

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' REPORT (LIMITED REVIEW)
FOR THE THREE MONTHS ENDED MARCH 31, 2015

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REPORT
(LIMITED REVIEW)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

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AUDITORS' REPORT (LIMITED REVIEW) ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders
Saudi International Petrochemical Company
Kingdom of Saudi Arabia

Scope of Review

We have reviewed the consolidated interim balance sheet of Saudi International Petrochemical Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries as of March 31, 2015, and the related consolidated interim statements of income and cash flows for the three months then ended, and notes 1 to 10 which form an integral part of these consolidated interim financial statements as prepared by the Company and presented to us with all the necessary information and explanations. These consolidated interim financial statements are the responsibility of the Company's management.

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

Review Results

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

Deloitte & Touche
Bakr Abulkhair & Co.



Nasser M. Al-Sagga
License No. 322
1 Rajab, 1436
April 20, 2015



SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM BALANCE SHEET
AS OF MARCH 31, 2015

	Note	2015 SR	2014 SR
		(Un-audited)	(Un-audited)
ASSETS			
Current assets			
Cash and cash equivalents		2,258,459,268	2,905,356,723
Accounts receivable, prepayments and other receivables		1,221,733,390	1,210,342,271
Inventories		610,929,091	321,044,577
Total current assets		4,091,121,749	4,436,743,571
Non-current assets			
Property, plant and equipment		12,795,638,043	11,724,263,208
Projects' development costs		56,689,144	558,752,417
Intangible assets		152,952,110	146,499,380
Goodwill		29,543,923	29,543,923
Total non-current assets		13,034,823,220	12,459,058,928
TOTAL ASSETS		17,125,944,969	16,895,802,499
LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS			
Current liabilities			
Bank overdraft		-	329,798
Short term loans		100,000,000	257,447,500
Current portion of long term loans		592,811,279	477,527,184
Current portion of obligations under capital lease		26,000,000	-
Accounts payable, accrued and other liabilities		1,200,412,504	1,000,613,471
Short term advances from partners		80,574,935	92,812,624
Total current liabilities		1,999,798,718	1,828,730,577
Non-current liabilities			
Long term loans		5,070,607,203	5,320,150,333
Sukuk		1,800,000,000	1,800,000,000
Obligations under capital lease		286,000,000	255,000,000
Long term advances from partners		58,826,590	413,172,860
Employees' benefits payable		146,425,379	112,813,403
Fair value of interest rate swaps		10,696,506	57,977,761
Other non-current liabilities		50,602,500	12,027,668
Total non-current liabilities		7,423,158,178	7,971,142,025
Total liabilities		9,422,956,896	9,799,872,602

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
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**CONSOLIDATED INTERIM BALANCE SHEET (Continued)
AS OF MARCH 31, 2015**

	Note	2015 SR	2014 SR
		(Un-audited)	(Un-audited)
Stockholders' equity and non-controlling interests			
Share capital	1	3,666,666,660	3,666,666,660
Statutory reserve		1,177,632,451	1,108,947,975
Reserve for the results of sale of shares in subsidiaries		48,893,677	48,893,677
Retained earnings		938,755,316	849,784,721
Net change in fair value of interest rate swaps		(8,341,434)	(44,731,989)
Foreign currency translation reserve		(11,268,638)	(511,983)
Total stockholders' equity		5,812,338,032	5,629,049,061
Non-controlling interests		1,890,650,041	1,466,880,836
Total stockholders' equity and non-controlling interests		7,702,988,073	7,095,929,897
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		17,125,944,969	16,895,802,499

The accompanying notes form an integral part of these consolidated interim financial statements

SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2015

	Note	2015 SR	2014 SR
		(Un-audited)	(Un-audited)
Sales	7	826,182,352	927,452,630
Cost of sales		<u>(592,103,432)</u>	<u>(694,094,625)</u>
Gross profit	7	234,078,920	233,358,005
Selling, general and administrative expenses		<u>(57,460,818)</u>	<u>(65,659,083)</u>
Operating income		176,618,102	167,698,922
Investment income		1,591,786	3,434,172
Finance charges		<u>(37,042,416)</u>	<u>(40,226,945)</u>
Other (expense) income, net		<u>(30,727,976)</u>	2,682,338
Income before non-controlling interests, zakat and income tax		110,439,496	133,588,487
Non-controlling interests		<u>(27,031,186)</u>	<u>(48,118,813)</u>
Income before zakat and income tax		83,408,310	85,469,674
Zakat and income tax		<u>(2,789,106)</u>	<u>(16,813,310)</u>
NET INCOME		<u>80,619,204</u>	<u>68,656,364</u>
Earnings per share			
Earnings per share from net income		<u>0.22</u>	0.19
Earnings per share from continuing main operations		<u>0.30</u>	0.18
Earnings per share from other operations		<u>(0.08)</u>	0.01
Weighted average number of shares		<u>366,666,666</u>	<u>366,666,666</u>

The accompanying notes form an integral part of these consolidated interim financial statements

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

	2015 SR	2014 SR
	(Un-audited)	(Un-audited)
OPERATING ACTIVITIES		
Net income before zakat and income tax	83,408,310	85,469,674
Adjustments for:		
Depreciation and amortization	152,583,649	131,635,453
End-of-service indemnities, net	9,696,930	13,030,314
Finance charges	37,042,416	40,226,945
Non-controlling interests	27,031,186	48,118,813
Investment income	(1,591,786)	(3,434,172)
Changes in operating assets and liabilities:		
Accounts receivable, prepayments and other receivables	(152,282,530)	103,988,442
Inventories	(78,920,682)	(18,318,145)
Accounts payable, accrued and other liabilities	166,138,271	245,654,179
Cash from operations	243,105,764	646,371,503
Finance charges paid	(41,804,066)	(43,883,866)
Zakat and income tax paid	-	(3,235,938)
Net cash from operating activities	201,301,698	599,251,699
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(58,323,740)	(290,155,782)
Additions to intangible assets	(5,674,987)	(1,020,016)
Projects' development costs, net	(97,612,708)	(85,430,018)
Investment income received	1,591,786	3,434,172
Net cash used in investing activities	(160,019,649)	(373,171,644)
FINANCING ACTIVITIES		
Change in bank overdraft, net	-	(48,414,734)
Short term loan, net	100,000,000	257,447,500
Long term loans, net	(269,076,367)	26,263,319
Additions of obligations under capital lease	57,000,000	-
Advances from partners	132,084	38,520,239
Change in non-controlling interests	(124,771,267)	(209,053,007)
Dividends paid	-	(238,333,333)
Board of Directors' remuneration paid	-	(2,200,000)
Net cash used in financing activities	(236,715,550)	(175,770,016)
Net change in cash and cash equivalents	(195,433,501)	50,310,039
Cash and cash equivalents, January 1	2,458,750,403	2,857,603,807
Foreign currency translation reserve	(4,857,634)	(2,557,123)
CASH AND CASH EQUIVALENTS, MARCH 31	2,258,459,268	2,905,356,723

Non-cash transactions (note 8)

The accompanying notes form an integral part of these consolidated interim financial statements

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

1. ORGANIZATION AND ACTIVITIES

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

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

As of March 31, 2015 and 2014, share capital of the Company amounted to SR 3,666,666,660 divided into 366,666,666 shares of SR 10 each.

As of March 31, the Company has the following subsidiaries (the Company and its subsidiaries hereinafter referred to as “the Group”):

	Effective ownership (%)	
	2015	2014
International Methanol Company (“IMC”)	65%	65%
International Diol Company (“IDC”)	53.91%	53.91%
International Acetyl Company (“IAC”)	76%	76%
International Vinyl Acetate Company (“IVC”)	76%	76%
International Gases Company (“IGC”)	72%	72%
Sipchem Marketing Company (“SMC”)	100%	100%
International Utility Company (“IUC”)	68.58%	68.58%
International Polymers Company (“IPC”)	75%	75%
Sipchem Chemical Company (“SCC”)	100%	100%
Sipchem Europe Cooperative U.A and its subsidiaries	100%	100%
Gulf Advanced Cable Insulation Company (“GACI”) (note 1)	50%	50%
Saudi Specialized Products Company (“SSPC”)	75%	75%
Sipchem Asia PTE. Ltd. (note 2)	100%	100%

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

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

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

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

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
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The principal activities of SMC and its subsidiary Sipchem Europe Cooperative U.A are to provide marketing services for the products manufactured by the group companies and other petrochemicals products.

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

The principal activity of IPC is to manufacture and sale of low density polyethylene (LDPE), polyvinyl acetate (PVAC) and polyvinyl alcohol (PVA). IPC commenced its commercial operation from April 1, 2015 after successful commissioning, testing and completion of acceptance formalities with the main contractors.

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

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

The principal activities of SSPC which was established in 2014, is the manufacture and sale of Molds and Dies and related services as well as Production of EVA films. SSPC is under development stage and expected to commence its commercial production in 2015.

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

Note 2: The investee company was incorporated during 2013 in Singapore, its article of association is dated 13 Jumada I, 1434, corresponding to March 25, 2013.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Accounting convention

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

Use of estimates

The preparation of the consolidated interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Principles of consolidation

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

Revenue recognition

The Group markets their products through marketers. Sales are made directly to final customers and also to the marketers' distribution platforms. The sales through the distribution platforms are recorded at provisional prices at the time of shipments, which are later adjusted based on actual selling prices received by the marketers from their final customers, after deducting the cost of shipping and distribution. Adjustments are made as they become known to the Group. Both export and local sales are recognized at the time of delivery of the products.

Expenses

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2015

Cash and cash equivalents

Cash and cash equivalent consists of bank balances, demand deposits, cash on hand and investments that are readily convertible into known amounts of cash and have maturity of three months or less when purchased.

Accounts receivable

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

Inventories

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

Property, plant and equipment

Property, plant and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Leasehold land and construction work-in-progress are not depreciated. Expenditure on maintenance and repairs is expensed while expenditure for improvement is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

	<u>Years</u>
Plant and machinery	10 - 25
Buildings	2 - 33.3
Vehicles	4
Catalyst and tools	1 - 10
Computer, furniture, fixtures and office equipment	1 - 10

Projects' development costs

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

Intangible assets

Intangible assets mainly represent turnaround maintenance costs, upfront fees paid for an existing long term off take agreement and other deferred expenses. The planned turnaround costs are deferred and amortized over the period until the date of the next planned turnaround. Should an unexpected turnaround occur prior to the previously envisaged date of planned turnaround, then the previously unamortized deferred costs are immediately expensed and the new turnaround costs are amortized over the period likely to benefit from such costs. Other intangible assets are amortized over the estimated period of benefits.

Goodwill

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

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
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For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

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

Impairment

At each consolidated interim balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as an income immediately.

Provision for obligations

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

Zakat and income tax

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

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

End-of-service indemnities

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

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
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Statutory reserve

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

Employees' saving plan

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

Reserve for the results of sale of shares in subsidiaries

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

Dividends

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

Derivative financial instruments

Derivative financial instruments are initially recorded at cost and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated interim statement of income as they arise.

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is already recognized in the consolidated balance sheet. The gain or loss from the change in the fair value of the hedging instrument is recognized immediately in the consolidated statement of income. At the same time, the carrying amount of the hedged item is adjusted for the corresponding gain or loss since the inception of the hedge, which is also immediately recognized in the consolidated interim statement of income.

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

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated interim balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated interim statement of income.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2015

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

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

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

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

Leasing

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

Segmental analysis

A segment is a distinguishable component of the Group that is either engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographical segment) which is subject to risks and rewards that are different from those of other segments.

Earnings per share

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

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

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

Weighted average number of outstanding shares as of March 31, 2015 and 2014 were 366,666,666 shares.

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**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

3. COMMITMENTS AND CONTIGENCIES

As of March 31, 2015, the Group had capital commitments amounting to SR 698.1 million (March 31, 2014: SR 937.7 million).

As of March 31, 2015, the Group had outstanding letters of guarantees and credits amounting to SR 700.1 million (March 31, 2014: SR 637.7 million).

4. CONTINGENT LIABILITIES

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

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

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

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

5. INTEREST RATE SWAP CONTRACTS

As of March 31, 2015, IDC, IAC, IVC and IGC had interest rate swap ("IRS") contracts with local commercial banks in relation to the loans obtained from Public Investment Fund and syndicated commercial loans as required by the loan agreements. As of March 31, 2015, the notional amount of IRS contracts was SR 1,045 million (March 31, 2014: SR 1,304 million).

The fair value of the interest rate swap has declined as of March 31, 2015 to SR 10.7 million (March 31, 2014: SR 58.0 million). The Group share amounted to SR 8.3 million (March 31, 2014: SR 44.7 million) which has been recorded in the consolidated stockholders' equity. This amount represents what has to be paid in case the Groups' management decides to cancel the agreements. However, the Group's management has no intention to cancel the agreements. In case of the increase in the interest rates, this difference will be eliminated and may become positive during the agreement term.

6. DIVIDENDS

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

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2015**

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

The Board of Directors in their meeting held on November 30, 2014 proposed to distribute final cash dividends amounting to SR 238.3 million i.e. SR 0.65 per share, equivalent to 6.5% of the share capital that was approved by the stockholders in the General assembly meeting held on March 31, 2015. The Company distributed such dividends during the second quarter of 2015.

7. SEGMENTAL ANALYSIS

	Petrochemical operations SR	Marketing activities SR	Total SR
March 31, 2015 (un-audited)			
Sales	766,679,277	59,503,075	826,182,352
Gross profit (Loss)	236,303,038	(2,224,118)	234,078,920
Net assets	5,775,805,025	36,533,007	5,812,338,032
March 31, 2014 (un-audited)			
Sales	701,649,591	225,803,039	927,452,630
Gross profit	228,144,701	5,213,304	233,358,005
Net assets	5,549,778,612	79,270,449	5,629,049,061

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

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

8. NON-CASH TRANSACTIONS

	2015 SR (Un-audited)	2014 SR (Un-audited)
Net changes in fair value of interest rate swaps	(2,644,642)	(3,516,309)
Reclassification of contractors settlement against CWIP	62,039,570	-
Reclassification of inventory sold / adjusted against CWIP	61,052,460	-
Transfer from projects development costs to intangible assets	7,115,118	-
Transfer from projects' development costs to property, plant and equipment	95,968,664	-
Reclassification of proposed dividends to dividends payable	(238,333,333)	-
Director's remuneration payable	(2,200,000)	-

9. RESULTS OF INTERIM PERIOD

The results of the interim period are not audited and therefore it may not give accurate indication of the annual operating results.

10. COMPARATIVES FIGURES

Certain figures for the period ended March 31, 2014 has been reclassified to conform to the presentation of the current period.