SAHARA PETROCHEMICALS COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD AND YEAR ENDED
DECEMBER 31, 2014 AND LIMITED REVIEW REPORT

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LIMITED REVIEW REPORT

January 18, 2015

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

Scope of review

We have reviewed the accompanying interim 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 interim consolidated income statement for the three-month period and year ended December 31, 2014, and the interim consolidated statement of cash flows for the year then ended and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in Saudi Arabia.

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SAHARA PETROCHEMICALS COMPANY
(A Saudi Joint Stock Company)
Interim consolidated balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2014 (Unaudited)	December 31, 2013 (Audited)
Assets			
Current assets			
Cash and cash equivalents		**1,240,745**	1,126,957
Short-term deposits		**100,701**	160,000
Accounts receivable		**403,113**	495,527
Inventories		**296,433**	227,026
Prepayments and other receivable		**154,670**	65,600
		2,195,662	2,075,110
Non-current assets			
Investments in and advances to associates		**2,808,028**	2,936,658
Projects development costs		**1,613**	54,363
Property, plant and equipment		**3,457,768**	3,536,346
Intangible assets		**45,049**	51,241
		6,312,458	6,578,608
Total assets		**8,508,120**	8,653,718
Liabilities			
Current liabilities			
Current maturity of long-term borrowings		**246,522**	221,140
Accounts payable		**137,502**	154,963
Accrued and other liabilities		**182,087**	213,527
Zakat and income tax payable		**34,409**	40,109
		600,520	629,739
Non-current liabilities			
Long-term borrowings		**1,486,863**	1,688,541
Derivative financial instruments		**18,358**	31,896
Employee termination benefits		**51,594**	39,949
		1,556,815	1,760,386
Total liabilities		**2,157,335**	2,390,125
Equity			
Equity attributable to shareholders of the Company:			
Share capital		**4,387,950**	4,387,950
Statutory reserve		**198,733**	159,313
Fair value reserve		**(16,370)**	(26,524)
Retained earnings		**1,253,302**	1,273,694
Total shareholders' equity		**5,823,615**	5,794,433
Non-controlling interest		**527,170**	469,160
Total equity		**6,350,785**	6,263,593
Total liabilities and equity		**8,508,120**	8,653,718
Contingencies and commitments	4		

The notes from 1 to 4 form an integral part of these interim consolidated financial statements.

SAHARA PETROCHEMICALS COMPANY
(A Saudi Joint Stock Company)
Interim consolidated income statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended December 31,		For the year ended December 31,	
		2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Audited)
Sales		503,546	666,095	1,898,346	2,377,984
Cost of sales		(326,690)	(550,243)	(1,507,861)	(1,945,825)
Gross profit		176,856	115,852	390,485	432,159
Operating expenses					
Selling and distribution		(28,059)	(25,763)	(97,556)	(97,541)
General and administrative		(11,673)	(2,450)	(45,621)	(22,324)
Income from operations		137,124	87,639	247,308	312,294
Other income (expenses)					
Share in net income of associates		15,728	117,765	283,095	417,286
Financial charges		(12,033)	(11,797)	(59,716)	(76,399)
Other, net		3,064	14,096	11,934	12,680
Income before zakat and non-controlling interest		143,883	207,703	482,621	665,861
Zakat		(18,721)	(8,068)	(33,257)	(32,068)
Income before non-controlling interest		125,162	199,635	449,364	633,793
Non-controlling interest		(32,943)	(21,479)	(55,161)	(63,018)
Net income for the period / year		92,219	178,156	394,203	570,775
Earnings per share (Saudi Riyals):	2.21				
Operating income		0.31	0.20	0.56	0.71
Net income for the period / year		0.21	0.41	0.90	1.30

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SAHARA PETROCHEMICALS COMPANY
(A Saudi Joint Stock Company)
Interim consolidated cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the year ended December 31, 2014 (Unaudited)	2013 (Audited)
Cash flow from operating activities			
Net income for the year		**394,203**	570,775
Adjustments for non-cash items			
Depreciation and amortization		**197,452**	211,171
Gain on disposal of property and equipment		**-**	(706)
Share in net income of associates		**(283,095)**	(417,286)
Income applicable to non-controlling interest		**54,626**	63,018
Changes in working capital			
Accounts receivable		**92,414**	(86,592)
Inventories		**(69,407)**	74,292
Prepayments and other receivable		**(46,637)**	(9,903)
Accounts payable		**(17,461)**	(14,666)
Accrued and other liabilities		**(31,440)**	(18,206)
Zakat and income tax payable		**(5,700)**	(1,993)
Employee termination benefits		**11,645**	7,854
Net cash generated from operating activities		**296,600**	377,758
Cash flow from investing activities			
Changes in short term deposits		**59,299**	(160,000)
Dividends received from an associate		**411,725**	410,944
Projects development costs		**10,317**	(7,647)
Additions to property, plant and equipment		**(82,628)**	(43,867)
Proceeds from disposal of property and equipment		**-**	1,227
Additions to intangible assets		**(30,054)**	(3,769)
Net cash generated from in 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
Repayments of long-term borrowings		**(215,140)**	(200,758)
Dividends paid	3	**(372,975)**	(219,398)
Board of Directors' fee		**(2,200)**	(2,200)
Net cash utilized in financing activities		**(551,471)**	(433,666)
Net increase in cash and cash equivalents		**113,788**	140,980
Cash and cash equivalents at beginning of year		**1,126,957**	985,977
Cash and cash equivalents at end of year		**1,240,745**	1,126,957

The notes from 1 to 4 form an integral part of these interim consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 interim 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 Arabian Investment ("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 which are primarily involved in manufacturing of petrochemicals products:

Name	**Equity interest %**
Sahara and Ma'aden Petrochemicals Company ("SAMAPCO")	50.00
Saudi Acrylic Acid Company ("SAAC")	43.16
Tasnee and Sahara Olefins Company ("TSOC")	32.55

These interim consolidated financial statements and notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended December 31, 2013.

On December 4, 2013, the Company signed a Memorandum of Understanding ("MoU") with Saudi International Petrochemical Company ("SIPCHEM"), a Saudi joint stock company, to continue the non-binding negotiations and other relevant matters 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 the year ended December 31, 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 Company announced on 4 Ramadan 1435 H (July 1, 2014), commencement of commercial operations of its associates SAMAPCO and SAAC. 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.

The accompanying interim consolidated financial statements were approved by the Company's management on January 18, 2015.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The accompanying interim 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 the Standard of Accounting for Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. Significant accounting policies adopted by the Group for preparing such interim consolidated financial statements are consistent with the accounting policies described in the 2013 annual audited consolidated financial statements of the Group.

2.2 Critical accounting estimates and judgments

The preparation of interim 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 transactions and balances

(a) Reporting currency

These interim 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

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.

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 consolidated 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 costs. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. 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 consolidated 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

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.

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 construction 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 directly in the shareholders' 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

Substantially all product sales are made 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. Revenues from third parties are recorded at the time of delivery of the products.

2.18 Selling, distribution and general and administrative expenses

Selling and 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 Earnings per share

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

2.22 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 Company 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 Company's operations are conducted principally in Saudi Arabia.

2.23 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 interim consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

2.24 Reclassifications

Certain amounts in the comparative 2013 financial statements have been reclassified to conform with 2014 presentation.

3 Dividends

During 2014:

- 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 (2013: Saudi Riyals 219.4 million approved in March 2013 and fully paid);

- the Board of Directors has proposed 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, which will be paid during 2015 upon approval of shareholders.

4 Contingencies and commitments

(i) The Group was contingently liable for bank guarantees issued in the normal course of business amounting to Saudi Riyals 454.6 million at December 31, 2014 (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).