rashid Saif Al-Ghurair	0	_	0	_	0	0
10	Ali Alsania	75,000	_	9,000	_	-66,000	-88%
11	Jabr Abdulrahman Al-Jabr	0	_	0	_	0	0

5- A Description of any interests of the Senior Executive officers, their wives or adolescent children in the shares or debt instruments of the company or any of its affiliates

No.	Name	Start of year 2014		End of year 2014		Net change	Change %
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		
1	Saleh Mohammed Bahamdan	45,000	_	35.000	_	-10,000	+ 22%
2	Rushdi Khalid Al-dulijan	0	_	0	_		0
3	Ali Abdullah Al-Ghamdi	36,354	_	46,354	_	-10,000	+ 22%
4	Viral Shah	13,338	_	338	_	-13,000	-97.5
5	Eid bin Saad Aljuaid	2,790	_	0	_	-2,790	-100%
6	Saeed bin Ali Al-Qarni	230,000	_	230,000	_	0	0

6- Remuneration and compensation paid to the company's directors and senior executives

The following table shows the remuneration and compensation paid to the board members and senior executives who received the highest compensation in addition to the executive president and the finance general manager during 2014.

Statement	Statement	BOD Members	who received the highest remuneration including the CEO and the financial manager
Salaries and Compensations	_	_	5,144,892.00
Allowances	15,000.00	196,000.00	1,999,010.00
Periodical and annual bonuses	200,000.00	2,000,000	1,311,702.00
Incentives	_	_	_
Any monthly or annually remuneration or tangible privileges	_	_	_

7- Major owners interest in shares category

The following is a statement of the major shareholders' names and their ownership percentage, who own 5% and more of the company's shares within year 2014.

No.	Name	Start of year 2014		End of year 2014		Net change	Change %
		Number of Shares	percentage of ownership	Number of Shares	percentage of ownership		
1	Zamil Holding Group	34,719,001	7.9%	34,719,001	7.9%	0	0
2	General Retirement Organization	26,124,324	5.9%	26,124,324	5.9%	0	0

8- A Description of any interests or options rights of the Issuers's board of directors' members, Senior Executive officers, their wives or adolescent children in the shares or debt instruments of the company or any of its affiliates during the last fiscal year.

There is no any interest or rights option for the Issuers' board of directors' members, Senior Executive officers, their wives or adolescent children in the shares or debt instruments of the company or any of its affiliates during the last fiscal year.

9- Convertible debt instruments, option rights, subscription rights notes or similar rights issued or granted during fiscal year

No categories and numbers of convertible debt instruments, option rights, subscription rights notes or any similar rights issued or granted during fiscal year are available and no compensation is paid to the issuer.

10- Waive of remunerations and emoluments of directors .

No arrangements or agreement under which any of the issuer's Board of Directors or senior executives waived remuneration or emoluments.

11- Waive of dividends .

No arrangements or agreement according to which an issuer's shareholder has waived any rights to dividend.

12- Statuary Payables .

Authority	Statuary payments till 31/12/2013	Statuary payments till 31/12/2014
Customs charges	(69,663)	207,825
Zakat and Taxes	31,757,938	38,825,329
GOSI	6,609,350	7,729,637
Costs of visas and passports	279,650	252,392
Others	532,760	677,351

13- The value of other investments or reserves made for the benefit of the issuer's employees

As a part of the company's efforts to maintain its employees, Sahara intends to construct and arrange 280 villas for its current or expected Saudi employees on lease basis that allows the employees of the company and its affiliates to own housing units in Jubail Industrial City. The employee shall pay full due amount on installments subject to the regulations and provisions determined previously by the company's management. Total cost of the Employee Home Ownership Program for reached SAR 500 million.

14- The recommendation of the Board of Directors to replace the Chartered Accountant before the end of three respective fiscal years and giving reasons for this recommendation

The Board didn't recommend replacing the chartered accountant before the end of three respective fiscal years.

9th : The Board Of Director's committees .

1- The Executive committee :

* The Executive Committee is in charge of the day-to-day management of the Company's business and has the responsibility to provide recommendations to the Board of Directors on various issues such as strategic planning and senior management appointments. The Executive Committee has been delegated all powers of the Board of Directors that may be delegated to such a Committee in accordance with the Company's By-Laws and applicable law, provided that the Executive Committee's exercise of such delegated powers is required to conform to any decisions that may be imposed on it by the Board of Directors. The Executive Committee is also delegated certain executive authorities of the Board of Directors such as executing investment policy, monitoring the performance of the Company's operations and approving major purchases and sales of assets. The committee held six meetings in 2014.

Executive committee Members and number of its meetings :

Name	Position	Number of meetings
H.E. Engr. Abdulaziz Abdullah Al-Zamil	Chairman	6
Eng. Esam Fouad Himdy (Managing Director)	Member	6
Eng. Saleh Bahamdan (Executive President)	member	6

2- The Audit Committee :

In addition to the executive committee, the company has an audit committee consisting of three members in addition to the secretary of the committee. The Audit Committee's charter is reviewed annually by the Board of Directors following a recommendation by the Audit Committee. The Audit Committee is responsible, among other things, for :

* supervising the Company's internal audit department in order to ascertain effectiveness of performance of the functions and tasks assigned to it by the Board of Directors;
* Studying the internal audit system and preparing a written report and recommendations on the same,
* Submitting recommendations to the Board of Directors respect of the appointment and removal of auditors and determining their fees. Independency of auditors should be ensured before appointment;
* Following up the auditors' activities and approving any non-audit work that may be assigned to them while doing auditing works;
* Studying the audit review plan with the auditor and giving remarks on the same;
* Studying the remarks of the auditor on the financial statements and following up the actions taken in respect thereof.
* Studying the interim and annual financial statements before submission to the Board and giving opinions and recommendations in respect of the same

The audit committee held four meetings in 2014.

Audit committee Members and number of their meetings :

Name	Position	Number of meetings
Mr. Saeed Omer Qasim El-Esayi	Chairman	4
Mr. Saleh Abdulrahman Al-waabel	Member	4
Eng. Ahmed Fahad Al-Dwayan	Member	3
Mr. Mr. Rushdie bin Khalid Dulaijan	Committee Secretary	3

3- The Merger and Acquisition Committee :

Merger and acquisition committee has been formed for following up and supervising the financial and legal studies of project of mergers with Saudi International Petrochemical Company (Sipchem) by the financial and legal advisor.

During 2013, Mergers and acquisitions committee held two meetings.

Members of merger and acquisition committee and number of their meetings:

Name	Position	Number of meetings
Eng. Esam bin Fouad Himdy	Chairman	2
Mr. Rashid bin Saif Al Ghurair	Member	2
Eng. Ali Mohammed Alsania	Member	2
Eng. Ahmed Fahad Al-Dwayan	Member	2
Eng. Saleh bin Mohammed Bahamdan	Member	2
Mr. Rushdi bin Khalid Dulaijan	Committee Secretary	2

4- The Remuneration and Nomination Committee :

Objectives and tasks:

Constituting the Remuneration and Nomination Committee is one of the main responsibilities of The Board of Directors. The basic task of such committee is to nominate new members of the Board and verify the efficiency of each candidate with regard to the required qualifications and skills taking into consideration not to nominate any person who is previously condemned in crimes involving a breach of honor and trust. The Board of Directors shall take all procedures that help the committee to do its tasks.

During 2013, the committee held one meeting dated 24/12/2014 AD.

Remuneration and Nomination Committee's members and meetings:

Name	Position	Number of meetings
H.E. Engr. Abdulaziz Abdullah Al-Zamil	Chairman	1
Mr. Saeed OmerQasim El-Esayi	Member	1
Mr. Tariq Mutlaq Al-Mutlaq	Member	0
Eng. Ali Mohammed Alsania	Member	1
Rushdi K. Al-Dulijan	Committee Secretary	1

10th : The Internal Audit .

The Audit Committee held four meetings during 2014 to the review the Company's financial statements and the internal audit procedures. The Company assigned an internal auditor, Ernest & Young, to conduct the internal audit activities. The internal auditor reviewed the performance of four departments during 2014, as follows:

- Evaluation of Suppliers
- Purchasing
- Production Management
- Health, Safety & Environment

The committee also reviewed and approved the consolidated financial statements for the year 2013 and the quarterly results for the year 2014. It assessed all risks related to the operations, marketing and financial operations. The committee presented its activities and the auditing results to Sahara's board of directors; Thanks to Allah, there was no essential weakness in the company's operation in general.

11th : Penalties and sanctions imposed on Sahara during 2014 .

A financial fine was imposed on Sahara by the Capital Market Authority (CMA) on 5 February 2014 for not applying paragraph (D) of Article (10) of the Corporate Governance Regulation which includes the necessity to set clear policy, criteria nd procedures in relation to the nomination for the company's board membership and to be executed after the approval of the general assembly. Therefore, Sahara's corporate governance regulation, which includes the previously mentioned article, was approved during the ninth ordinary general assembly held on Wednesday 18 Jumada I, 1435, corresponding to 19 March 2014.

12th : Communication with shareholders .

Sahara Petrochemicals is committed to achieve the principle of justice in providing appropriate information in order to help shareholders and investors to make investment decisions depending upon correct and complete information. The company took many procedures that insure the shareholders' rights to access information from the site of the Capital Market "Tadawul" as well as the company's website www.saharapcc.com .
In addition, the company is committed to publish financial reports, announcements and material information on Tadawul site and daily newspapers. The company is keen on communicating with shareholders replying on their inquiries and providing them with all the required information on time via telephone No. 013-3567788 and email shareholders@saharapcc.com

13th : Corporate Governance .

Sahara has undertaken a full corporate governance review to ensure that the company's corporate governance guidelines and directions are consistent with the highest standards. The management of the company has confirmed that it sticks to all the obligatory Articles of CMA's Corporate Governance Regulations. Besides, written policy has been set to regulate disputes of interests and remedies any potential discrepancy between the Board Directors, executive management and shareholders. This includes misuse of the assets of the company, misconduct during dealing with relevant persons. Following Best regulations and world practices, it was considered that 10 of directors of the board are of non-executives. Executive management, headed by the CEO, consists of a well trained and experienced team that has sufficient executive authorities for managing the company effectively within the scope of directions and guidelines put by the board and the executive committee. Sahara CEO is responsible for all daily operations of the company while the managing director deals with managing long term strategic plans.

14th : Board of Directors Disclosures and Acknowledgments .

Due to its commitment to upgrade the level of transparency and disclosure and following the information provided in the annual Board report for the period 1 Jan 2014 to 31 December 2014, the Board of Directors declared the following :

1- Sahara has applied all CMA Articles of Corporate Governance Regulations.
2- The consolidated financial statements attached hereto are prepared according to the accounting standards issued by Saudi Organization for Certified Public Accountants (SOCPA).
3- Sahara Petrochemicals owns 75% of AL WAHA Petrochemicals equity stake while the remaining 25% is owned by its foreign partner LyondellBasell that markets the products of AL WAHA as previously agreed upon in the off-take and marketing agreement. Sahara owns 32.55% of the capital of TSCO, which in turn owns 75% of the capital of SEPC and the remaining 25% is owned by LyondellBasell. Therefore, Sahara Petrochemicals owns 24.41% shareholding in SEPC supplies AL WAHA Petrochemicals with approximately 25.000 tons annually of Ethylene as feedstock. In addition, propylene is

exchanged, as needed, between AL WAHA and SEPC via a railway connecting the two companies. Sahara offered shareholding loans to its affiliates: AL WAHA Petrochemicals Company, Sahara & Ma'aden Petrochemicals Company and Saudi Acrylic Acid Company as per the previously signed agreements among the relevant parties. AL WAHA is managing and operating the joint utilities and services for both AL WAHA and SAMAPCO. Also, Sahara Petrochemicals Company is providing the shared services which include financial affairs, administrative services, safety, industrial security, projects, total quality management and information technology to both AL WAHA and SAMAPCO as per the signed agreement between them.

4- No material interest for any member of the Board of Directors, CEO, financial manager or any of their relatives in any current or previous contract the company is part therein.

5- Books of accounts are prepared correctly
There is no doubt concerning the ability of the company to continue its activity,
Internal Auditing system is prepared on sound foundations and implemented effectively.

In conclusion, Sahara Board of Directors would like to extend its sincere appreciation to the company shareholders for granting their trust in the company's board and its project. Also, the board would like to take the opportunity to express its thanks to all Sahara partners, clients and suppliers for their sincere cooperation noted during this year. We ask Allah, Almighty, to help us achieve more success and to protect the custodian of the two holy mosques and his royal highness, the crown prince and the vice crown prince for all facilities they provide to serve the Kingdom's economy that are positively reflected on the citizens and investors. The board would like to thank also all the company's employees as they are the main pillar of the company and its affiliate's success.

Allah is the Arbiter of Success...

Board of Directors

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INDEPENDENT AUDITORS' REPORT

February 24, 2015

To the shareholders of Sahara Petrochemicals Company:
(A Saudi Joint Stock Company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Sahara Petrochemicals Company (the "Company") and its subsidiary (collectively referred to as the "Group") as of December 31, 2014 and the consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 25 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group'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 auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By:__________________
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Consolidated balance sheet .

All amounts in Saudi Riyals thousands unless otherwise stated

Name	Note	As at December 31, 2014	As at December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	4	1,240,746	1,126,957
Short-term deposits		100,701	160,000
Accounts receivable	5	393,640	495,527
Inventories	6	296,434	227,026
Prepayments and other receivable	7	147,619	65,600
		2,179,140	2,075,110
Non-current assets			
Investments in and advances to associates	8	2,806,525	2,936,658
Projects development costs	9	1,613	54,363
Property, plant and equipment	10	3,457,770	3,536,346
Intangible assets	11	45,047	51,241
		6,310,955	6,578,608
Total assets		8,490,095	8,653,718

* Continued the previous table.

Name	Note	As at December 31, 2014	As at December 31, 2013
Liabilities			
Current liabilities			
Current maturity of long-term borrowings	14	246,522	221,140
Accounts payable	12	118,804	154,963
Accrued and other liabilities	13	182,088	213,527
Zakat and income tax payable	16	41,314	40,109
		588,728	629,739
Non-current liabilities			
Long-term borrowings	14	1,486,863	1,688,541
Derivative financial instruments	22	18,358	31,896
Employees termination benefits	15	51,593	39,949
		1,556,814	1,760,386
Total liabilities		2,145,542	2,390,125

* The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

* Continued the previous table.

Name	Note	As at December 31, 2014	As at December 31, 2013
Equity			
Equity attributable to shareholders of the Company			
Share capital	18	4,387,950	4,387,950
Statutory reserve	19	197,851	159,313
Fair value reserve	22	13,769	26,524
Retained earnings		1,245,359	1,273,694
Total shareholders' equity		5,817,391	5,794,433
Non-controlling interest		527,162	469,160
Total equity		6,344,553	6,263,593
Total liabilities and equity		8,490,095	8,653,718
Contingencies and commitments	25		

Consolidated income statement .

Name	Note	Year ended December 31,	
		2014	2013
Sales	17	1,898,346	2,377,984
Cost of sales	17	1,507,861	1,945,825
Gross profit		390,485	432,159

* Continued the previous table.

Operating expenses			
Selling and distribution	20	97,556	(97,541)
General and administrative	21	45,619	(22,324)
Income from operations		247,310	312,294
Other income (expenses)			
Share in net income of associates	8	278,991	417,286
Financial charges	14	59,716	(76,399)
Other, net		14,108	12,680
Income before zakat and non-controlling interest		480,693	665,861
Zakat	16	40,162	(32,068)
Income before non-controlling interest		440,531	633,793
Non-controlling interest		55,153	(63,018)
Net income for the year		385,378	570,775
Earnings per share (Saudi Riyals)	23		
Operating income		0.56	0.71
Net income for the year		0.88	1.30
Weighted average number of shares outstanding (in thousands)	23	438,795	438,795

* The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

Consolidated cash flow statement .

Name	Note	Year ended December 31,	
		2014	2013
Cash flow from operating activities			
Net income for the year		385,378	570,775
Adjustments for non-cash items			
Depreciation and amortization	10,11,14	203,452	211,171
Gain on disposal of property and equipment		-	(706)
Share in net income of associates	8	(278,991)	(417,286)
Income applicable to non-controlling interest		55,153	63,018
Changes in working capital			
Accounts receivable		101,887	(86,592)
Inventories		(69,408)	74,292
Prepayments and other receivable		(39,586)	(9,903)
Accounts payable		(36,159)	(14,666)
Accrued and other liabilities		(31,439)	(18,206)
Zakat and income tax payable	16	1,205	(1,993)
Employee termination benefits		11,644	7,854
Net cash generated from operating activities		303,136	377,758

Name	Note	Year ended December 31,	
		2014	2013
Cash flow from investing activities			
Dividends received from an associate	8	411,725	410,944
Changes in short-term deposits		59,299	(160,000)
Projects development costs	9	(23)	(7,647)
Additions to property, plant and equipment	10	(79,195)	(43,867)
Proceeds from disposal of property and equipment		294	1,227
Additions to intangible assets	11	(23,441)	(3,769)
Net cash generated from investing activities		368,659	196,888
Cash flow from financing activities			
Changes in short-term borrowings		-	(56,310)
Proceeds from long-term borrowings		38,844	45,000
Repayment of long-term borrowings		(221,140)	(200,758)
Dividends paid	24	(372,975)	(219,398)
Board of Directors' fee		(2,200)	(2,200)
Changes in non-controlling interest		(535)	-
Net cash utilized in financing activities		(558,006)	(433,666)

* The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

* Continued the previous table.

Name	Note	Year ended December 31, 2014	2013
Net increase in cash and cash equivalents		113,789	140,980
Cash and cash equivalents at beginning of year		1,126,957	985,977
Cash and cash equivalents at end of year	4	1,240,746	1,126,957

Consolidated statement of changes in shareholders' equity

Name	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total
January 1, 2014	4,387,950	159,313	26,524	1,273,694	5,794,433
Net income for the year	-	-	-	385,378	385,378
Transfer to statutory reserve	-	38,538	-	38,538	-
Dividends	-	-	-	372,975	372,975
Board of Directors' fee	-	-	-	2,200	2,200
Adjustments	-	-	12,755	-	12,755
December 31, 2014	4,387,950	197,851	13,769	1,245,359	5,817,391
January 1, 2013	4,387,950	102,235	53,526	981,595	5,418,254
Net income for the year	-	-	-	570,775	570,775
Transfer to statutory reserve	-	57,078	-	(57,078)	-

* Continued the previous table.

Dividends	-	-	-	219,398	219,398
Board of Directors' fee	-	-	-	2,200	2,200
Adjustments	-	-	27,002	-	27,002
December 31, 2013	4,387,950	159,313	26,524	1,273,694	5,794,433

1- General information

Sahara Petrochemicals Company (the "Company") is a Saudi Joint Stock Company and registered in the Kingdom of Saudi Arabia, operating under Commercial Registration ("CR") No. 1010199710 issued in Riyadh on 19 Jumada'l 1425 H (July 7, 2004). The registered address of the Company is P.O. Box 251, Riyadh 11411, Kingdom of Saudi Arabia.

The Company is principally involved in investing in industrial projects, especially in the petrochemicals and chemical fields and to own and execute projects necessary to supply raw materials and utilities.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiary 'AL WAHA Petrochemical Company ("AL WAHA")', (collectively the "Group"), a Saudi limited liability company operating under CR No. 2055007751 issued in Dammam on 9 Shaban 1427 H (September 3, 2006), and is owned 75% by the Company and 25% by Basell Arabia Investments Limited ("Basell"). AL WAHA owns and operates a petrochemicals complex that produces Propylene as primary feedstock for the production of Polypropylene.

The Group also holds equity interests in the following associates, at December 31, which are primarily involved in manufacturing of petro-chemicals products:

* The accompanying notes from 1 to 25 form an integral part of these consolidated financial statements.

Name	Note	
	2014	2013
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	50.00	50.00
Saudi Acrylic Acid Company ("SAAC")	43.16	43.16
Tasnee and Sahara Olefins Company ("TSOC")	32.55	32.55

During 2014, SAMAPCO and SAAC commenced their commercial operations effective 4 Ramadan 1435 H (July 1, 2014). SAMAPCO's plant is designed to produce 250,000 tons per year of concentrated Caustic Soda and 300,000 tons of Ethylene Dichloride. SAAC's plants are Acrylic Acid Plants complex, Acrylic Monomers factory and Super Absorbent Polymers factory. On December 4, 2013, the Company signed a Memorandum of Understanding ("MoU") with Saudi International Petrochemical Company ("SIPCHEM"), a Saudi joint stock company, relating to detailed terms of a proposed business merger between the two companies based on the principles of merger of equals (the "Proposed Merger"). During 2014, both the companies reached a conclusion that it is difficult to implement this merger under the current regulatory framework using a structure acceptable to both companies. Accordingly, it was agreed by both the companies to postpone the commercial negotiations related to the Proposed Merger and to postpone the entry into the Proposed Merger for the time being. The accompanying consolidated financial statements were authorized by the Board of Directors on February 24, 2015.

2- Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented.

2-1 Basis of preparation.

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of derivative financial instruments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

2-2 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

2-3 Foreign currency transaction and balances

(a) **Reporting currency** These consolidated financial statements are presented in Saudi Riyals which is the reporting currency of the Group.

(b) **Transactions and balances** Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

2-4 Cash and cash equivalents and time deposits

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date. Time deposits are deposits with banks having maturities of more than three months but less than a year and are disclosed separately as time deposits under current assets.

2-5 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated income statement.

2-6 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the weighted average method. The cost of finished products includes the cost of raw materials, labor and production overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Appropriate provisions are made for slow moving and redundant inventories.

2-7 Investments

(a) Subsidiary

Subsidiary is an entity over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. A subsidiary is fully consolidated from the date on which control is transferred to the Group and is de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiary. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated.

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, which is adjusted subsequently for impairment loss, if any. The Group's share of its associates' post-acquisition income or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is

recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.
Dilution gains and losses arising in investments in associates are recognized in the consolidated income statement.

2-8 Projects development costs

Projects development costs represent professional fees charged by legal advisors and financial consultants for setting-up of new companies to undertake various new industrial projects. It also includes the assets acquired that will be transferred to the new companies and the associates. Upon successful incorporation of the new companies, related costs are transferred to the respective companies in which the Group will have equity interest.

2-9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, except capital work-in- progress which is stated at cost. Depreciation is charged to the consolidated income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives :

	Number of years
Buildings and leasehold land improvements	33
Plant, machinery and equipment	10 - 25
Furniture, fixtures and office equipment	3 - 10
Vehicles	4

Leasehold land improvements are amortized on a straight line basis over the shorter of its useful life or the term of the lease.
Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated income statement.
Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2-10 Intangible assets

Turnaround costs - Planned turnaround costs are deferred and amortized over the period until the date of the next planned turnaround which is usually within 3 to 5 years. 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. Deferred charges - Costs that are not of benefit beyond the current period are charged to the consolidated income statement, while costs that will benefit future periods are capitalized. Such charges are amortized over period not exceeding seven years.

Software costs - Expenditure to acquire computer software and licenses are capitalized and amortized using the straight-line method over the useful life of four years. Licenses are carried at costs less accumulated amortization.

2-11 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. 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 the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement.

2-12 Borrowings

Borrowings are recognized at the proceeds received net of transactions cost incurred. Borrowings are subsequently carried at amortised cost. Any differences between the proceeds (net of transactions costs) and the redemption value is recognized in the consolidated income statement over the period using effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets until such time as the assets are ready for their intended use. Other borrowing costs are charged to the consolidated income statement.

2-13 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2-14 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Provision for zakat for the Company and zakat related to the Company's ownership in AL WAHA is charged to the income statement. Foreign shareholder of AL WAHA is subject to income taxes. Provision for income tax is charged to non-controlling interest in the accompanying consolidated balance sheet. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payments to the foreign shareholder of AL WAHA, as required under the Saudi Arabian Income Tax Law.

2-15 Employee benefits

(a) **Employee termination benefits**

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the consolidated income statement. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

(b) **Employees' home ownership programme**

The Company has a home ownership programme that offers eligible Saudi employees home ownership opportunities.

Costs incurred on the construction of houses are accumulated and recorded as capital work-in-progress under property, plant and equipment till the time the construction is completed. When the houses are transferred to the employees, the respective costs are transferred from property, plant and equipment to other non-current assets. Costs of unallocated houses are capitalized and depreciated. Down payments and installments of purchase price received from employees are adjusted against the other non-current assets and the title is transferred upon completion of receipt of all the installments.

2-16 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 income statement as they arise.

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

2-17 Revenues

Revenues from third parties are recorded at the time of delivery of the products. Products are also sold to the minority shareholder in AL WAHA (the "Off-taker") under an off-take agreement. Upon delivery of the products to the Off-taker, sales are recorded at provisional selling prices which are later adjusted based on actual selling prices received by the Off-taker from third parties, after deducting costs of shipping, distribution and marketing. Adjustments are recorded as they become known to the Company.

2-18 Selling, distribution and general and administrative expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting standards. Allocations between selling and distribution, and general and administrative expenses and cost of sales, when required, are made on a consistent basis.

2-19 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Company.

2-20 Operating leases

Rental expense under operating leases is charged to the consolidated income statement over the period of the respective lease. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

2-21 Segment reporting

(a) **Business segment**

A business segment is group of assets, operations or entities:

(i) engaged in revenue producing activities;

(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and

(iii) financial information is separately available.

The Group is primarily engaged in manufacturing of petrochemicals and related products.

(b) **Geographical segment**

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

The Group's operations are conducted principally in Saudi Arabia.

2-22 Reclassifications

Certain amounts in the comparative 2013 financial statements have been reclassified to conform with 2014 presentation and principally represent presentation of the transaction fee related to the long-term borrowings which has now been reclassified from intangible assets and presented as net against borrowings (see Note 14).

3- Financial instrument and risk management

Financial instrument carried on the consolidated balance sheet include cash and cash equivalents, short term deposits, accounts and other receivable, investments in and advances to associates, borrowings, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously. Risk management is carried out by senior management.

3-1 Currency risk

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, United States ("US") dollars, Australian dollars and Euros. Management believes the currency risk is not significant.

3-2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from the time deposits, borrowings and certain balances with related parties, which are subject to re-pricing on a regular basis. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps the Group agrees with other parties to exchange, at specified intervals (generally on half yearly basis), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Management monitors the changes in interest rates and believes that fair value and cash flow interest rate risks to the Group are not significant.

3-3 Price risk

The risk that the value of financial instrument will fluctuate as result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group financial instruments are not exposed to price risk.

3-4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. At December 31, 2014, approximately 81% (2013: 90%) of accounts receivable were due from a single customer, minority shareholder in AL WAHA, primarily responsible for sales of the Group's products under an off-take and marketing arrangements. Management believes that this concentration of credit risk is mitigated as the customer has sound history of repayments and payments are received as per the agreed terms of the business. Cash is placed with banks with sound credit ratings.

3-5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liability risk may result from inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available, including committed credit facilities, to meet the Group's obligations as they become due.

3-6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention, except for derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

4- Cash and cash equivalents

Name	Note	2014	2013
Cash at bank		293,722	326,957
Time deposits		947,024	800,000
		1,240,746	1,126,957

5- Accounts receivable

Name	Note	2014	2013
Related parties	17	318,544	445,578
Trade		75,096	49,949
		393,640	495,527

6- Inventories

Name	Note	2014	2013
Raw materials		42,214	52,994
Spare parts and supplies, held not for sale		125,543	115,106
Finished products		128,677	58,926
		296,434	227,026

7- Prepayments and other receivable

Name	Note	2014	2013
Prepayments		4,226	3,715
Receivable from employees		3,643	4,500
Advances to suppliers		82,107	32,687
Receivable from associates		53,444	16,947
Other receivables		4,199	7,751
		147,619	65,600

8- Investments in and advances to associates

Name	Note	2014	2013
Investment in associates:	8-1		
SAMAPCO		416,407	441,371
SAAC		303,408	378,900
TSOC		1,955,066	1,984,743
		2,674,881	2,805,014

* Continued the previous table.

Advances to associates			
SAMAPCO		51,570	51,570
SAAC		80,074	80,074
		131,644	131,644
		2,806,525	2,936,658

8-1 Investments in and advances to associates

Name	Note	2014	2013
January 1		2,805,014	2,794,198
Share in net income		278,991	417,286
Dividends		411,725	410,944
Share of change in fair value reserve		2,601	4,474
December 31		2,674,881	2,805,014

The Group has provided long-term advances to the associates to finance the construction of their production facilities. Such advances are not repayable during 2015 and, accordingly, classified as non-current in accompanying 2014 consolidated balance sheet. Also see Note 1.

8-2 Summarized financial information

	Name	Country of incorporation	Assets	Liabilities	Revenues	Net (loss) income	Effective equity interest %
2014	SAMAPCO	Saudi Arabia	3,341,448	2,508,634	293,147	49,928	50.00
	SAAC	Saudi Arabia	7,918,732	6,229,074	834,444	349,173	43.16
	TSOC	Saudi Arabia	18,218,184	9,824,396	6,395,618	1,169,810	32.55
			29,478,364	18,562,104	7,523,209	770,709	

* Continued the previous table.

	Name	Country of incorporation	Assets	Liabilities	Revenues	Net (loss) income	Effective equity interest %
2013	SAMAPCO	Saudi Arabia	3,192,702	2,309,960	-	6,962	50.00
	SAAC	Saudi Arabia	7,695,386	5,580,705	-	31,268	43.16
	TSOC	Saudi Arabia	18,698,993	10,094,544	5,866,875	1,295,412	32.55
			29,587,081	17,985,209	5,866,875	1,257,182	

SAMAPCO, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Caustic Soda, Chlorine and Ethylene Dichloride.

SAAC, a limited liability company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Acrylic Acid and its related products. TSOC, a Saudi closed joint stock company and registered in the Kingdom of Saudi Arabia, is engaged in production and sale of Propylene, Ethylene and Polyethylene.

9- Projects development costs

Name	Note	2014	2013
January 1		54,363	60,004
Additions		14,954	7,647
Transfers		52,773	13,288
Write offs		14,931	-
December 31		1,613	54,363

10- Property, plant and equipment

2014	January 1, 2014	Additions	Transfers / disposals	December 31, 2014
Cost				
Buildings and leasehold land improvements	734,158	2,012	2,530	738,700
Plant, machinery and equipment	3,249,409	18,493	30,998	3,298,900
Furniture, fixtures and office equipment	21,296	1,060	3,690	26,046
Vehicles	3,450	880	1,168	3,162
Capital work-in-progress	50,623	79,698	56,486	73,835
	4,058,936	102,143	20,436	4,140,643
Accumulated depreciation				
Buildings and leasehold land improvements	62,667	22,464	-	85,131
Plant, machinery and equipment	443,156	134,621	10	577,767
Furniture, fixtures and office equipment	14,651	3,529	34	18,146
Vehicles	2,116	591	878	1,829
	522,590	161,205	922	682,873
	3,536,346			3,457,770

* Continued the previous table.

2013	January 1, 2013	Additions	Transfers / disposals	December 31, 2013
Cost				
Buildings and leasehold land improvements	734,406	2,122	2,370	734,158
Plant, machinery and equipment	3,239,136	10,790	517	3,249,409
Furniture, fixtures and office equipment	14,213	1,396	5,687	21,296
Vehicles	3,779	870	1,199	3,450
Capital work-in-progress	21,934	30,709	2,020	50,623
	4,013,468	45,887	419	4,058,936
Accumulated depreciation				
Buildings and leasehold land improvements	42,757	22,280	2,370	62,667
Plant, machinery and equipment	285,199	157,968	11	443,156
Furniture, fixtures and office equipment	11,082	3,573	4	14,651
Vehicles	2,772	528	1,184	2,116
	341,810	184,349	3,569	522,590
	3,671,658			3,536,346

11- Intangible assets

Name	Note	2014	2013
Cost			
January 1		81,870	70,504

* Continued the previous table.

Additions		30,053	11,366
December 31		111,923	81,870
Accumulated amortization			
January 1		30,629	9,807
Additions		36,247	20,822
December 31		66,876	30,629
		45,047	51,241

12- Accounts payable

Name	Note	2014	2013
Trade		100,760	134,642
Related parties		12,934	18,834
Other		5,110	1,487
		118,804	154,963

13- Accrued and other liabilities

Name	Note	2014	2013
Accrued expenses		29,071	29,499
Accrued purchases		96,376	131,172
Financial charges		30,751	27,419
Other		25,890	25,437
		182,088	213,527

14- Long-term borrowings

Name	Note	2014	2013
Advance against Islamic facilities	14.1	835,186	897,476
Public Investment Fund ("PIF") loan	14.2	562,631	656,481
Saudi Industrial Development Fund ("SIDF") loan	14.3	200,000	265,000
Loan from a commercial bank	14.4	83,844	45,000
Loan from non-controlling interest	14.5	70,367	70,367
		1,752,028	1,934,324
Less: unamortized transaction costs		18,643	24,643
		1,733,385	1,909,681
Less: current maturity shown under current liabilities		246,522	221,140
		1,486,863	1,688,541

Balance of unamortized transaction costs as at December 31 is as follows:

Name	Note	2014	2013
January 1		60,000	60,000
Amortization		41,357	35,357
December 31		18,643	24,643

14-1 Credit risk

During 2006, AL WAHA signed an Islamic Facility Agreement with a syndication of commercial banks for US dollars 276.6 million (Saudi Riyals are 1.04 billion) through which the commercial banks participated in the construction of the Al Waha's production facilities on the basis of co-ownership. On the completion of construction of AL WAHA's production facilities, such assets were leased to AL WAHA at an annual rental calculated at London Inter Bank Offered Rate ("LIBOR") plus 1.95%. The advances are primarily denominated in US dollars. The aggregate maturities of these advances, based on their repayment schedules, are spread in 2010 through 2021.

AL WAHA has also entered into interest rate swap contracts with commercial banks to manage the exposure to volatility in interest rates for a notional amount of US dollars 73.5 million (Saudi Riyals 275.4 million) [2013: US dollars 104.3 million (Saudi Riyals 391.3 million)] with no upfront premium.

Subsequent to 2014, AL WAHA has signed a new Islamic Facility Agreement with the same syndication of commercial banks as a term financing amounting to Saudi Riyals 1,964 million to refinance all of its existing loans, including the PIF and SIDF loans, as described in Note 14.2 and 14.3 below. The aggregate maturities of these loans, based on their rescheduled maturity profile, are spread in 2015 through 2026.

14-2 PIF loan

The loan agreement with PIF provided for a loan of US dollars 250.0 million (Saudi Riyal 937.9 million) entered into by AL WAHA to finance the construction of its plant facilities. This loan bears financial charges at LIBOR plus 0.5% and is repayable in twenty semi-annual equal installments starting from May 2011. The loan is secured by mortgage on the property, plant and equipment of AL WAHA.

14-3 SIDF loan

AL WAHA has signed a loan agreement with SIDF for a loan of Saudi Riyals 400.0 million to finance the construction of its plant facilities, which have been fully drawn until December 31, 2011. The loan bears no periodic financial charges. The loan is payable in thirteen un-equal semi-annual installments which commenced from July 17, 2011. The loan is secured through a mortgage of property, plant and equipment, assignment of insurance proceeds, technology rights and corporate guarantees of the Company and minority shareholder of AL WAHA.

14-4 Loan from a commercial bank

During 2013, the Company signed a loan agreement of Saudi Riyals 500.0 million with a commercial bank to finance the employee housing scheme for the Company's employees and its affiliates (AL WAHA and SAAC). Out of the total facility, the Company has drawn Saudi Riyals 83.8 million as at December 31, 2014. The loan bears financial charges at Saudi Inter Bank Offered Rate ("SIBOR") plus 2% and is repayable in twenty equal semi-annual installments commencing after three years from the draw down date.

The covenants of some of the borrowing facilities require AL WAHA to maintain certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount and limit the amount of annual capital expenditure and certain other requirements.

14-5 Loan from non-controlling interest

This represent loan from Basell to finance the construction of production facilities of AL WAHA. This loan bears financial charges at an agreed rate with no stated repayment date. Basell has confirmed that no repayment of these balances will be required during 2015.

14-6 Maturity profile of long-term borrowings

Name	2014	2013
Years ending December 31:		
2014	-	221,140
2015	246,522	246,422
2016	256,715	256,798
2017	231,278	229,535
2018	205,840	202,167
2019	221,396	217,512
Thereafter	590,277	560,750
	1,752,028	1,934,324

15- Employees termination benefits

Name	2014	2013
January 1	39,949	32,095
Provisions	16,688	11,251
Payments	5,044	3,397
December 31	51,593	39,949

16- Employees termination benefits

The Company and AL WAHA file separate zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less deduction for the net book value of property, plant and equipment, investments in and advances to associates and certain other items.

16-1 Provision for zakat and income tax

Name	2014	2013
Zakat for the Company	30,372	32,041
Zakat and income taxes for AL WAHA	10,942	8,068
	41,314	40,109

16-2 Provision for zakat charged to the consolidated income statement

Name	2014	2013
Zakat for the Company	27,320	24,000
Company's share in zakat of AL WAHA:		
- For current year	11,221	8,068
- Adjustments related to prior years	1,621	-
	40,162	32,068

16-3 Status of final assessments

The Company has received the zakat assessments for the years through 2011 which have been agreed with the DZIT except for the additional zakat assessment for the year 2010 amounting to Saudi Riyals 7.4 million. The Company has filed an appeal against such assessment and believes that no material liability will arise upon ultimate settlement of such appeal and, accordingly, no provision has been recorded in the accompanying consolidated financial statements.

AL WAHA has received zakat and income tax certificates from the DZIT for the years through 2013.

17- Related parties matters

17-1 Related party transactions

Significant transactions with related parties included in the financial statements are summarized below:

Name	2014	2013
Sales	1,524,292	2,049,615
Purchases	85,412	151,398
Financial charges	3,507	3,507
Financial income	3,706	2,370
Cost and expenses charged to an associate	66,805	63,811

17-2 Receivable from related parties

Receivable from related parties at December 31, 2014 and 2013, represent balances receivable from the foreign affiliates of Basell.

17-3 Other receivables

Receivable from associates at December 31, 2014 and 2013, represent balances receivable from SAAC and SAMAPCO.

17-4 Payable to related parties

Name	2014	2013
TSOC	10,517	16,462
SAMAPCO	2,417	2,372
	12,934	18,834

18- Share capital

The share capital of the Company as of December 31, 2014 and 2013 was comprised of 438,795,000 shares stated at Saudi Riyals 10 per share.

19- Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net income for the year, after recovering from accumulated deficit, to statutory reserve until it equals to 50% of its share capital. The statutory reserve in the accompanying consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

20- Selling and distribution expenses

Name	2014	2013
Freight charges	88,717	90,529
Other	8,839	7,012
	97,556	97,541

21- General and administrative expenses

Name	2014	2013
Salaries, wages and benefits	19,902	14,117
Maintenance	1,406	1,339
Professional services	10,398	1,042
Travelling	1,123	575
Depreciation and amortization	2,020	1,687
Rent	732	534
Other	10,038	3,030
	45,619	22,324

22- Fair value reserve

At December 31, 2014, the Group and certain of its associates had outstanding interest rate swap agreements with commercial banks with negative fair values. The Group has recorded its share of the change in fair values in the consolidated statement of changes in the shareholder's equity.

23- Earnings per share

Earnings per share for the years ended December 31, 2014 and 2013 has been computed by dividing the operating income and net income for such years by weighted average number of 438,795,000 shares outstanding during such years.

24- Dividends

The shareholders in their meeting held on March 19, 2014 approved dividends amounting to Saudi Riyals 372.98 million (Saudi Riyals 0.85 per share) which have been fully paid during 2014 (2013: Saudi Riyals 219.4 million declared in March 2013 and fully paid during 2013);

The Board of Directors has recommended a final cash dividend of Saudi Riyals 0.85 per share, amounting to Saudi Riyals 372.98 million for the year ended December 31, 2014, subject to the Company's shareholders' approval in the next Annual General Assembly meeting in 2015.

25- Earnings per share

(i) The Group was contingently liable for bank guarantees issued in the normal course of business amounting to Saudi Riyals 454.6 million (2013: Saudi Riyals 454.9 million).

(ii) The capital expenditure contracted by the Group but not incurred till December 31, 2014 was approximately Saudi Riyals 440.1 million (2013: Saudi Riyals 368.7 million).

(iii) See also Note 16 to potential liabilities for Zakat.

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