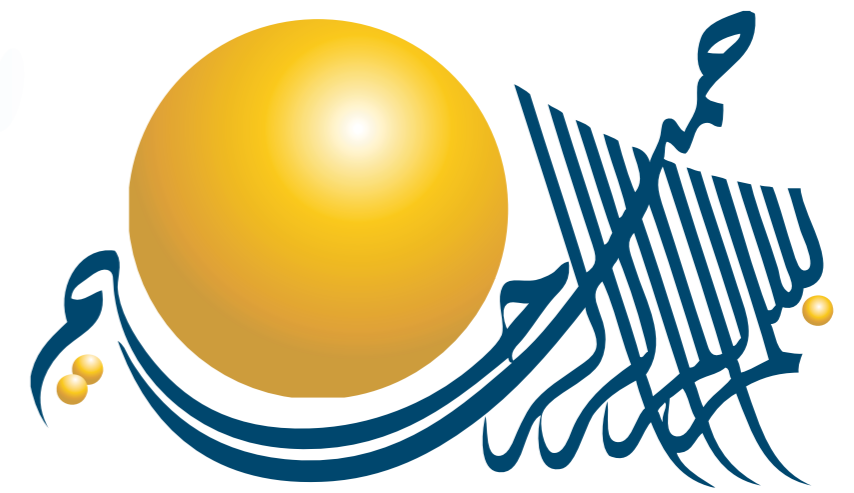
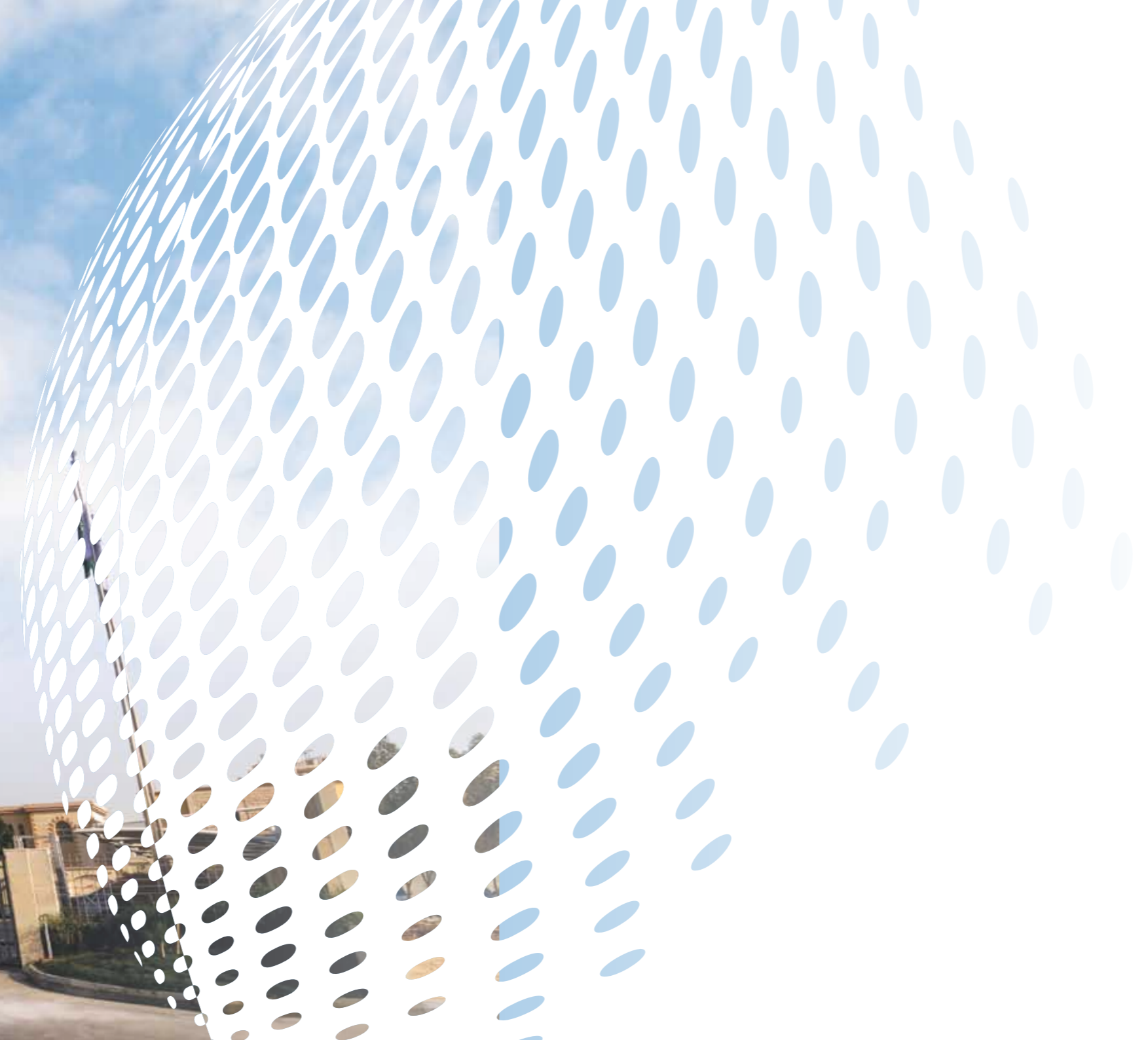
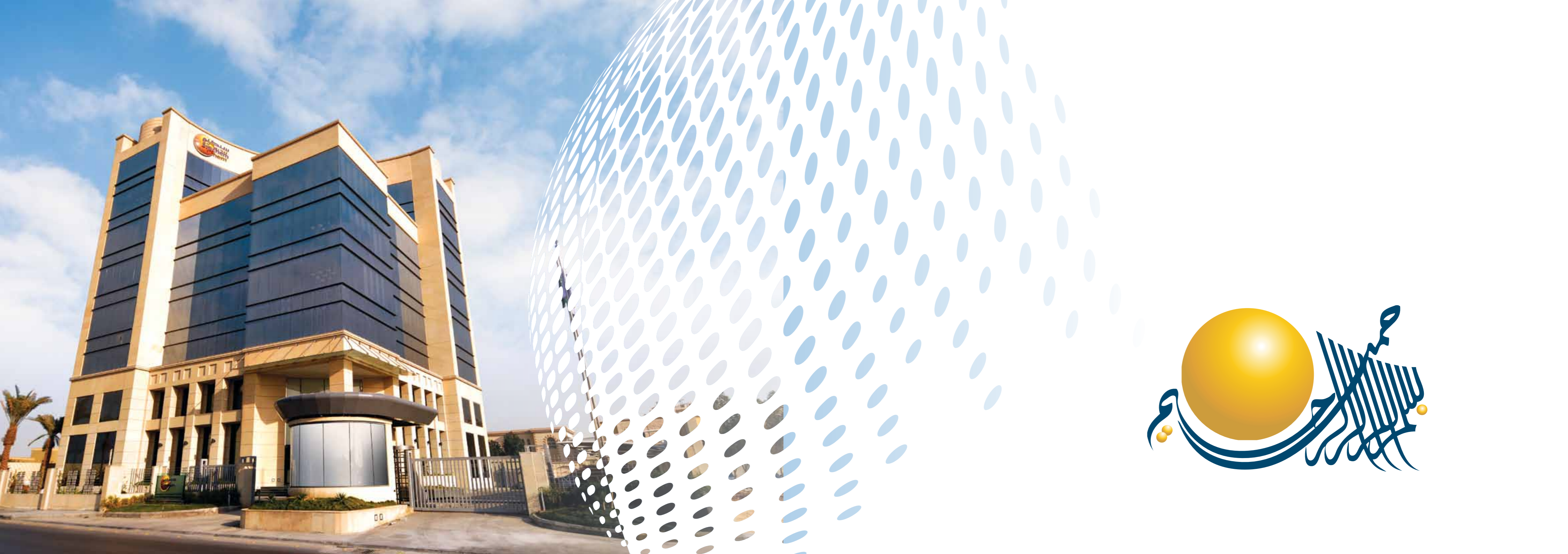
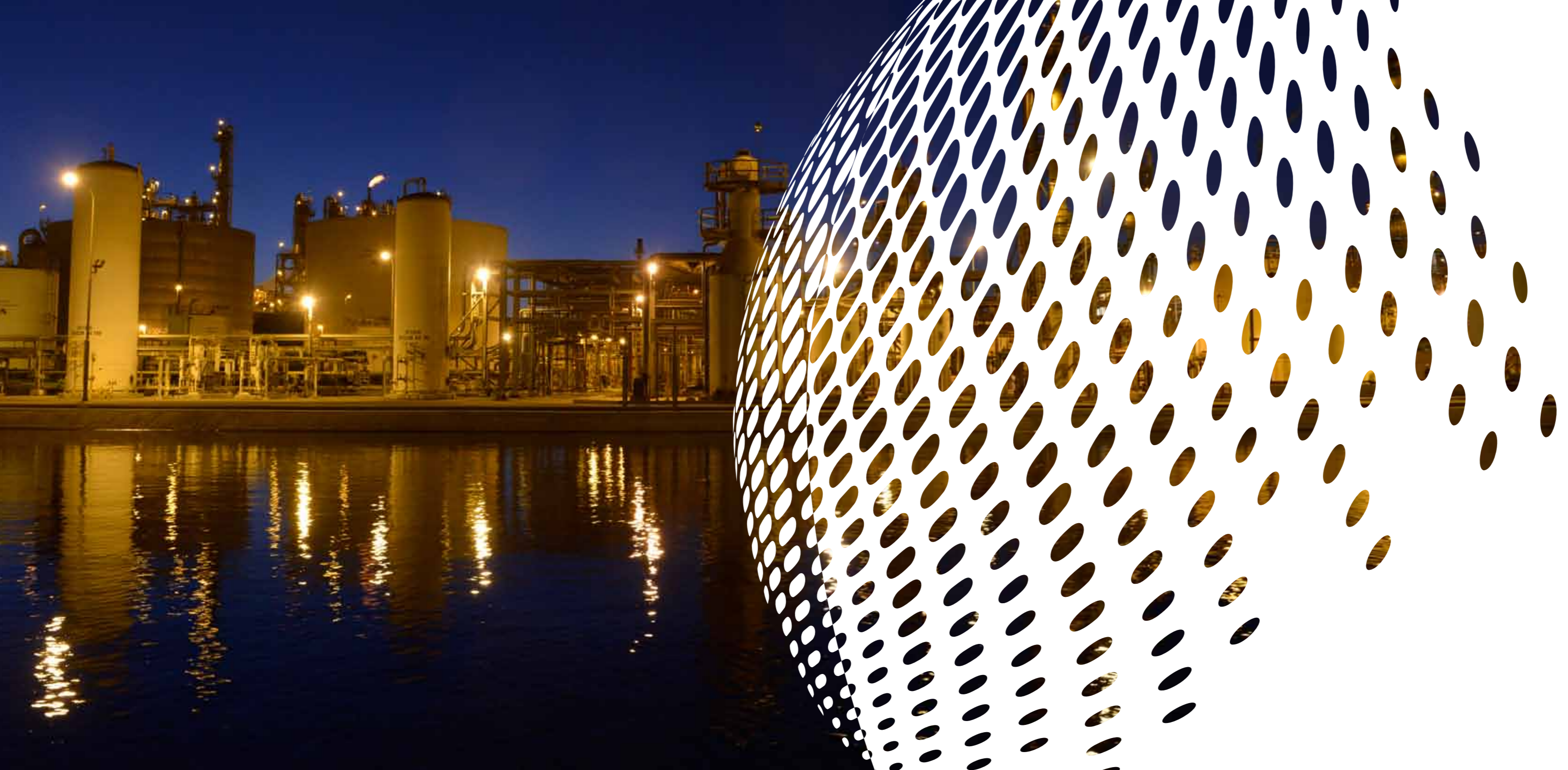




Our Employees ... Our Strength

Annual Report 2015





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



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



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



Our Employees ... Our Strength  
Annual Report 2015

Sipchem, since its inception, cared about its employees due to its belief that they are its real assets. Therefore, the company provided them with the training and development opportunities; it enhanced their skills and supported them at all levels. It provided them the safe proper environment to support the growth of their innovation and excellence.

Sipchem's outstanding achievements and developments helped to position the company to be one of the largest petrochemical and chemical companies in the world. The company's employees played the major role to attain such rank.

Thus, our employees' spirit inspired us with the idea of this year report; it shall reflect our thanks and appreciation to all of them, in all the company's divisions and departments, for their sincere efforts exerted during the previous years.

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## Chairman's Message

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

### Dear Shareholders of Saudi International Petrochemical Company

On behalf of the Board of Directors of Saudi International Petrochemical Company (Sipchem), it gives me immense pleasure to present the company's annual report for the fiscal year 2015. It includes the company's financial results, activities, and projects, in addition to the consolidated financial statements for the fiscal year ending 31 December 2015.

The year 2015 was full of challenges resulted from various factors. These challenges negatively affected many different sectors including petrochemicals; the dramatic drop of the petrochemical products' prices associated with steep decline of oil prices and slow down of Chinese economy. During the year 2015, Sipchem continued the implementation of some initiatives aimed at raising the performance level to attenuate the effects of the rapid challenges. These initiatives included cost reduction in addition to conducting comprehensive study of the new value chain products. Despite these unusual circumstances, the Board of Directors recommended to distribute cash dividends for the first half of the year 2015 at the rate of SR 0.60 per share, that have already been paid to the company's eligible shareholders during July 2015.

In 2015, the company's projects' operational performance was outstanding; Sipchem announced the commercial start of the International Polymers

Company (IPC) on 30 March 2015, and the Gulf Advanced Cable Insulation Company (GACI) on 1 June 2015. Additionally, Sipchem, in line with its strategy to make use of its assets, signed an agreement with Ikarus Petroleum Industries Co. to acquire its equities in the International Acetyl Company (IAC), 11%, and International Vinyl Acetate Co., 11%, on 23 June 2015 with a total value of SR 375.8 Million. Consequently, Sipchem's equity increased in both companies to 87%. Shareholders' issue rights shall be acquired on the long-term.

In continuation of Sipchem's journey over 16 years of responsibility and commitment to its values, the company launched its new brand "Excellence Everywhere" during September 2015 reflecting the prevalent challenging spirit. This new brand motivates our employees to strive for excellence everywhere - in real life, as in our core philosophy.

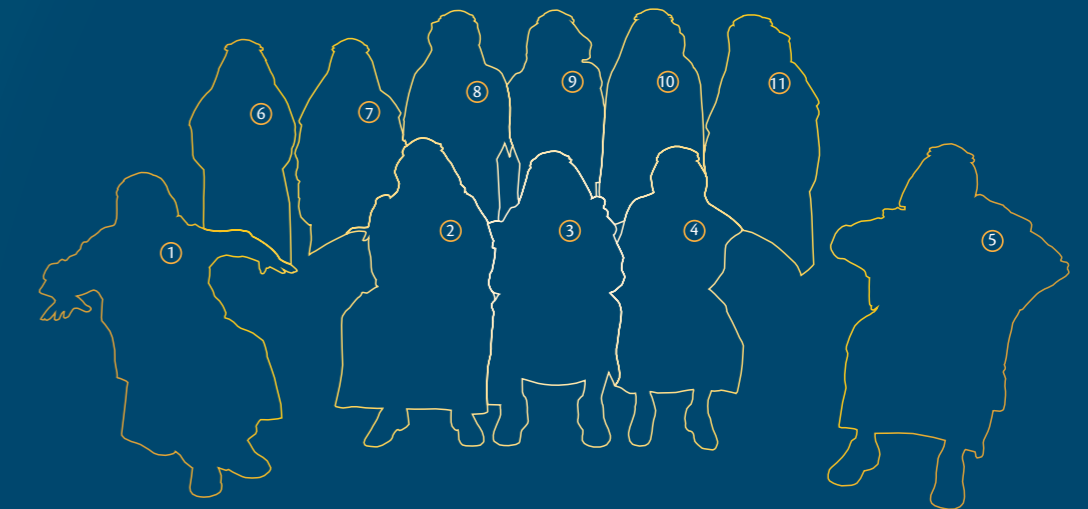
Sipchem would not have had the opportunity to move forward without the full support of the government of the Custodian of the two Holy Mosques and its employees' sincere perseverance. The company has spared no effort in ensuring an ideal environment that motivates innovation, one that encourages us to move tirelessly towards the horizons of excellence and self-challenge, and to convert obstacles into motivating opportunities.

**Abdulaziz A. Al-Zamil**  
Chairman



## Board of Directors

1. Dr. Abdulrahman A. Al-Zamil - Member
2. Mr. Abdulrahman A. Al-Turki - Member
3. H.E. Eng. Abdulaziz A. Al-Zamil - Chairman
4. Dr. Abdulaziz A. Al-Gwaiz - Member
5. Dr. Sami M. Zaidan - Member
6. Mr. Fahd S. Al-Rajhi - Member
7. Mr. Abdulaziz A. Al-Khamis - Member
8. Eng. Reyadh S. Ahmed - Member
9. Eng. Ahmad A. Al-Ohali - Member & CEO
10. Eng. Mohammed A. Al-Ghurair - Member
11. Mr. Ibrahim H. Mazyad - Member





## CEO's Message

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

### Investing for Long Term Value Creation

2015 was undoubtedly a challenging year for the petrochemical industry and the wider global economy. Concerns over the slowing of China's economy, which has played the role of the world's demand driver for the past 10 years, started to affect investment and spending decisions in economies around the world. The decline in the price of oil also affected global growth prospects, as did concerns over increasing US interest rates. Our environments, how we live and work, are constantly changing, driven by increasingly technology-driven socio-economic trends. The petrochemical industry is at the heart of this change, providing essential materials for use in nearly every facet of our modern lives.

Our financial performance for the year reflected market conditions, where macro-economic conditions resulted in lower product pricing across the industry. Sales were SAR 3.5 billion, down 15% compared to 2014. Net income in 2015 SR 288 million, down 53% against 2014, although net income benefited from a positive contribution from the sale of polymer products following the operational launch of our International Polymer Company (IPC) and Gulf Advanced Cable Insulation Company (GACI) plants. Cash generated from operating activities remained robust for the year at SAR 971 million. The year-end cash balance of SAR 2.1 billion provides Sipchem with the necessary resources to invest in its strategy and operations during 2016.

Despite the short-term impact of these global trends on our business in 2015, the investment in our strategy meant that we were able to continue to build a petrochemical business designed to generate value from future opportunity.

This trend, based on solid strategy, helped us build an integrated industrial complex. Undoubtedly, this means that Sipchem is well positioned and capable of capturing any future growth identified opportunity.

In addition to expanding and diversifying our product mix, we increased investment in our operational excellence and our people. Although this strategic investment affected our financial performance for the year, the executive team believes this is the appropriate time to be investing in

the business. Undertaking major plant maintenance work when market demand is lower than historic averages and ensuring we have the right skills sets deployed most effectively across the business, means Sipchem will be strategically positioned to benefit from growth in market demand by operating a cost effective and efficient organization. Based on the investments we have made in our plant maintenance during the year, we expect Sipchem to operate at or above plant-designed capacity and with a higher level of reliability.

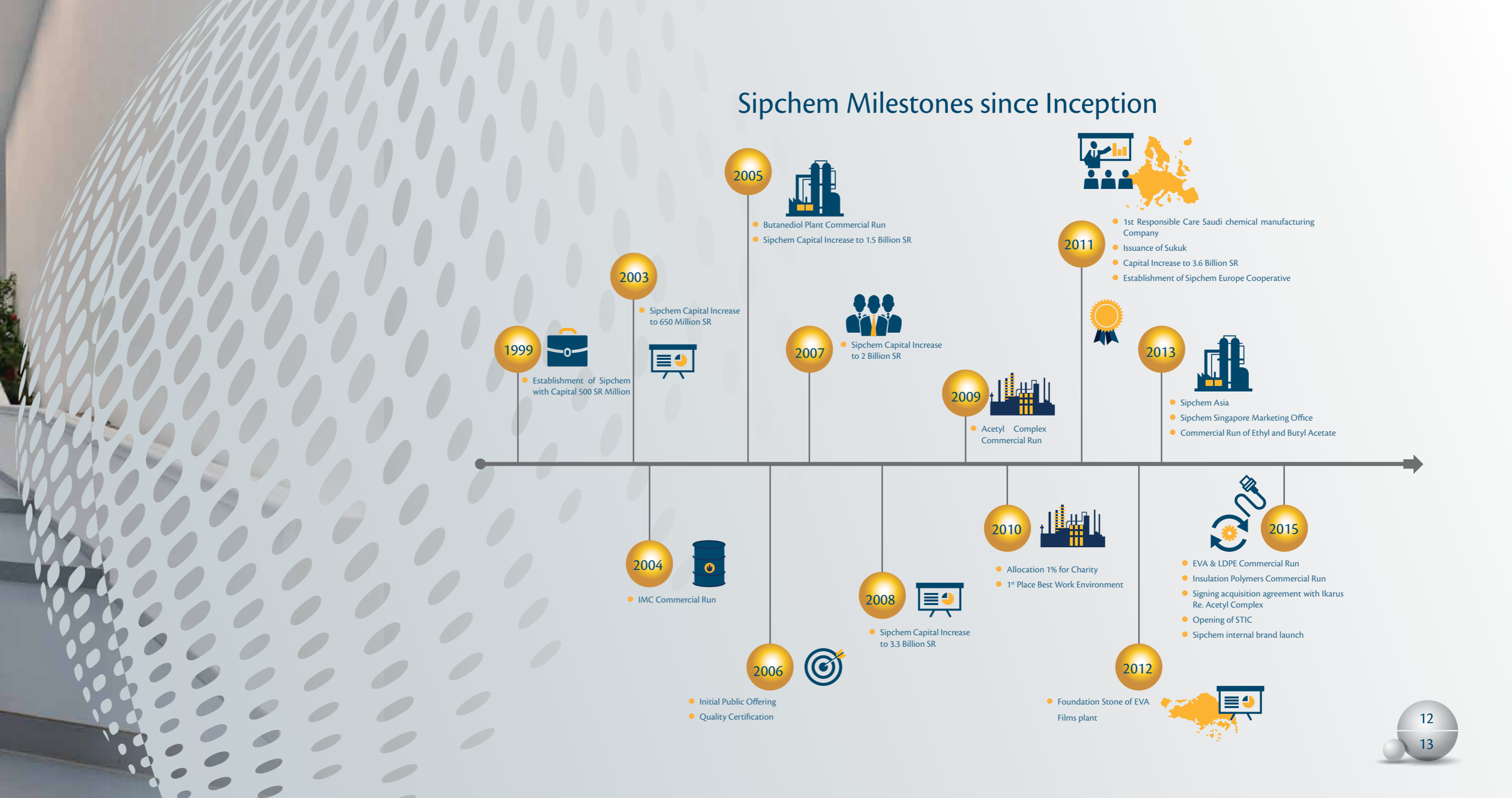
As we focus on enhancing the performance of the business, we are also eliminating inefficiencies and reducing Sipchem's fixed and variable cost base across the company. During the year of 2015, we focused the business on better managing variable costs at the purchasing, manufacturing and distribution level. Sipchem is also streamlining fixed costs and work force to support a more focused management strategy supporting improved procedures for all departments.

Key to Sipchem's ability to generate future value is its investment in innovation. Our long-term strategy is based on our ongoing investment in R&D. We continued this investment and encouraged expanding our program to our affiliates.

I am hopeful 2016 will see stabilization in product prices, and increased plant utilization across all of Sipchem's plants. We believe our strategy to invest along the value chain and diversify our product suite puts us in a good position to take advantage of future growth opportunities. We will continue to align our business to be a growth generator, profitable in a lower oil price world.

Since Sipchem adopts excellence as its main business practice, the company is committed to develop its capabilities, record high efficient operational performance rates to be able to achieve long-term value creation investments for the benefit of all business parties, including investors and shareholders.

Sincerely,  
**Ahmad A. Al-Ohali**





## First: Description Of Sipchem Activities

<b>Establishment Date:</b>	<b>1999</b>
<b>Company Type</b>	<b>Joint Stock Company</b>
<b>Headquarters</b>	<b>Riyadh – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 3,666,666,660</b>
<b>Company Activity</b>	<b>Petrochemical &amp; Chemical Industries, Basic and Intermediate</b>
<b>Number of shares</b>	<b>366,666,666</b>

Saudi International Petrochemical Company (Sipchem) is one of the Saudi public shareholding companies listed on the Tadawul (Saudi Capital Market). Sipchem is actively investing in basic and intermediary petrochemical and chemical materials that can be utilized as feedstock for manufacturing of a vast array of products that provide prosperity and welfare of people. Sipchem is committed to implementing its activities in compliance with the highest quality standards whether in its products or maintaining the integrity of the surrounding environment or the safety of its employees in general.

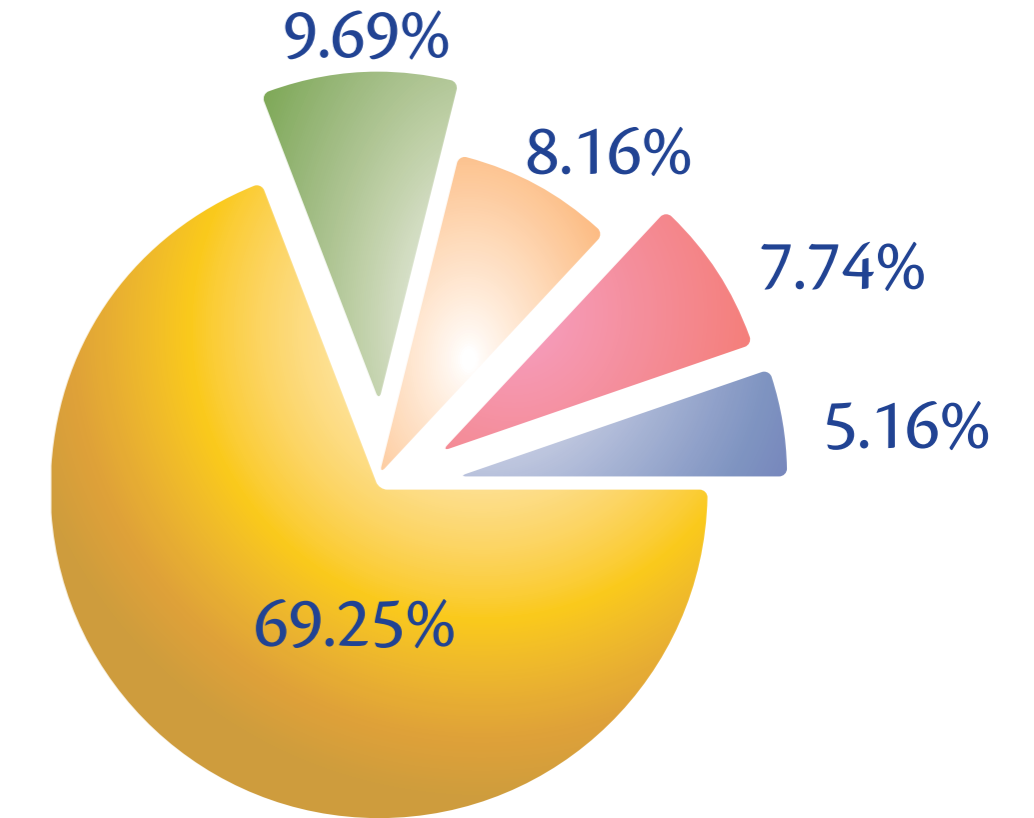
Sipchem selected Jubail Industrial City to establish its industrial complex for the production of various petrochemical and chemical materials because of the availability of all required basic infrastructure, the abundance of raw materials and necessary petrochemical products in the Eastern Province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

In 2015, the company's manufacturing facilities produced 2.2 Million Metric tonnes compared with 2.1 Million Metric tonnes in 2014. Such increase in production volume is attributed to commercial operation commencement of two new plants, the EVA/LDPE plants in April 2015, and the Wire & Cables plant in June 2015.

It is worth mentioning that Sipchem's plants occupy one million square meters in the basic industries area in Jubail Industrial City. The company's strategy, planned to be implemented in gradual stages, aims at achieving integration of the current and future chemical products to create a chain of value products. Such strategy will precipitate in increasing the domestic production and support the industrial development within the frame of the comprehensive development plans implemented by the Kingdom, which at the end will help maximizing the shareholders' profitability.

## Ownership Percentage

- Zamil Holding Co.
- Ikarus Petrochemical Co.
- Public Pension Agency
- Olyan F. Co.
- Other Investors



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



## Sipchem's Brand

Sipchem's Brand "Excellence Everywhere" is based on three main concepts that are in harmony with its growth strategy. Sipchem's brand is being activated through highlighting its success stories through three channels: sustainability, growth, and building capabilities.

## Sipchem strives to achieve 'Excellence Everywhere'

Scientists believe that Logic lies behind results. To achieve progressive results, there should be some kind of logic challenging. From this point, Sipchem launched its new internal brand along with its associated values, namely passion, courage, higher efficiency, and momentum (PCHEM).

Thus, Sipchem adopted its new brand promise, "Excellence Everywhere" to enhance its capabilities and geographical existence; especially its products are used in more than 100 countries and participate in the creation of new value chains.

## Vision

At Sipchem, we believe in challenging assumptions every day to discover and develop responsible solutions, enhancing the quality of life for generations to come.

## Mission

To make this vision a reality, we are actively growing our capability and reach by constantly pushing the boundaries that inspire, enhance, and sustain excellence.

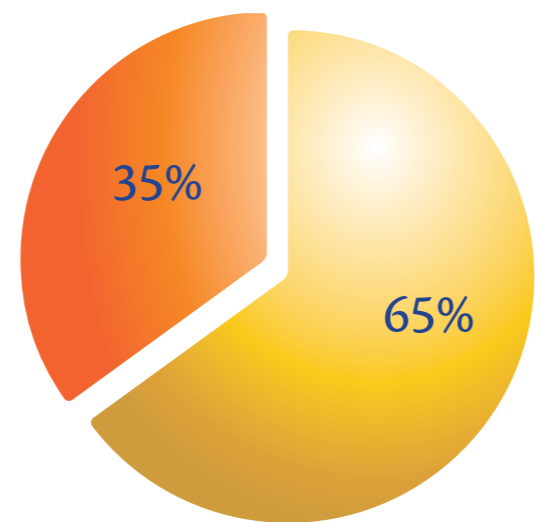
A photograph of an industrial refinery at night, illuminated by numerous lights. The scene is filled with complex piping, towers, and distillation columns. In the foreground, a large, white, perforated sphere is partially visible, its surface composed of many small, oval-shaped holes. The background shows a clear night sky.

## Description Of Sipchem's Affiliates (Existing Plants)

## Second: Description Of Sipchem's Affiliates: (Existing Plants)

### 1. International Methanol Company (IMC)

<b>Establishment Date:</b>	<b>2002</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Jubail Industrial City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 360,970,000</b>
<b>Company Activity</b>	<b>Production of Methanol</b>
<b>Capacity</b>	<b>970 thousand mtpa</b>



The International Methanol Company (IMC) represents the first joint venture between Sipchem and Japan-Arabia Methanol Company Limited (JAMC), which is owned by a consortium of Japanese companies including Mitsui and Mitsubishi.

The plant is currently working at its full designed production capacity. IMC production is partially utilized as a feedstock for the International Acetyl Company (IAC) plant, whereas the remaining quantity is shipped to the company's customers regionally and globally.

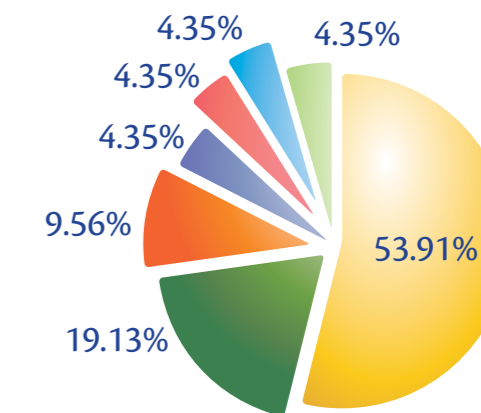
The company has conducted scheduled regular maintenance turnaround to its plant in October 2015 for six weeks in line with the applied standard periodic and preventive maintenance criteria. The maintenance included conducting important turnaround in some of the plant's main parts. These maintenance works precipitated in raising the plant's operational efficiency and reliability.

### Ownership Percentage

- Sipchem
- Japan Arabia Methanol Company

### 2. International Diol Company (IDC)

<b>Establishment Date:</b>	<b>2002</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Jubail Industrial City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 431,250,000</b>
<b>Company Activity</b>	<b>Production of Butanediol (BDO) Maleic Anhydride (MAn) Tetrahydrofuran (THF) Butanediol (BDO)</b>
<b>Capacity</b>	<b>75 thousand mtpa</b>



The International Diol Company (IDC) is a partnership between Sipchem, the Public Pension Agency, General Organization for Social Insurance, Abdullatif Al-Babtain & Associates, Arab Supply & Trading Co., Huntsman Corporation and Davy Process Technology. Both Huntsman Corporation and Davy Process Technology provided the company technology. IDC is operating a plant producing Butanediol (BDO) and its derivatives such as Maleic Anhydride (MAn) and Tetrahydrofuran (THF) with a designed production capacity of 75 thousand mtpa. The plant produces high quality Butanediol (BDO) which is shipped to the company's customers regionally and globally. IDC's site is in Jubail Industrial City, Kingdom of Saudi Arabia

### Ownership Percentage

- Sipchem
- Public Pension Agency
- GOSI
- Abdullatif Al-Babtain & Partners
- Arab Supply & Trading Co
- Astra Huntsman
- Davi Process Technology

### 3. International Gases Company (IGC)

<b>Establishment Date:</b>	<b>2006</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Jubail Industrial City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 425,400,000</b>
<b>Company Activity</b>	<b>Production of Carbon Monoxide</b>
<b>Capacity</b>	<b>340 thousand mtpa</b>

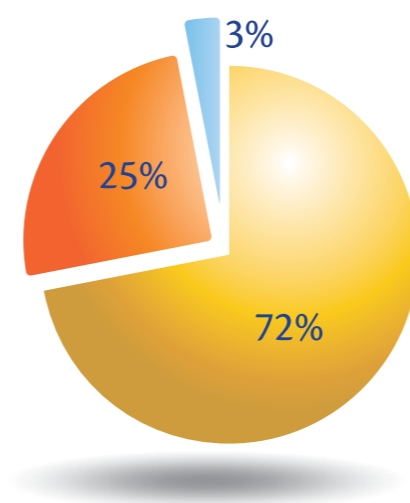
The International Gases Company (IGC) is owned by Sipchem, the National Power Company and the Supreme Council of Endowments. The Germany's Luy and France's Air Liquide have provided the company technology. Carbon Monoxide is used as a feedstock for the production of Acetic Acid by IAC. The plant is regarded as an additional source of hydrogen for the International Diol Company (IDC).

The IGC, in September 2014, signed a long term agreement with Sabic to supply Carbon Monoxide to the Saudi Methacrylates Company (SAMC), a Sabic affiliate, a The SAMC is expected to be fully operational in the first half of 2017 that will produce 250,000 tons of Methyl Methacrylate annually.

IGC operates one of the biggest carbon monoxide plants in the world with a nameplate capacity of 340 thousand mtpa. Sipchem owns 72% of IGC shares whereas the remaining 28% is owned by local investors.

### Ownership Percentage

- Sipchem
- National Power Company
- Supreme Council of Endowments



The company has conducted scheduled periodic maintenance to its plant in March 2015 for about 26 days in line with the applied standard periodic and preventive maintenance criteria. These maintenance works precipitated in raising the safety level and plant's operational efficiency and reliability.

### 4. International Acetyl Company (IAC)

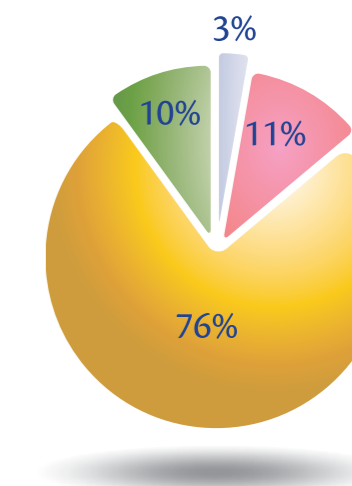
<b>Establishment Date:</b>	<b>2006</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Jubail Industrial City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 1,003,000,000</b>
<b>Company Activity</b>	<b>Production of Acetic Acid (AA) and Acetic Anhydride (AAn)</b>
<b>Capacity</b>	<b>460 thousand mtpa</b>

The International Acetyl Company (IAC) is a partnership between Sipchem, Ikarus Petroleum Industries, Helm (German Company) and the Supreme Council of Endowments. Eastman (US Company) provided the company technology. The IAC plants operate at maximum production capacity. IAC production is partially used as a feedstock by IVC (International Vinyl Acetate Company) to produce Vinyl Acetate Monomer and Sipchem Chemicals Company (SCC) to produce Ethyl Acetate while the rest of the production is shipped to customers regionally and globally.

During 2015 Sipchem signed a preliminary agreement to acquire the equities investment of Ikarus Petroleum Industries Company (Kuwaiti Company) in the International Acetyl Company (11%) on 23 June 2015. Accordingly, Sipchem's equity in the International Acetyl Company increased from 76% to 87%.

### Ownership Percentage

- Sipchem
- Helm of Germany
- Ikarus Oil Industries
- Supreme Endowments Council



The company has conducted scheduled periodic maintenance to its plant in March 2015 for about 26 days in line with the applied standard periodic and preventive maintenance criteria. These maintenance works precipitated in raising the safety level and plant's operational efficiency and reliability.

## 5. International Vinyl Acetate Company (IVC)

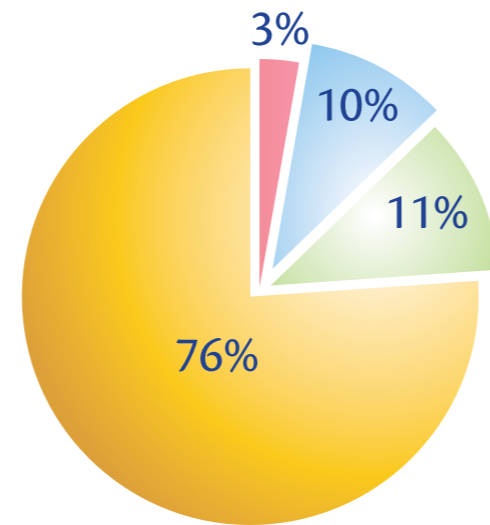
<b>Establishment Date:</b>	<b>2006</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Jubail Industrial City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 676,000,000</b>
<b>Company Activity</b>	<b>Production of Vinyl Acetate Monomer</b>
<b>Capacity</b>	<b>330 thousand mtpa</b>

The International Vinyl Acetate Company (IVC) is a partnership among Sipchem, Helm (German Company), the Supreme Council of Endowments and Ikarus Petroleum Industries. The US DuPont company provided the company technology. The International Vinyl Acetate Company (IVC) operates a plant for the production of Vinyl Acetate Monomer. The IVC plant is performing its work at full designed production capacity producing high quality Vinyl Acetate Monomer which is shipped to customers regionally and internationally.

Sipchem signed a preliminary agreement to acquire the equities investment of Ikarus Petroleum Industries Company (Kuwaiti Company) in the International Vinyl Acetate Company (IVC), (11%) on 23 June 2015. Accordingly, Sipchem's equity in the International Vinyl Acetate Company (IVC) increased from 76% to 87%.

## Ownership Percentage

- Sipchem
- Helm of Germany
- Ikarus Petroleum Industries
- Supreme Endowments Council



## 6. International Polymers Company (IPC)

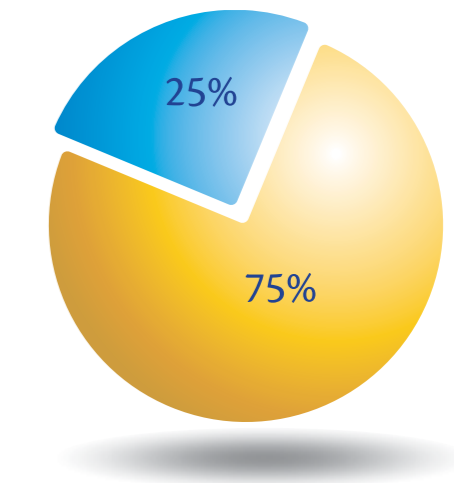
<b>Establishment Date:</b>	<b>2009</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Jubail Industrial City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 703,200,000</b>
<b>Company Activity</b>	<b>Production of Ethylene Vinyl Acetate (EVA) and Low-Density Polyethylene (LDPE)</b>
<b>Capacity</b>	<b>200 thousand mtpa</b>

The International Polymers Company (IPC) is a partnership between Sipchem and Hanwha Chemical of South Korea. ExxonMobil provided the company technology. The company's main activity is to produce Ethylene Vinyl Acetate (EVA) and Low-Density Polyethylene (LDPE). This plant is considered the first of its kind in the Middle East to produce Ethylene Vinyl Acetate (EVA).

On April 1, 2015, the IPC announced the initiation of commercial run of the Ethylene Vinyl Acetate (EVA) and Low-Density Polyethylene (LDPE) after completion of the examination concluded over the equipment in order to ensure the production efficiency as per the technology license and execution agreements. The polymers are necessary feedstock to go for further downstream industries. The main feedstock to produce Ethylene Vinyl Acetate (EVA) and Low-Density Polyethylene (LDPE) is Ethylene and Vinyl Acetate Monomer (VAM). The Vinyl Acetate Monomer (VAM) will be provided as a second feedstock from IVC (Sipchem affiliate), whereas Ethylene will be supplied by Jubail United Chemical Company (Sabic Affiliate).

## Ownership Percentage

- Sipchem
- Hanwa of Korea



Commercial operation of the Ethylene Vinyl Acetate (EVA) plant is considered an important milestone in Sipchem's expansion program. These specialty products are targeted within Sipchem's strategy to raise the added value of its products by moving to integrated downstream conversion industries to meet the increasing local and international demand.

## 7. Sipchem Chemicals Company (SCC)

<b>Establishment Date:</b>	<b>2011</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Jubail Industrial City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 266,000,000</b>
<b>Company Activity</b>	<b>Production of Ethyl Acetate / Butyl Acetate / Polybutylene Terephthalate</b>
<b>Capacity</b>	<b>163 thousand mtpa</b>

The Sipchem Chemicals Company (SCC) is a partnership between Sipchem and Sipchem Marketing Company (SMC), a Sipchem's affiliate. Rhodia provided the company technology. These specialized products are part of the company strategy to implement integrated transformative projects with the current products in order to meet the local needs of this product, in addition to meeting the demand of international markets.

### A. Ethyl Acetate / Butyl Acetate Plant

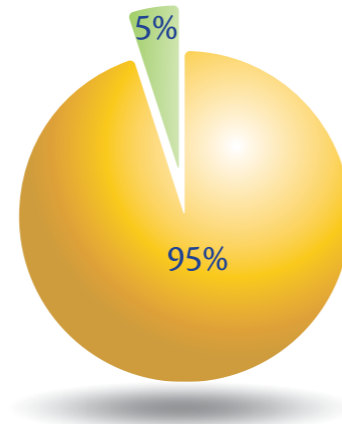
The feedstock needed for the production of Ethyl Acetate are acetic acid which is provided by the IAC, Sipchem Affiliate, and ethanol which is imported from the international markets. The plant production capacity is 100 thousand mtpa. Its product is used in many various and important industries.

### B. Polybutylene Terephthalate Project

Polybutylene Terephthalate Project is first of its kind in the Middle East with a total cost of 600 million Saudi Riyals, funded by the shareholders, SIDF, and other banks. The company will produce 63,000 mtpa of Polybutylene Terephthalate annually. SCC announced in April 2015 successful trial operation of the Polybutylene Terephthalate plant. SCC successfully examined the key equipment and confirmed their efficiency and production capacity. Polybutylene Terephthalate is a high specialty thermal engineering polymer which is used in many industries. As well, using Butanediol produced by the IDC (Sipchem Affiliate) as a basic material for producing the PBT will allow Sipchem to get benefit from its integrated package of products and will strengthen the added value chain.

## Ownership Percentage

- Sipchem
- Sipchem Marketing Company



## 8. Gulf Advanced Cable Insulation Company (GACI)

<b>Establishment Date:</b>	<b>2012</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Jubail Industrial City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 57,240,000</b>
<b>Company Activity</b>	<b>Production of cable insulation polymers</b>
<b>Capacity</b>	<b>25 thousand mtpa</b>

The Gulf Advanced Cable Insulation Company (GACI) is a joint venture owned by Sipchem and Hanwha Chemical of South Korea. The company technology is provided also by Hanwha. In June 2015, the company announced the commercial operation of GACI's plant for the production of the electric cable insulation polymers in its complex located in Jubail Industrial City. The production of electric cable insulation polymers is a downstream industry which uses feedstock produced by Sipchem, an integration which supports the sustainability and strength of the company.

These specialized products are a part of the GACI strategy in implementing integrated transformative projects together with the current products of the company. The establishment of this plant is a part of the developmental program of the third phase of Sipchem's projects. Furthermore, this product will meet the local and regional needs of cable insulations, in addition to meeting the needs of international markets.



## Ownership Percentage

- Sipchem
- Hanwa Chemical Company

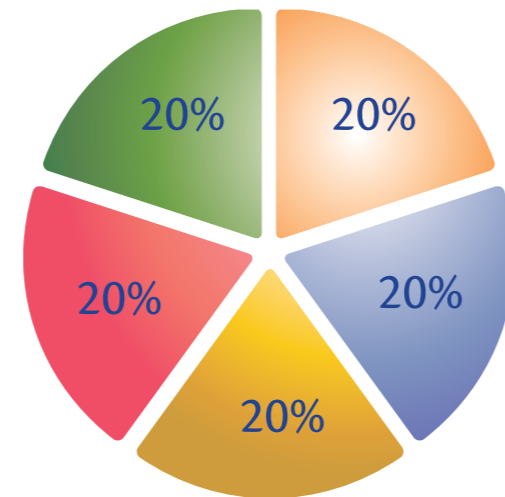


## 9. International Utilities Company

<b>Establishment Date:</b>	<b>2009</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Jubail Industrial City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 2,000,000</b>
<b>Company Activity</b>	<b>Manage, operate and maintain utilities, facilities and services for Sipchem’s affiliates</b>

The International Utilities Company (IUC) is owned equally by Sipchem operating affiliates, namely: International Methanol Company (IMC); International Diol Company (IDC); International Gases Company (IGC); International Acetyl Company (IAC); and International Vinyl Acetate Company (IVC). Sipchem’s actual ownership is 68.58%. The purpose of the company is to manage, operate and maintain utilities, facilities and services for Sipchem’s affiliates. IUC site is in Jubail Industrial City, Kingdom of Saudi Arabia.

## Ownership Percentage



## 10. Sipchem Marketing Company (SMC)

<b>Establishment Date:</b>	<b>2007</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Al-Khobar City – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 2,000,000</b>
<b>Company Activity</b>	<b>Marketing and sales of chemical and plastics products</b>

Sipchem Marketing Company (SMC) works independently in the marketing and sales of the entire range of Sipchem’s products in addition to other products. The company has a highly competent and experienced professional manpower with diverse backgrounds.

Currently SMC sells and markets a number of products including Methanol, Butanediol (BDO), Maleic Anhydride (MAAn), Tetrahydrofuran (THF), Acetic Acid (AA) and Vinyl Acetate Monomer (VAM), Low Density Polyethylene (LDPE) and gamma butyrolactone. SMC has marketed 769,000 metric tons of aforementioned products in 2015 compared with 568,000 metric tons in 2014 - an increase of 11% due to the increase of production throughout the year. SMC’s affiliates are as follows:

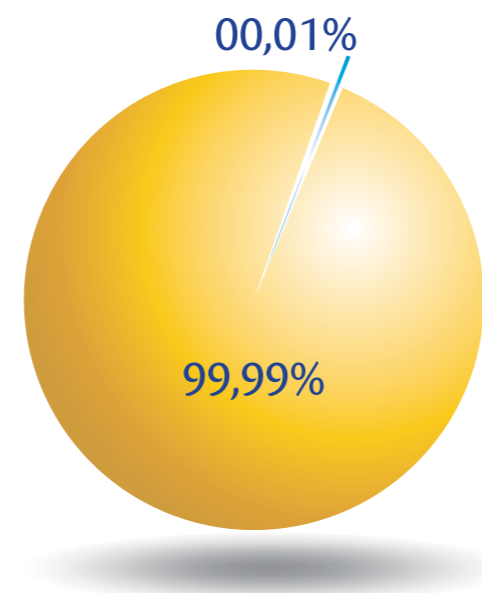
## Ownership Percentage



## A. Sipchem Europe Cooperative UA and its Affiliates

<b>Establishment Date:</b>	<b>2011</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Amsterdam – The Netherlands</b>
<b>Capital</b>	<b>SF 1,000,000</b>
<b>Company Activity</b>	<b>Provides administrative support in marketing and logistics activities</b>

Sipchem Europe (Cooperative UA) Company's major activity is to provide administrative support in marketing and logistics fields. Aectra SA is an affiliate of Sipchem Europe Cooperative UA which is headquartered in Geneva, Switzerland. The main activities of Aectra SA are marketing, logistics services and commercial experience in European markets. Aectra has become a major support to market Sipchem products in Europe as it marketed and sold 235 thousand mtpa of Sipchem's products and 48 thousand mtpa of other companies' products during 2015.



### Ownership Percentage

- Sipchem
- SCC

## B. Sipchem Asia Pte Ltd

<b>Establishment Date:</b>	<b>2013</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Singapore</b>
<b>Capital</b>	<b>SAR 752,970</b>
<b>Company Activity</b>	<b>Marketing the company products in Asia</b>

Sipchem Asia Pte Ltd which is fully owned by Sipchem added a strategic depth in marketing area allowing the company to provide services for its customers in Asia optimally by making a link between the customers and SMC. This achievement completes the geographical organization of the company as it exists in the strategic markets in a manner that reflects positively on the company's performance and facilitates the movement towards more growth. Singapore is a well-established and important logistics and trading hub for the petrochemical industry and an ideal gateway for delivering excellent service to customers throughout Asia.

It marketed and sold 170 thousand metric tons of Sipchem's products during 2015. To emphasize the transparency and support of customer relations, Sipchem Asia will limit selling and marketing Sipchem products through other specialist marketing companies.



### Ownership Percentage

- Sipchem

### Third: Sipchem Technology And Innovation Center (Manar)

The construction of Sipchem Technology & Innovation Center (STIC) has been completed and the Center was officially inaugurated on Wednesday, 18th March 2015 by His Royal Highness Prince Saud Bin Naif Bin Abdulaziz Al-Saud, Governor of the Eastern Province. The Sipchem Technology & Innovation Center also known as "MANAR" is located at the Dhahran Techno Valley of the King Fahd University of Petroleum and Minerals (KFUPM) in line with the MOU signed with the Ministry of Petroleum & Minerals. The Center includes 40 labs that cover all fields of research and technical services, product development and associated applications, analysis and testing works.

This state-of-the-art center is ideally positioned to support the economic vision of the Kingdom, which promotes industrial and commercial diversification through the development of the downstream industry.

MANAR will focus in its researches on the main uses of the products, i.e. films used in manufacturing the solar cells and thin sheets for agricultural uses, flexible pipe, adhesives for timber, papers and paints industry, electric cables, optical fiber cables, and other products that will support the national program for the development of industrial clusters. The centre will also promote cooperation in research using laboratory devices and exchange of experiences between King Fahd University of Petroleum and Minerals (KFUPM) and Sipchem.

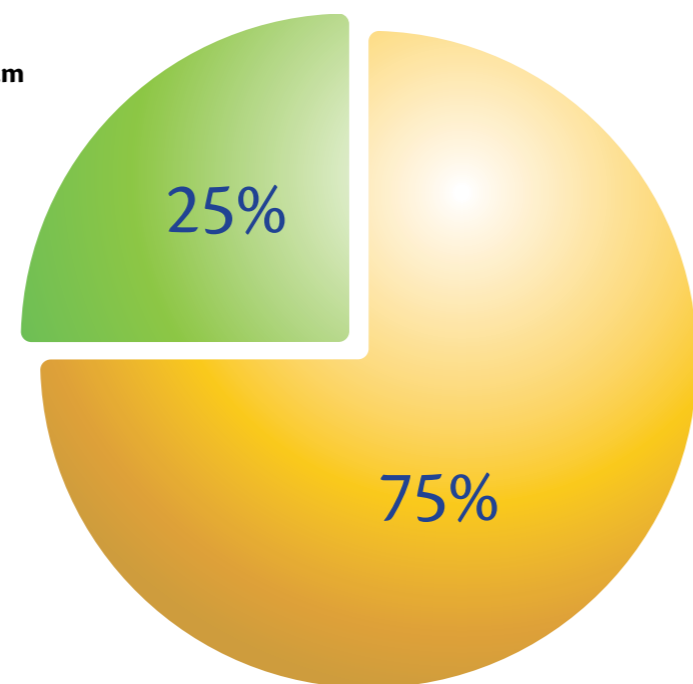


Fourth: Projects Under Construction



## Saudi Specialized Products Company (Wahaj)

<b>Establishment Date:</b>	<b>2013</b>
<b>Company Type</b>	<b>Limited Liability Company</b>
<b>Headquarters</b>	<b>Riyadh – Saudi Arabia</b>
<b>Capital</b>	<b>SAR 56,320,000</b>
<b>Company Activity</b>	<b>Establishment and operation of downstream industries in Riyadh and Hail</b>
<b>Capacity</b>	<b>5,000 mtpa</b>



## Ownership Percentage

- Sipchem
- Hanwha (Korea)

The Saudi Specialized Products Company (SSPC) is a partnership between Sipchem and Hanwha Chemicals of South Korea. The SSPC aims at establishing and operation of transformative project in both Riyadh and Hail. The total amount of the investment value is about SR 260 million. Below is a description of the two projects:

### A. Tool Manufacturing Facility Project (Riyadh)

The total cost of the project is estimated at about SR 110 million, with 1,000 metric tons of annual production capacity of metal molds specialized for manufacturing the plastic products. The company got the necessary technology from the German company Kiefer GmbH for manufacturing equipment which will also market its products. The metal molds are used for manufacturing and forming multiple types of molds and alloys used in factories of plastic and packaging. It had been provided and created the necessary infrastructure for the establishment for designing any industrial or commercial product. The prototypes and the products are produced completely by designing templates or alloys according to the necessary criteria. In September 2014, the SSPC announced the trial run of specialized metal molds. The trial run will continue until the end of examinations conducted over the plant equipment to ensure their efficiency.

### B. Ethylene Vinyl Acetate (EVA) Film Project (Hail)

This project is considered the first of its kind in the Gulf region. The total cost of the project is estimated at about SR 150 million with 4,000 mtpa of annual production capacity of ethylene vinyl acetate films. Mitsui Chemicals Tohcello, Inc. provides the company technology. It is located on 40 thousand square meters. The product will be distributed through the Sipchem Company.

The ethylene vinyl acetate films are used to make the panels of solar cells used for generating electricity from the solar energy. The company has got the necessary technology for manufacturing from the Japanese firm Mitsui Chemicals Tohcello, Inc. The establishment of this project in the city is considered a supportive opportunity to create investment opportunities for new projects that use this product. The project will also create many job opportunities for the people of this region.

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

## Fifth: Sipchem's Strategies

Sipchem studies the available investment opportunities, through the development of its main activities or merger and acquisition, in order to maximize the profits of the company and shareholders. This strategy is in line with the plans adopted by the company within the framework of a broader strategy of the Kingdom, which has paid great importance to industry and helped the development and enhancement of industry according to high quality global standards.

In order to achieve these plans, the Board of Directors adopted a number of long and short-term programs and projects that will lead the company to an excellent performance that pushes it to the top of global companies operating in this area.

### Sipchem's strategy depends on the following elements

- To increase of production capacity and to optimize operational capability for affiliates' plants.
- To develop long-term relations with vendors and clients to decrease operational costs.
- Continuous development in quality of products through research and development operations and application of best international standards.
- To reduce costs to enhance competitiveness among companies.
- Long-term investment in Saudi manpower through the investment in downstream industries and other associated projects.
- Expansion of the variety of company's products via investment in downstream projects and other projects associated to industry.
- Finding out appropriate opportunities for mergers and acquisitions in line with the strategic objectives of the company.



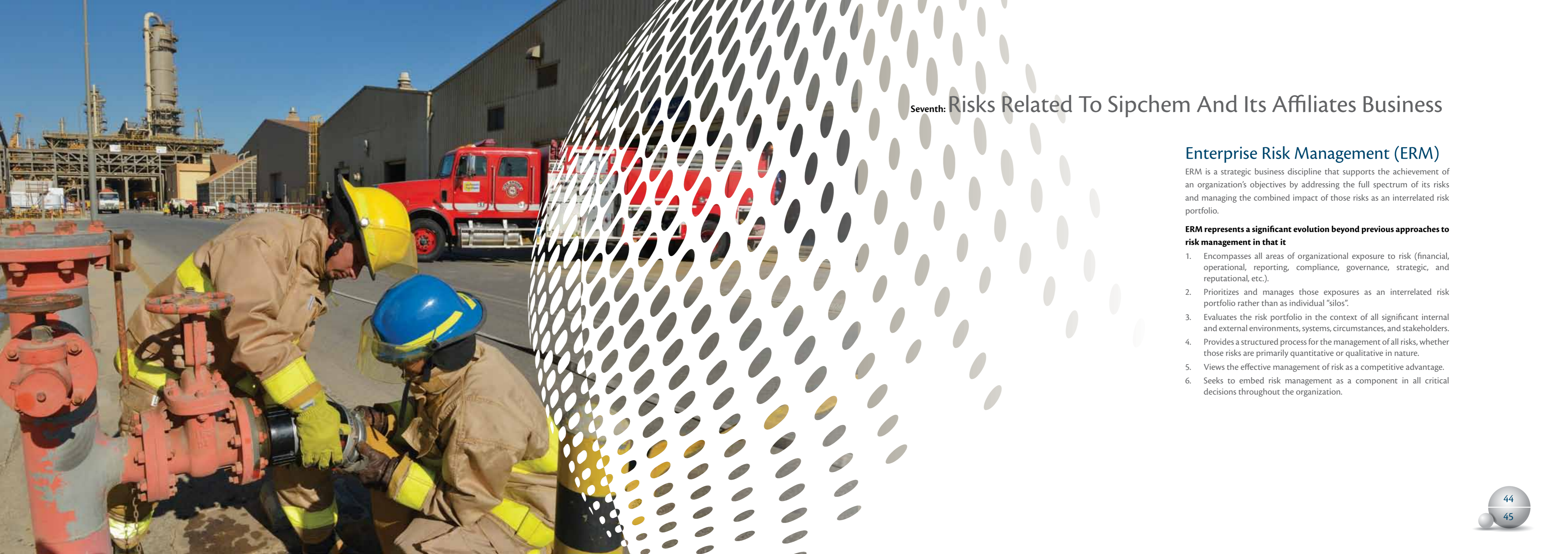


## Sixth: Sipchem Plans And Business Expectations

In 2016, Sipchem is planning to update its strategy. It will redefine the company's strategic goals in addition to reforming the current ones; determine the areas of growth and recognition of the potential opportunities that ensure fruitful growth. This strategy also aims at increasing the operational cash flow to help the company invest in the future growth opportunities and enhance the dividend distribution to its shareholders.

The update process includes focus on the current activities and presenting the management's vision in regards with the future investment portfolio in addition to the use of Sipchem's resources to manufacture new products to be distributed in the suitable markets.

The current difficult circumstances of the market is an evident proof of the necessity to consider the geographical factors and the diversity of the company's products in Sipchem's strategy in addition to merger of the downstream industries with the current or new ones to reduce the impact of the financial results which are vulnerable to periodic fluctuations. This will result in positive effects on the shareholders' profits.



## Seventh: Risks Related To Sipchem And Its Affiliates Business

### Enterprise Risk Management (ERM)

ERM is a strategic business discipline that supports the achievement of an organization's objectives by addressing the full spectrum of its risks and managing the combined impact of those risks as an interrelated risk portfolio.

**ERM represents a significant evolution beyond previous approaches to risk management in that it**

1. Encompasses all areas of organizational exposure to risk (financial, operational, reporting, compliance, governance, strategic, and reputational, etc.).
2. Prioritizes and manages those exposures as an interrelated risk portfolio rather than as individual "silos".
3. Evaluates the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders.
4. Provides a structured process for the management of all risks, whether those risks are primarily quantitative or qualitative in nature.
5. Views the effective management of risk as a competitive advantage.
6. Seeks to embed risk management as a component in all critical decisions throughout the organization.



## Development and Implementation of Enterprise Risk Management

The main objective of Enterprise Risk Management is risk reduction and avoidance in addition to identification of risks faced by the business and optimization of risk management strategies. The company has also adopted COSO, a well-defined Risk Management framework. The company has constituted a Risk Management Committee which will assist the Board in developing, implementing, monitoring and reviewing the Risk Management Plan.

## Sipchem Enterprise Risk Management Process

Enterprise risk management is a continuous process that is accomplished throughout the life cycle of a system. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.



## The Enterprise Risk Management Process Model

The risk management process model (see below) includes the following key activities, performed on a continuous basis:



## Eighth: Sustainability

Sipchem adopted the sustainability project; it does not only focus on the growth path but has a greater responsibility in reducing the impact of the damages that may affect the society and environment as well.

In 2015, the company issued a special report about sustainability; it highlights the main challenges that face sustainability and the topics that are of interest for most who deal with our activities. Sustainability in Sipchem is formed on three levels as follows:

**Sustainability Council:** Chaired by the Chief Executive Officer. It is responsible for setting visions, plans, and priorities.

**Steering Committee:** Chaired by one of the general managers. It is responsible for setting long-term goals and performance review.

**Sustainability Team:** Chaired by the IS & HSE manger. It is responsible for routine tasks like Key Performance Indicators (KPI) assessment, reports preparation and others.

Undoubtedly, sustainability is the core base of Sipchem's reliability. Sipchem is performing its activities in an environment that is distinguished of high capabilities in the field of safety and security through the Responsible Care initiative. Sipchem believes that Responsible Care is the optimal way to perform its activities.

Sipchem has always a supreme target of its existence. The company saves no effort to enhance and develop the natural environment of the Kingdom of Saudi Arabia and other countries through adherence to the main values of the Responsible Care initiative.



Chemical companies are prepared, through the Responsible Care initiative, to achieve a high level of performance and considerable gains for the benefit of its business activities. The Responsible Care Management provides an integrated approach to improve the company's performance in all community awareness services, emergency response, security, employees' health and safety, pollution prevention and products validity.

In 2015 Sipchem affiliates and departments went through surveillance audit against its management systems for Environment, Health, Safety, Security and Quality (RC14001, OHSAS 18001, and ISO9001). With management leadership and commitment, Sipchem successfully completed the surveillance audit with noticeable improvements comparing to the previous years.

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

Sipchem exerts its efforts every year to achieve tangible development in regards with its certification of Responsible Care within the frame of its continuous endeavor to provide enhancement to this field. The company is keen to achieve the highest level of commitments and excellence everywhere as a practical reality within its activities and in the communities that benefit from its services.



## Ninth: Financial Highlights

Sipchem achieved a net profit of SR 288 million in 2015 compared to SR 606 million in 2014. Decrease of profits is mainly attributed to the dramatic drop of all the company products prices with percentage ranging 18%-32% despite the prices reduction of the feedstock (butane and ethylene).

It is noteworthy that during 2015, the company announced the commercial run of the plants of its two affiliates, IPC and GACI, so 2015 financial results also included the financial results of these plants.

### Below are the financial indicators of the year 2015 compared with the previous year 2014

- The total profit for the year 2015 was SR 833 million compared with SR 1,397 million for the previous year 2014; a decrease of 40% .
- The operational profit for the year 2015 was SR 573 million compared with SR 1,178 million for the previous year 2014; a decrease of 51% .
- The net profit for the year 2015 was SR 288 million compared with SR 606 million for the previous year 2014; a decrease of 52% .
- The Earnings Per Share (EPS) was SR 0.79 for 2015 and SR 1.65 for the previous year.

The total profit for the year 2015 was SR 833 million compared with SR 1,397 million for the previous year 2014; a decrease of 40%.

The operational profit for the year 2015 was SR 573 million compared with SR 1,178 million for the previous year 2014; a decrease of 51%.

The net profit for the year 2015 was SR 288 million compared with SR 606 million for the previous year 2014; a decrease of 52%.

The Earnings Per Share (EPS) was SR 0.79 for 2015 and SR 1.65 for the previous year.

## Summary of the Business Results for the Previous Five Years

### 1. Balance Sheet Statement

(Million Saudi Riyals)

Details	2015	2014	2013	2012	2011
Total current assets	3,575	4,060	4,475	4,189	4,599
Total non-current assets	13,484	13,117	12,214	11,000	10,066
Total assets	17,059	17,178	16,689	15,189	14,665
Total current liabilities	1,790	1,562	1,288	1,389	1,317
Total non-current liabilities	7,564	7,660	7,979	6,665	6,326
Total shareholders' equity and minority interest	7,705	7,954	7,421	7,135	7,022
Total liabilities, shareholders' equity and minority interest	17,059	17,178	16,689	15,189	14,665



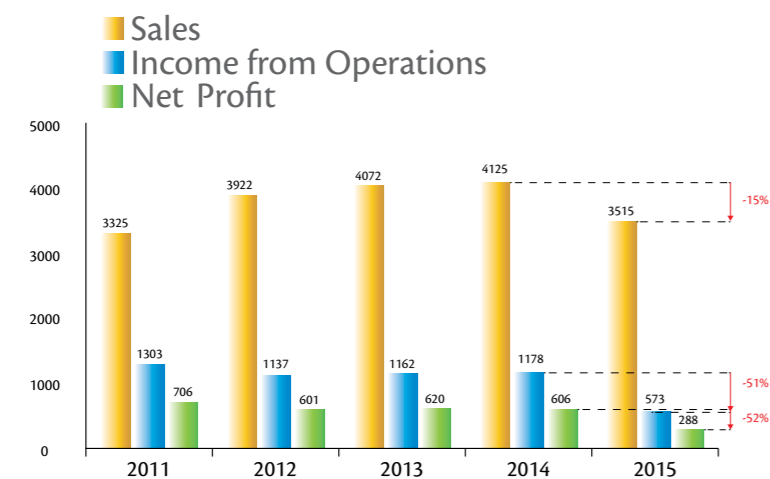
### 2. Income Statement

(Million Saudi Riyals except EPS)

Description	2015	2014	2013	2012	2011
Sales	3,515	4,125	4,072	3,922	3,325
Cost of sales	(2,682)	(2,728)	(2,707)	(2,654)	(1,897)
<b>Total profit</b>	<b>833</b>	1,397	1,365	1,268	1,428
Administrative and public expenses	(260)	(219)	(203)	(131)	(125)
<b>Income from operations</b>	<b>573</b>	1,178	1,162	1,137	1,303
Investment earnings	10	9	17	20	12
Financial expenses	(174)	(156)	(172)	(183)	(182)
Net revenues of operations before run	-	-	-	2	-
Net (expenses) of other revenues	(40)	(93)	(22)	12	(1)
<b>Income before minority interest, zakat allocation and income tax</b>	<b>369</b>	938	985	988	1,132
Minority equity	(51)	(245)	(310)	(315)	(400)
Zakat and income tax	(30)	(87)	(55)	(72)	(26)
<b>Net income</b>	<b>288</b>	606	620	601	706
Earnings Per Share (EPS) Saudi Riyal	0.79	1.65	1.69	1.64	1.93

### 3. Development of sales, income from operations and net profit for the past five years

(Million Saudi Riyals)



### 4. Significant differences in operational results from previous year

(Million Saudi Riyals)

Details	Year 2015	Year 2014	Changes +/-	Change percentage
Total Profit	<b>833</b>	1,396,6	(564)	40%
Operational Profit	<b>573</b>	1,177,8	(605)	51%
Net profit	<b>288</b>	606.2	(318)	52%

The main reason for the decrease of the net profit of the year 2015 was mainly due to the dramatic drop of all the company's products sales prices ranging 18%-32% despite the decrease of price of the feedstock (butane & ethylene).

### 5. Description of each sector's participation in the company's activities and results

#### A. Segmental Analysis

It includes the group's activities in the following sectors:

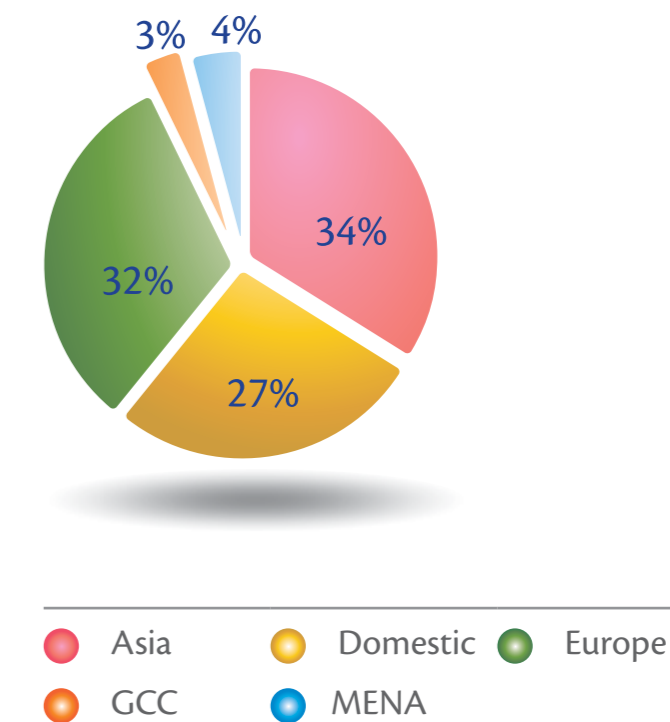
- Petrochemicals: It includes activities related to the manufacturing operations.
- Marketing: It includes marketing and commercial activities risks management in line with the approved sales and off-take agreements, swap transactions, and products hedging.

(Million Saudi Riyals)

	Petrochemicals	Marketing	Total
<b>31 December 2015:</b>			
Sales	3,012	503	3,515
Total Profit	653	180	833
Net Assets	7,680	25	7,705
<b>31 December 2014:</b>			
Sales	3,400	725	4,125
Total Profit	1,365	32	1,397
Net Assets	7,884	70	7,954

### 6. The Geographical Analysis of Sipchem's Sales

The marketing and sales of company products take place in the local markets, the Middle East and the International Markets. The graph here shows the geographical distribution of the company sales during 2015:



## 7. Total Debts for Sipchem and its Affiliates

The following schedule shows the loans and debts of the company and its affiliates during 2015.

### Saudi International Petrochemical Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Islamic Sukuk	5 years	1,800	1,800	-	-	1,800
Long-term loans	5 years	-	-	600	-	600
Long-term loans	6 months	-	-	600	(400)	200

### International Methanol Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Islamic facilitations	10.6 years	325	255	70	(26)	299

### International Diol Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Islamic facilitations	10.6 year	484	428	-	(40)	388
Islamic facilitations	12.6 years	524	524	-	(80)	444

### International Acetyl Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Transferred to capital	Balance at end
Commercial Banks	11.5 years	618	606	-	(12)	-	594
SIDF	9.8 years	400	250	-	(70)	-	180
PIF	11.4 years	769	423	-	(77)	-	346
Partners	undefined	undefined	112	-	(112)	-	-

### International Vinyl Acetate Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Transferred to capital	Balance at end
Commercial Banks	11.5 years	355	347	-	(7)	-	340
SIDF	9.8 years	400	250	-	(70)	-	180
PIF	11.4 years	439	241	-	(44)	-	197

### International Gases Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Transferred to capital	Balance at end
Commercial Banks	7.5 years	61	60	-	(1)	-	59
SIDF	9.8 years	400	220	-	(60)	-	160
PIF	11.4 years	143	78	-	(14)	-	64

## Sipchem Marketing Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Partners	Undefined	Undefined	99	7	-	106

## International Polymers Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Transferred to capital	Balance at end
Islamic facilitations	14.6 years	704	684	-	(42)	-	642
SIDF	11 years	600	600	-	(20)	-	580
PIF	14 years	704	677	-	(54)	-	623
Partners (short term)	undefined	undefined	121	4	-	-	125

## Sipchem Chemicals Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
SIDF	9.6 years	165	160	5	(10)	155
SIDF	9.9 years	257	98	133	-	231
Islamic facilitations	3 months	300	200	-	(200)	-
Partners	6 Months	undefined	534	250	-	784

## Gulf Advanced Cable Insulation Company

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
SIDF	8.5 years	99	88	11	(5)	94
Partners	undefined	undefined	76	2	-	78
Partners	undefined	undefined	66	2	-	68

## Saudi Specialized Products Company (SSPC)

(Million Saudi Riyals)

Lending Entity	Loan Term	Value of Loan	Balance at start	Withdrawing during the year	Total repayments during the year	Balance at end
Partners	undefined	undefined	84	1	-	85
Partners (short term)	undefined	undefined	68	2	-	70
SIDF	9.5 years	65	-	52	-	52

## 8. Description of Debt Instruments Activities

There is no any debt instruments convertible into shares or any subscribing right memorandums or similar rights issued or granted by the Company during the year 2015. Also, there is not any a conversion or subscription right under the debt instruments convertible into shares or option rights or subscribing right memorandums or similar rights issued or granted by the Company during the year 2015. In addition, there is not any redemption, purchase, or cancellation by the Company of any irrevocable debt instruments.

## 9. Governmental Statuary Due Payments

(Million Saudi Riyals)

Entity	Government payments up to 31/12/2015
Zakat & Income Tax Department	104
General Organization for Social Insurance (GOSI)	33

## 10. International Accounting Standards (IAS) Implementation Plan

Based on Capital Market Authority Circular No. (2978/4), dated 25/03/2014, which has reference to the Saudi Organization for Certified Public Accountants (SOCPA) letter No. (4579/2014/outgoing), dated 11/02/2014, the listed stock companies shall apply the International Accounting Standards (IAS) on the quarterly financial statements starting from 01/01/2017.

Therefore, the company management prepared a project work plan to implement International Accounting Standards (IAS) starting from 01/01/2017.

## 11. Plan details and implementation timeline

### A. Project Team

Ernst & Young Co. has been appointed as a consultant in regards with the implementation of International Accounting Standards (IAS). A work team was formed from expert representatives from Ernst & Young in addition to representatives from the company including the finance manager and the accounting section head.

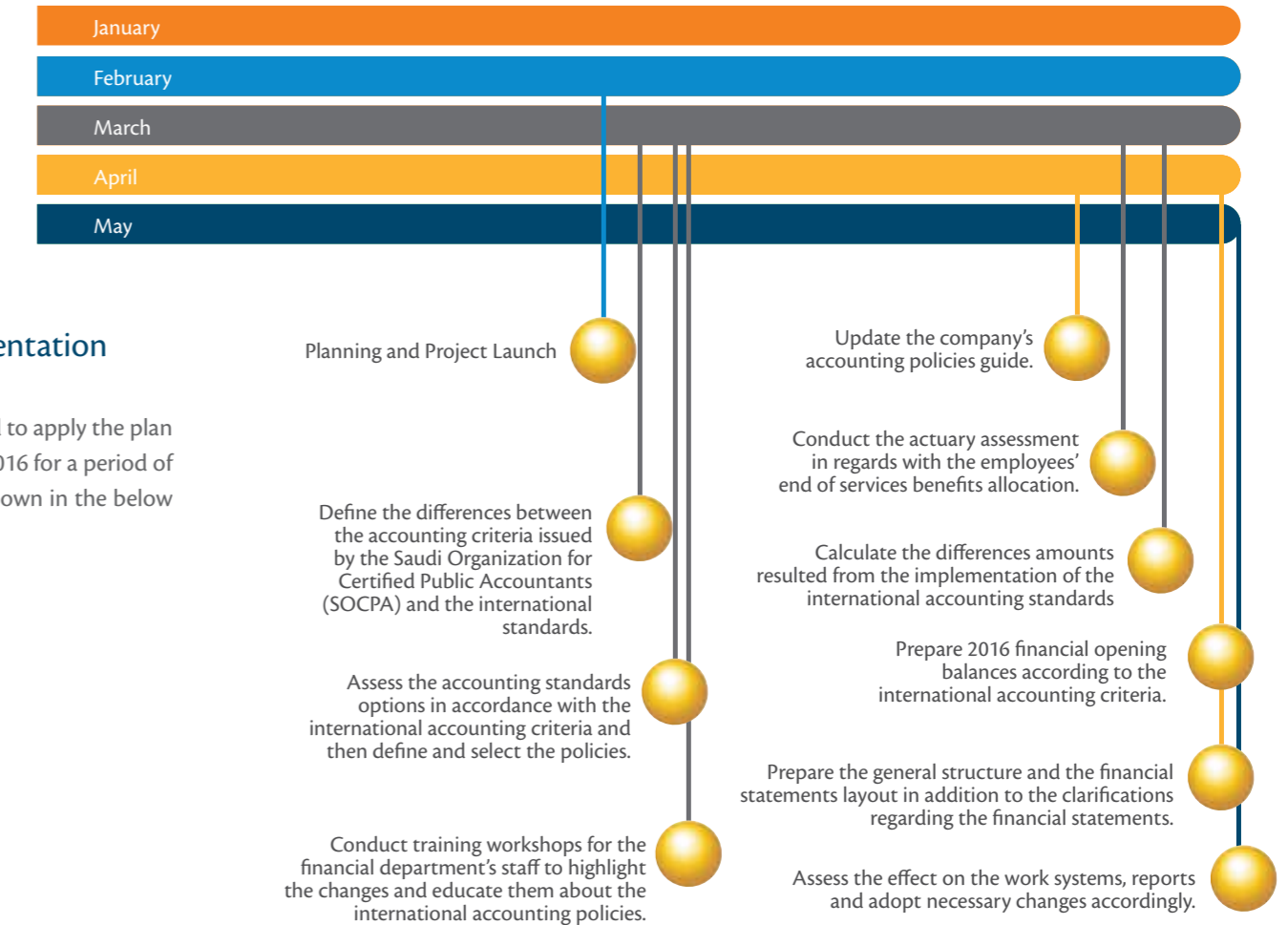
### B. Scope of Work and Implementation Steps

The implementation shall include the consolidated financial statements of Saudi International Petrochemical Company and its affiliates. The implementation steps shall be as follows:

- Define the differences between the accounting criteria issued by the Saudi Organization for Certified Public Accountants (SOCPA) and the international standards.
- Assess the accounting standards in accordance with the international accounting criteria and then define and select the policies.
- Assess the effect on the work systems, reports and adopt necessary changes accordingly.
- Conduct the actuary assessment in regards with the employees' end of services benefits allocation.
- Prepare 2016 financial opening balances according to the international accounting criteria.
- Prepare the general structure and the financial statements layout in addition to the clarifications regarding the financial statements.
- Update the company's accounting policies guide.
- Conduct training workshops for the financial department's staff to highlight the changes and educate them about the international accounting policies.

### C. Plan implementation Schedule

We have already started to apply the plan starting from January 2016 for a period of about 5-6 months as shown in the below time schedule:





## Tenth: Internal Audit

The Internal Audit department verifies the effectiveness of the Internal Audit system to face the main risks that are challenging the company. These risks include financial, operational, legal, and work risks in addition to monitoring all controls and risk management activities of the company and its activities. The Audit Committee, a Board of Directors' sub-committee, continuously supervises the works of the Internal Audit Committee and regularly reviews its reports. It follows up all the corrective actions decided by the company in regards with the audit's remarks and manage them in a way that assures not repeating them to enhance the Audit Committee's belief in the effectiveness of the Internal Audit procedures. The committee chair reports the major matters, if any, to the Board of Directors to take necessary action. The scope of the Internal Audit department includes the following:

1. Prepare the annual strategic plan for the work of Internal Audit Committee.
2. Auditing and periodic examinations of all administrative and operational departments and notifying their officials of the results.

3. Evaluating the procedures and the solutions provided by the departments to ensure suitability and effectiveness of the proposed procedures.
4. Submit reports on the auditing results and recommendations in addition to following up on these recommendations to ensure their application by the concerned departments.
5. Participate in the development of the Internal Audit system and advise all employees of its importance and the departments' roles in its development through delivering lectures.

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

The Internal Audit Committee has conducted various periodic auditing activities during the year 2015, which were aimed at ensuring the accuracy and efficiency of the performance. The committee has not discovered any weakness or violation; the company's Internal Audit system is performing properly and effectively.



## Eleventh: Board of Directors

### Board of Directors' Members Classification

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

No.	Name	Responsibilities	Membership type	Notes
1	<b>H.E. Eng. Abdulaziz A. Al-Zamil</b> Representative of Al-Zamil Holding Group	Board Chairman	Non-executive	-
2	<b>Eng. Ahmad A. Al-Ohali</b>	Managing Director and CEO	Executive	-
3	<b>Eng. Reyadh S. Ahmed</b> Representative of Ikarus Petrochemical Holding Company	Member	Non-executive	-
4	<b>Mr. Abdulaziz A. Al-Khamis</b> Representative of Public Pension Agency	Member	Non-executive	-
5	<b>Dr. Sami M. Zaidan</b> Representative of Olayan Financing Company	Member	Non-executive	-
6	<b>Dr. Abdulaziz A. Al-Gwaiz</b>	Member	Non-executive	-
7	<b>Mr. Fahd S. Al-Rajhi</b>	Member	Non-executive	-
8	<b>Mr. Ibrahim H. Mazyad</b> Representative of The Arab Investment Company	Member	Independent	-
9	<b>Dr. Abdulrahman A. Al-Zamil</b>	Member	Independent	-
10	<b>Mr. Abdulrahman A. Al-Turki</b>	Member	Independent	-
11	<b>Eng. Mohammed A. Al-Ghurair</b>	Member	Independent	-

### Participation of the Board Members in the other joint stock companies

The table below shows Board Members who participate in other joint stock companies:

No.	Name	Membership in other joint stock companies
1	<b>H.E. Eng. Abdulaziz A. Al-Zamil</b>	● Sahara Petrochemicals Company (Public Shareholding-KSA) ● Alinma Bank (Joint Stock-KSA) ● Al-Zamil Group Holding Company (Closed Joint Stock-KSA)
2	<b>Eng. Ahmad A. Al-Ohali</b>	● Al-Bilad Bank (Public Joint Stock-KSA)
3	<b>Dr. Abdulaziz A. Al-Gwaiz</b>	● Al-Khaleej Training & Education Co. (Public Shareholding-KSA)
4	<b>Mr. Abdulrahman A. Al-Turki</b>	● Al-Saqr Cooperative Insurance Company (Public Shareholding-KSA) ● Investcorp Co.(Public Shareholding-Bahrain) ● Golden Pyramids Plaza Co.(Public Shareholding-Egypt) ● Zara Investment Holding Co. for hotels (Public Shareholding-Jordan) ● Dhahran International Exhibitions Co (Closed Joint Stock-KSA)
5	<b>Dr. Abdulrahman A. Al-Zamil</b>	● International Energy Co (Closed Joint Stock-KSA)
6	<b>Mr. Abdulaziz A. Al-Khamis</b>	● Saudi Investment Bank (Public Shareholding-KSA) ● National Petrochemical Company (Public Shareholding-KSA)
7	<b>Eng. Reyadh S. Ahmed</b>	● Privatization Holding Company (Closed Joint Stock-Kuwait) ● Ikarus Petroleum Industries Company (Closed Joint Stock-Kuwait) ● Noor Financial Investment Co. (Closed Joint Stock-Kuwait) ● Mizan Bank (Public shareholding – Pakistan) ● Middle East Complex for Industrial, Engineering, Electronic and Heavy Industries (Closed Joint Stock-Jordan)
8	<b>Eng. Mohammed A. Al-Ghurair</b>	● National Cement Company (Public Shareholding-UAE) ● Al-Ghurair Group (Closed Joint Stock-UAE) ● Dubai Aluminium (Closed Joint Stock – UAE)
9	<b>Mr. Ibrahim H. Mazyad</b>	● Arab Jordan Investment bank (Public Joint Stock, Jordan) ● Arab Jordan Investment bank (Public Joint Stock, Qatar) ● Sudatal Group (Public Joint Stock Sudan) ● Kenana Sugar Company (Closed Joint Stock, Sudan)
10	<b>Mr. Fahd S. Al-Rajhi</b>	● National Industries Company (Closed Joint Stock-KSA) ● Al Rajhi Brothers Group Co.(Closed Joint Stock-KSA)
11	<b>Dr. Sami M. Zaidan</b>	N/A

## Board Meeting Attendance Registers

The Sipchem Board held four meetings during the 2015, which witnessed discussions of the most important issues related to the company's works and projects. It is worth noting that the members who did not attend any board meetings authorized other Board Members to represent them.

The below schedule shows the attendance register for every board member:

No.	Name	Board Meetings in 2015				Total attendance
		First 31/03/2015	Second 03/06/2015	Third 16/09/2015	Fourth 9/12/2015	
1	H.E. Eng. Abdulaziz A. Al-Zamil	✓	✓	✓	✓	4
2	Eng. Ahmad A. Al-Ohali	✓	✓	✓	✓	4
3	Dr. Abdulaziz A. Al-Gwaiz	✓	✓	✓	✓	4
4	Dr. Sami M. Zaidan	✓	✓	✓	✓	4
5	Mr. Abdulaziz A. Al-Khamis	✓	✓	✓	✓	4
6	Eng. Mohammed A. Al-Ghurair	✓	✓	✓	✓	4
7	Eng. Reyadh S. Ahmed	✓	✗	✓	✓	3
8	Mr. Ibrahim H. Mazyad	✗	✓	✓	✓	3
9	Mr. Abdulrahman A. Al-Turki	✓	✓	✗	✓	3
10	Dr. Abdulrahman A. Al-Zamil	✗	✓	✓	✗	2
11	Mr. Fahd S. Al-Rajhi	✓	✓	✗	✗	2

## Description of any benefits for Board Members, their wives, and minors in shares or debt instrument in Sipchem

Name	Shares on 1 January 2015		Shares on 31 December 2015		Net Change	Change %	First-degree relative ownership and changes
	No.	%	No.	%			
H.E. Eng. Abdulaziz A. Al-Zamil	186,600	0.051%	186,600	0.051%	0	0%	N/A
Eng. Ahmad A. Al-Ohali	289,525	0.079%	304,525	0.083%	15,000	5.18%	N/A
Eng. Mohammed A. Al-Ghurair	700,000	0.191%	700,000	0.191%	0	0%	N/A
Dr. Abdulrahman A. Al-Zamil	883,892	0.241%	883,892	0.241%	0	0	N/A
Dr. Abdulaziz A. Al-Gwaiz	30,000	0.008%	30,000	0.008%	0	0%	N/A
Mr. Abdulrahman A. Al-Turki	8,305,000	2.265%	8,305,000	2.265%	0	0%	N/A
Mr. Fahd S. Al-Rajhi	6,111,342	1.667%	6,200,000	1.691%	88,658	1.45%	N/A
Mr. Ibrahim H. Mazyad	48	0.000%	48	0.000%	0	0%	N/A
Eng. Reyadh S. Ahmed	0	0%	0	0%	0	0%	N/A
Eng. Ahmad A. Al-Ohali	0	0%	0	0%	0	0%	N/A
Mr. Abdulaziz A. Al-Khamis	0	0%	0	0%	0	0%	N/A

## Description of any benefits to senior executive management and minors in shares or debt instruments in Sipchem

Name	Shares on 1 January 2015		Shares on 31 December 2015		Net Change	Change %	First-degree relative ownership and changes
	No.	%	No.	%			
Eng. Abdulrahman A. Al-Saif	-	-	15,000	0.004 %	15,000*	100%	-
Eng. Abdullah S. Al-Saadoon	0	0%	0	0%	0	0%	N/A
Mr. Hussein S. Al Saif	0	0%	0	0%	0	0%	N/A
Mr. Rashid M. Al Dossari	50	0%	50	0%	0	0%	N/A
Mr. Kevin J. Hayes	0	0%	0	0%	0	0%	N/A
Mr. Abdullah G. Al-Hariri	0	0%	0	0%	0	0%	N/A

\* Eng. Abdulrahman A. Al-Saif's ownership of the shares was through the Sipchem Employee Incentive Program

## Description of any benefit related to the shares of major shareholders

Below is a list of major shareholders (who own 5% and above), the number of their shares and their ownership percentage during the year 2015:

Name	Shares on 1 January 2015		Shares on 31 December 2015		Net change	Change %
	No.	%	No.	%		
Al-Zamil Holding Group Company	35,549,375	9.69%	35,549,375	9.69%	0%	0%
Ikarus Petrochemical Holding Company	30,025,511	8.18 %	29,925,478	8.16%	100.033-	0.33%-
Public Pension Agency	28,405,514	7.75%	28,405,514	7.75%	0	0%
Olayan Financing Ltd Company	18,940,000	5.16%	18,940,000	5.16%	0	0%

## Description of any benefit related to shares owned by individuals notified the company of these rights

None notified the company about any benefit related to voting shares owned to individuals during the years 2015 other than the Board of Directors' members, senior executives, their wives, and minors.

## Rewards and compensations for the Board Members and Senior Executives

The below table shows the highest rewards and compensations paid to the Board Members and Senior Executives including the CEO and the General Manager of Finance during the year 2015:

(Saudi Riyals)

Details	Executive Board Members	Non-Executive /independent Board Members	Five of Senior Executives who received the highest rewards & compensations including CEO and Financial Manager
Salaries and compensations	-	-	13,442,337
Allowances	21,000	305,682	-
Periodic and annual rewards	200,000	2,000,000	912,640
Incentive Plans	-	-	-
Any other compensations or in-kind benefits paid annually or monthly	-	-	-

## Twelfth: Board Committees

### 1. The Audit Committee

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

#### A. Members of Audit Committee

No	Name	Title
1.	Mr. Fahd S. Al-Rajhi	Committee chairman - Board member
2.	Mr. Adib A. Al-Zamil	Committee member - Al Zamil Group Holding
3.	Mr. Abdel Salam Nasser	Committee member - Public Pension Agency

#### B. Committee's Duties & Specialties

- The Audit Committee supervises the management of the Internal Audit Department and verifies its effectiveness to implement the assigned duties.
- To review and approve the annual work plan of the Internal Auditor.
- To study the Internal Audit Reports and follow up carrying out the corrective actions mentioned in these reports.
- It recommends to the Board of the Directors the assignment of the chartered accountants, determines their scope of work, proposes their annual fees, and follows up the audit plan.
- To monitor the chartered accountants' work and approve any new addition to their agreed scope of work.

- To review the Internal Audit system and validate its effectiveness and make recommendations accordingly.
- To study the chartered accountant's comments on the company's financial statements.
- To review of the annual financial unaudited statements of the company before submission to the Board of Directors.
- To study of the accounting policies, making recommendations in regards with any change thereof to the board and ensuring its compliance with the accounting criteria.

#### C. Dates of Meetings

The Audit Committee Meeting was held three times during the year 2015. The committee studied and reviewed the annual unaudited financial statements and adopted related decision by circulation and made its recommendation to the Board of Directors.

No	Meeting	Date
1	First	09/02/2015
2	Second	16/06/2015
3	Third	08/11/2015

## 2. The Nominations and Remunerations Committee

The Nominations and Remunerations Committee consists of five Board Members. The table below shows the names of the Nominations and Remunerations Committee Members:

### A. Members of Nominations and Remunerations Committee

No	Name	Title
1.	H.E. Eng. Abdulaziz A. Al-Zamil	Committee Chairman
2.	Dr. Sami M. Zaidan	Committee Member
3.	Mr. Fahd S. Al-Rajhi	Committee Member
4.	Eng. Mohammed A. Al-Ghurair	Committee Member
5.	Mr. Ibrahim H. Al-Mazyad	Committee Member

### B. Committee's Duties & Specialties

- The committee is responsible of the nomination for Board Membership according to the approved standards taking into account not to nominate any candidate condemned with an offence prejudicial to honor or integrity.
- Annual review of the capabilities required for Board Membership and the review of its organization chart and submits recommendations regarding the time to be dedicated by the board member for the company's Board of Directors' works.

- Review of the company or its affiliates' Board of Directors organization and make recommendations in regards with proposed changes.
- Determining the strengths and weaknesses of the Board of Directors and proposing certain treatment in a way that serves the interests of the company.
- To annually verify the independency of the independent Board Members and the absence of any conflict of interest if the board member is occupying a Board Membership in another company.
- The committee also lays clear policies for the compensations and remunerations of the Board Members and the senior executives taking into account performance related criteria.
- Review and approval of the company's employee compensation & remuneration policy.
- Make recommendations to the Board of Directors regarding the proposed nominations of the Board Membership of the company's affiliates or any proposed changes to the company's organizational chart.

### C. Dates of Meetings:

The committee held two meetings during the year 2015.

No	Meeting	Date
1	First	31/03/2015
2	Second	09/12/2015

## 3. The Executive Committee

The Executive Committee is composed of six Board Members. The table below shows the names of the Executive Committee members:

### A. Members of Executive Committee

No	Name	Title
1.	H.E. Eng. Abdulaziz A. Al-Zamil	Committee chairman
2.	Eng. Ahmad A. Al-Ohali	Committee member
3.	Eng. Reyadh S. Ahmed	Committee member
4.	Dr. Abdulaziz A. Al-Gwaiz	Committee member
5.	Dr. Sami M. Zaidan	Committee member
6.	Mr. Abdulaziz A. Al-Khamis	Committee member

During its meeting held in February 2015, the committee discussed a number of suitable business opportunities through the development of new projects, merger, acquisitions or purchase of whole or partial equities in existing projects inside or outside the Kingdom which shall be announced in due time. In addition, the committee discussed the methods of increasing the production capacity and enhancing operational effectiveness of the company's plants.

In parallel with the committee's meeting, a workshop was implemented on the following day for all the Board of Directors' members regarding review and assessment of the strategies adopted by the board and how to activate them. In addition, the workshop included a presentation on

the responsibilities and duties of the Board Members and the corporate governance principles by an expert matter consultant. The workshop contents were tailored based on the results of the assessment done by the Board Members at the end of the previous year.

### B. Committee's Duties & Specialties

- To study the issues referred to the committee by the Board of Directors and act according to given authorities.
- Its duty is to submit recommendations to the Board of Directors on various subjects such as the management and direction of the activities and business affairs of the company,
- Submit recommendations regarding the new projects and the company investments to the Board of Directors.
- Recommendations related to strategic resolutions on the operational priorities of the company.
- To act on behalf of the company and exercise all the Board of Directors' authorities in taking the appropriate decisions, which cannot be delayed, to the coming session or difficult to be approved by circulation.
- To provide the Board of Directors with the meeting minutes that includes a description of all the decisions and recommendations adopted by the committee.

### C. Date of the Meeting

The committee held one meeting during the year 2015.

No	Meeting	Date
1	First	21/02/2015

## Thirteenth: Board of Directors' Declarations

### The Board of Directors declares the following

1. The accounts register has been prepared in the correct format.
2. The internal control system has been prepared on sound basis and is being implemented effectively.
3. There are no doubts about the company's ability to continue the performance of its activities.
4. The consolidated financial statements have been prepared according to the standards and the accounting systems issued by the Saudi Organization for Certified Public Accountants and according to the related requirements of the Companies Law and the company's by-laws with regard to the preparation and publication of financial details.
5. The company did not enter into any contract in which there is or has been any substantial benefit either to a Board member, the Chief Executive Officer, the General Manager of Finance or to any person related to any one of them.
6. No arrangements or agreements are made through which any of the Board Members or the senior executives waive any of his salary or compensation.
7. There are no arrangements or agreements through which any of the Company's shareholders waive any equity rights..

## Fourteenth: Penalties

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



## Fifteenth: Shareholders' General Assembly

Sipchem held its Ordinary General Assembly Meeting on 31 March 2015. The company announced the date of each meeting, its place, and agenda on the Capital Market Authority (Tadawul) website, the company website and in the official newspaper and the local newspapers at least 25 days prior to the determined date.

The company also gave the shareholders the chance to effectively participate and vote on the issues included in the agenda and informed them of the regulations that govern both meetings and the voting procedures in General Assembly's invitation in addition to the distribution of file

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

No.	Assembly Meeting's date	Attendance %	Adopted resolutions
			Approval of the Board's report for the year 2014.
		64%	Approval of auditor's report for financial year ended 31/12/2014.
			Approval of the financial statements and profit/losses statements on 31/12/2014.
			Discharge the Board Members from liability for the previous year 2014.
1	31/3/2015	E-Voting: 37%	Approval of Board of Directors' recommendation to distribute cash dividends on shareholders for the second half of the year 2014 at SR (0.65) per each share representing (6.5%) of the share nominal value of with total amount of SR (238,333,333). Such profits are granted only to the shareholders, who are registered in the registers at the end of the trading day in which the assembly meeting is held.
		Attendance Or Proxy Voting: 27%	Approval to allocate the amount of two million two hundred thousand (2,200,000) Saudi Riyals as awards for the members of the Board of Directors. Each member shall take the amount of two hundred thousand (200,000) Saudi Riyals for the fiscal year 2014.
			Approval to appoint an auditor for the company's annual and quarterly accounts for the year 2015. The remuneration of the two auditors will be determined in the meeting.

## Sixteenth: Dividends Distribution Policy

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

- 10% of the net profits as statutory reserve. The Ordinary General Assembly may stop setting aside of such amount once these reserves reach 50% of the capital.
- The General Assembly may, based on a proposal by the Board of Directors, set aside a certain percentage of the net profits, to establish an agreed reserve and allocate it for special purpose (s).
- From the remaining amount, a first payment, equivalent to 5% of the paid-up capital, is granted to the shareholders.
- 10% at most of the remaining amount shall be assigned as compensation to the Board Members taking into consideration the regulations and the instructions issued by the Ministry of Commerce in this regard. The remaining amount shall be distributed to the shareholders as an additional portion of the profit.
- The company may, subject to its financial capabilities, distribute the dividends to the shareholders on a quarterly basis provided to abide by the conditions, regulations and circulars issued by the ministry of Commerce and Industry with this regard.
- Despite market fluctuations during 2015, Sipchem managed to distribute cash dividends to its shareholders on 09/07/2015 for the first half of the year 2015 at the rate of SR 0.6 per each share which represents 6% of the nominal value per each share, totaling 220,000,000 Saudi Riyals. Such dividends are granted only to the shareholders, who are listed in Tadawul registers at the end of the trading day in which the assembly meeting is held, namely, on 05 July 2015.

On 09/04/2015, shareholders received cash dividends for the second half of the year 2014 at the rate of SR 0.65 per each share which represents 6.5% of the nominal value per each share, totaling 238,333,333 Saudi Riyals. Such dividends are granted only to the shareholders, who are listed in Tadawul registers at the end of the trading day in which the assembly meeting is held, namely, on 31 March 2015.

## Seventeenth: Description of any transactions between Sipchem and interested related parties

Interested related parties are the associated companies, major employees and the establishments that are controlling or jointly controlled and significantly influenced by such interests. Below are the interested related parties during the year 2015:

Name	Relation
Japan Arabia Methanol Company Ltd	Minority Partner
Helm Arabia Gmbh & Co (Helm Arabia Co.)	Minority Partner
Hanwha Chemical Malaysia Sdn. Bhd	Minority Partner
Johnson Matthey Davy Technologies Limited (JM Davy)	A Sister Company of a Minority Partner

- The foreign partners (Japan Arabia Methanol Company Ltd. and Helm Arabic and Partners Ltd.) have marketed a portion of the Group's products. The total sale of foreign partners in 2015 was SR 1,518 million compared to SR 1,835 million in 2014.
- International Diol Company, one of Sipchem's Affiliates, has purchased some fixed assets from one of its foreign partners, Davy Process Technology Limited. The total purchase of fixed assets in 2015 was SR 19.3 million compared to SR 97.1 million in 2014.
- The company and the minority partners have granted advances to the group companies in order to support their operations and comply with the lender terms. Some of the long-term advances do not have finance costs and no dates are determined for payment thereof, while other long and short-term advances have finance costs as per the ordinary commercial prices.
- The prices of these deals and the conditions relating thereto are adopted by the Boards of Directors of the group companies.

As of 31 December 2015, the balances pertaining to the deals referred to above are as follows

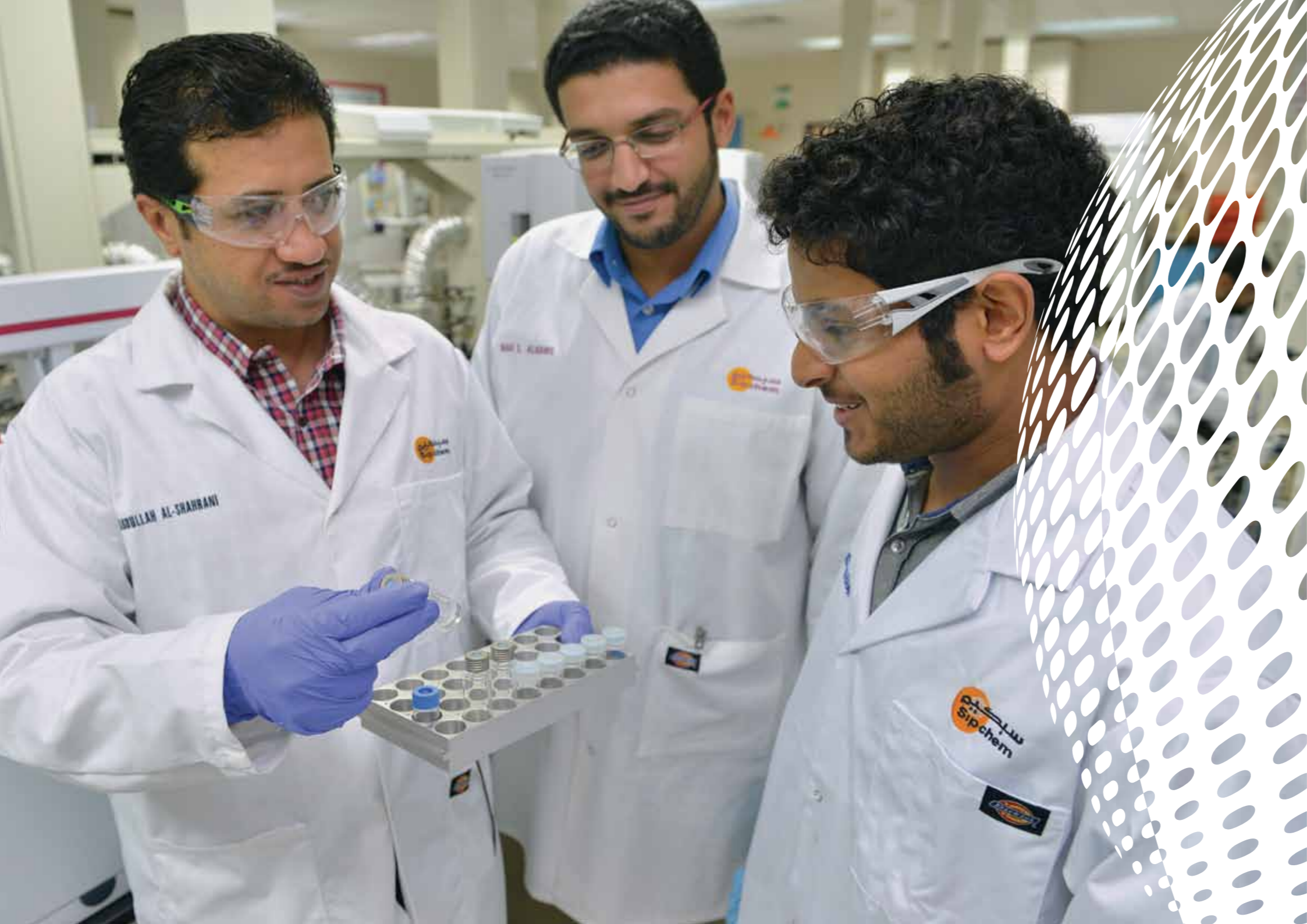
### Amounts required from related parties (Million SAR)

	2014	2015
Japan Arabia Methanol Company Ltd	38	6
Helm Arabia Gmbh & Co (Helm Arabia Co.)	395	210
Hanwha Chemical Malaysia Sdn. Bhd	19	79
Total	452	295

### Amounts Due to related parties (Million SAR)

	2014	2015
Johnson Matthey Davy Technologies Limited (JM Davy)	5	3





## Eighteenth: Human Resources

Sipchem's success is mainly attributed to its distinguished ability and constant endeavors to attract qualified personnel. Sipchem has been successful in creating an environment in which employees are proud to work in; a very professional transparent one, which encourages high performance and effective engagement at all levels of management in all the company's affiliates.

Sipchem cares about ensuring its personnel's job satisfaction to help them achieve their career ambition; the company pays attention to the development programs, technical and administrative, to ensure progress of work according to the highest standard of efficiency based on the latest training and development management systems.

The table below shows the number and percentage of employees in Sipchem and its affiliates as of the end of 2015 compared to 2014:

Employees	2014		2015	
	No.	%	No.	%
Saudi	799	74%	818	74%
Non-Saudi	277	26%	294	26%
Total	1,076		1,112	

During the year 2015, Sipchem has carried out 149 training programs of which 61 were implemented in collaboration with qualified and professional training organizations, both internal and external, selected based on applied quality measurements. Sipchem's trainers conducted 88 internal training programs in order to raise the efficiency and enhance the functional capabilities of the employees, administrators and technicians. The number of employees, from Sipchem and its affiliates, who benefited from such programs reached 797 employees.

Sipchem has applied via-internet training system that includes more than 350 training programs in various technical and administrative fields, business, and security and safety skills, in addition to computer courses. The number of online trainees reached 748 employees. It is worth noting that the content of such training materials is prepared by international universities such as Harvard Business School.

Sipchem also paid attention to on-job training (OJT) for its personnel particularly plant operators to benefit from such practical OJT courses. They received 76,272 training hours.

Saudi fresh graduates are within the main interest of Sipchem: the company implemented a special development program to help determine the career path of its newly joined fresh graduate personnel. The program duration is two years where participants receive on-job training in addition to other specialist courses involving teamwork concepts, time management, creative thinking, reflective intelligence. The number of participants of these training courses counted 136 trainees.

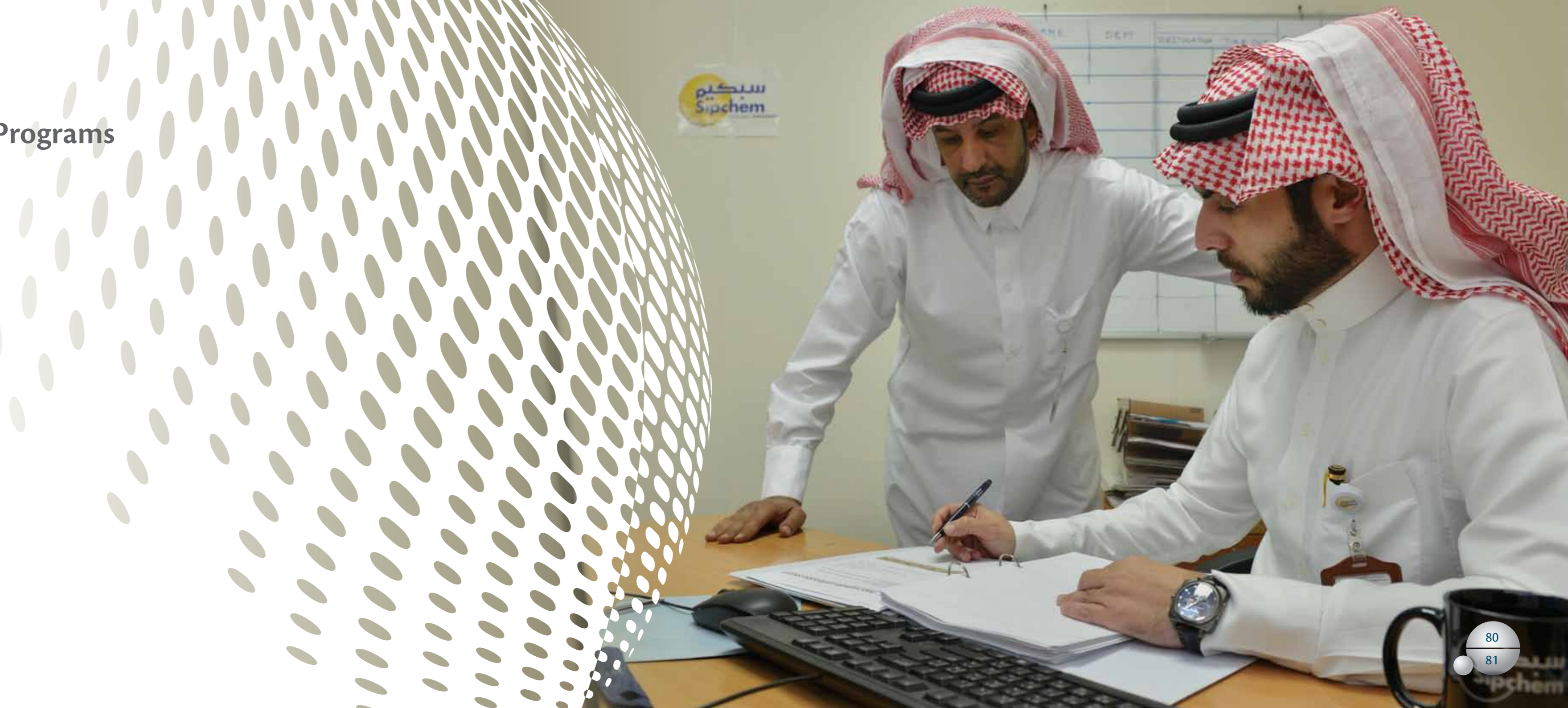
## Nineteenth: Employees' Incentive Programs

### Home Ownership Program for Saudi Employees (SHOP)

The company developed the regulations related to the implementation of the program during 2015. The Board of Directors approved the main points of the Home Ownership Program (SHOP), namely eligibility, distribution and allocation criteria of residential units, methods of payment of the residential unit, transfer of ownership, the unit price and the furniture allowance.

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

Sipchem arranges for its employees visits to the work site in order to follow the construction and finishing works so that they are able to monitor the development works on an ongoing basis. The first batch of the residential units will be allocated to the employees upon completion of the project.



## Employees Shares Ownership Incentive Program

Sipchem implemented an Employee Incentive Program aimed at encouraging the company's and affiliates' employees to maintain and improve their work performance and put up their utmost efforts to serve the company's interests and achieve its objectives. The program also contributes in attracting highly qualified personnel in the field of petrochemicals.

The program is currently managed by Al Bilad Securities and Investment Co., through a special portfolio opened for the program in 2010. A total of 436,972 shares have been transferred from the program portfolio to the eligible employees who completed the subscription period during the year 2015. Total number of the program shares reached 662,676 as of December 31, 2015.

## Savings Program

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

helping Saudi employees to accumulate their savings to be utilized upon retirement or end of services.

The company takes a part of the subscribed employee's salary and may invest these savings according to his desire. The company has the right to manage this investment in the way which it believes to be beneficial for the program subscriber in accordance with the best available Islamic Shariah-compliant investment portfolio. Also, the company has the right to invest the subscriber's savings in investment activities in cooperation with specialized companies and banks in accordance with the criteria of Islamic investment in a manner that can attain benefits for the subscribers provided that such investments are in low-risk Islamic portfolios.

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

## Twentieth: Employees' Benefits Allocations

The following table shows the allocations and compensation of Sipchem's employees for the 2015 compared to the year 2014

(Million SAR)

Item	2014	2015
End of Services Rewards	131	155
Savings Program	6	11



## Twenty First: Investor Relations

### Investor Relations Department

In 2015, the company has developed a specialized department called "Investor Relations" in line with industry best practices, as it believes that its sustainability depends on the extent of care it pays to the investors' relations. This approach will undoubtedly help the company achieve its existing activities and expedite the execution of its expansion projects.

The Investor Relations Department plays a crucial part in the development of the company and enhancement of communication with its shareholders and investors. It will also help the company focus on its activities with other related parties in line with compliance to Capital Market Authority's regulations and Tadawul to ensure effective communication between the company and its investors and other interested parties. This practice will end with a fair evaluation of the company's share. The Investor Relations Department is the most important factor that helps to reach a fair assessment of the company's share through communication with the investors and analysts providing them with all the related information that may help them make a fair assessment of the company taking into account the declaration governing regulations and CMA policies.

### Sipchem's Investor Relations Electronic Portal

Sipchem is always keen to apply the fairness principle before all investors, namely providing the necessary information to help its shareholders and investors to take their investment decisions based on correct and adequate information through declaration on the official website of Tadawul: [www.tadawul.com.sa](http://www.tadawul.com.sa)

Sipchem has recently launched its investor relations' website. It includes helpful information for its investors and shareholders alike. This website can be reached by clicking this link: <http://www.sipchem.com/ar/investor-relations-en>

The company is also keen to communicate with the shareholders and answer all their inquiries providing them the required information on time by all possible means of communication. It could crown these efforts by applying the online voting to provide the investors who are not able to attend the general assembly meeting to vote on the meetings' agenda items.



## Twenty Second: Corporate Governance

Sipchem, being a public stock company, is applying strictly all corporate governance criteria through its corporate governance policy and the professional behavior guide to comply with the Capital Market Authority governing rules.

Based on its belief in the importance of governance, Sipchem has applied all the mandatory regulations as included in the Corporate Governance list issued by the Capital Market Authority (CMA) that protect the shareholders' rights and reinforce the company's commitment to declaration and transparent standards.

During the year 2015, The Nomination and Remunerations Committee, reviewed the independency in the Board of Directors to ensure the members independency and the absence of any conflict of interest to

comply with Article (2) of the Corporate Governance Policy issued by the Capital Market Authority (CMA).

Sipchem has prepared its governance bylaws, which is approved in the General Assembly meeting held on 4/4/2009, according to the requirements of Article (10) paragraph (C) of the corporate governance regulation issued by the Capital Market Authority without prejudice to Companies Law, the listing and inclusion rules and the company by-laws. Sipchem published its governance bylaws on its website.

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



Article	Paragraph	Action	Reasons and details
(6) Voting Rights	B	Does the company's Bylaws stipulate that the accumulative voting method shall be used to vote on the selection of the Board Members in General Assembly Meeting?	The company Bylaws do not stipulate the accumulative voting method. Sipchem is currently working on amending the company's Bylaws to start using the accumulative voting method in the coming General Assembly Meetings.
	D	Investors who are judicial persons and who act on behalf of others - e.g. investment funds- shall disclose in their annual reports their voting policies and actual voting.	Not applicable
(12) Formation of the Board	I	Judicial person who is entitled under the company's Articles of Association to appoint representatives in the Board of Directors, is not entitled to nomination vote of other members of the Board of Directors.	Not Applicable



## Twenty Third: Board of Directors' Recommendations

Sipchem's Board of Directors submitted recommendations to the Annual General Assembly to be held in the first quarter of the year 2016, for the following:

1. Voting on the Board's report for the fiscal year 2015.
2. Voting on the financial statement and profit/losses statements as of 31/12/2015.
3. Voting on auditor's report for financial year ended 31/12/2015.
4. Voting on Discharge of the Board Members from liability for the previous year 2015.
5. Voting on Board of Directors' recommendation to distribute cash dividends to shareholders for the first half of 2015 at a rate of SR 0.6 per each share representing 6% of the share's nominal value, with a total amount of SR 220,200,000.
6. Voting to pay the amount of SR (2,200,000) two million and two hundred thousand riyals as remuneration for the Board Members with the amount of SR (200,000) Two hundred thousand riyals for each member for the fiscal year 2015.
7. Voting on the appointment of the external auditor as nominated by the Audit Committee for the fiscal year 2016 to audit the company's accounts, the quarterly financial statements and determine his fees.
8. Voting to amend Article # 20 in the Company Bylaws



## Twenty Fourth: Notes

1. The dispute between Sipchem and the construction contractor, at Al Dhahran, Kingdom of Saudi Arabia of Sipchem Research & Development Center, entitled Sipchem Technology & Creative Exchange (STCE) has been settled during 2015. The Arbitration authority, appointed by the disputing parties, issued its judgment No, (3), dated 23/05/1436H and the resolution has been authenticated by the competent authorities which means that the verdict deemed irrevocable and final. Accordingly, the two parties signed a final clearance on 3 October 2015 that includes all the items of the issued verdict and it stipulates the settlement of all amounts between the two parties. It shall be final and decisive and no party shall have the right to file a complaint or make any claims in regards with this dispute.
2. As per CMA circular # N/2/4/11367/14 dated 27/11/2014 in regards of not to deal with external auditors Deloitte & Touche ( Bakr Abulkhair & Co ) as of the date 01/06/2015, which was Sipchem external auditors in 2014 . Board of Directors and the Audit Committee have recommended to replace the Deloitte & Touche for the fiscal year 2015 and approved the appointment of KPMG Fozan and Al Sadhan as Sipchem external auditors for 2015 by the General Assembly on 31/03/2015.
3. Saudi International Petrochemical Company (Sipchem) acquired 11% additional shares of minority partners in each of International Acetyl Company and Vinyl Acetate Company on February 2016.

## Conclusion

Readers of this report shall undoubtedly feel Sipchem's new brand promise "Excellence Everywhere". Not only in the way we select and form our writing style but in all the details of the company's major projects, that imposes on our shoulders more responsibilities.

At the end of our report for the year 2015, the Board Members would like to express their thanks and appreciations to executive management and all company personnel for their sincere efforts exerted to develop and enhance the work performance so as to support the company's efforts to attain its goals.

The Board of Directors, with the beginning of the new year, is renewing its promise to the country's wise leadership to make the company participate effectively in the prosperity of our beloved Kingdom asking Allah the Almighty to protect the leader of our renaissance, the Custodian of the Two Holy Mosques and HRH Crown Prince, for their sponsorship and support of the company's activities.

## Board of Directors



# Corporate Social Responsibility Activities and Events

## Social Responsibility

Sipchem hands over 30 residential units to Syrian Refugee Families in Jordan



Sipchem organized 4th campaign for distribution of Ramadan Food Baskets to needy people



Sipchem signs contracts for social services

Sipchem's contribution to the Eastern Province Eid Al-Fitr Celebration appreciated





Sipchem organized Umrah Program for Orphans



Sipchem Volunteers Team Supports Jubail Charity in the Distribution Of Zakat Al-Fitr 2015



Sipchem sponsored Community Iftar in Da'awa & Guidance Centers in Jubail & Khobar

Sipchem Inaugurates its Third Ramadan Football Championship



Sipchem Volunteers  
Team Visits Patients in 3  
Hospitals in E.P. During  
Eid Al Fitr



Sipchem Sponsors  
Annual Forum of  
Charitable Organizations



Sipchem has been  
Platinum Sponsor for  
National Campaign for  
Breast Cancer Awareness



H.R.H. The Governor  
of Eastern Province  
Recognizes Sipchem



Sipchem Sponsors a  
"First Aid Course" in  
Collaboration with  
Jubail University



Sipchem Organizes  
Mosque Renovation  
Campaign on  
Damman-Jubail Highway



Sipchem Volunteers  
Team Members Visited  
Elderly Care Center



Sipchem Organizes  
Winter Clothing  
Campaign Worth Half  
Million SR in Aljouf,  
North of KSA



## ● Activities and Events



Sipchem Participated in Arabplast Exhibition, Dubai, UAE

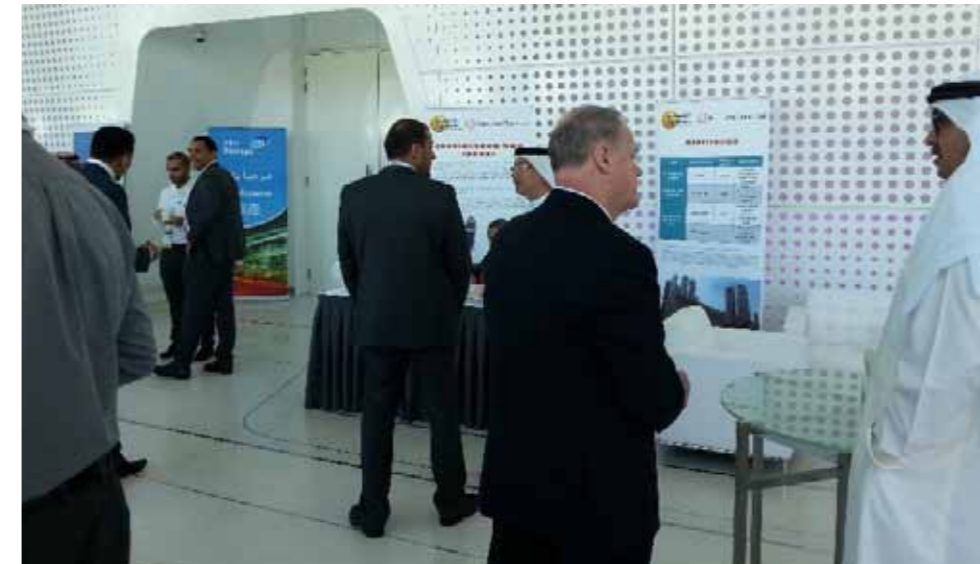
Sipchem Participated in Footwear India Expo, New Delhi, India



Sipchem Sponsored and Participated in Dammam University Career Day, Dammam, Saudi Arabia



Sipchem Participated in First Advanced Cable Middle East Conference, Abu Dhabi, UAE



Sipchem Participated in ME Coating Show, Dubai, UAE



Sipchem Technology & Innovation Centre (STIC) Inauguration Ceremony, March 18, 2015



Sipchem Organized a Seminar to Introduce Polymer Products and Services, Riyadh, Saudi Arabia



Sipchem Participated in the 2nd Petroleum Media Forum, Riyadh, Saudi Arabia



Sipchem Participated in MEPEC, Manama, Bahrain



Sipchem Participated in Plast Milan, Italy



Sipchem Organized Ramadan Gathering for Employees



Sipchem Participated in GPCA Annual Forum, Dubai, UAE



Sipchem Organized Internal Brand Launch Ceremony



# SAUDI INTERNATIONAL PETROCHEMICAL COMPANY

(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015

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**INDEPENDENT AUDITORS' REPORT**

**The Shareholders**  
**Saudi International Petrochemical Company**  
 (A Saudi Joint Stock Company)  
 Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Saudi International Petrochemical Company ("the Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheet as at December 31, 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 29 which form an integral part of the financial statements.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with article 123 of the Regulations for Companies and the Company's by laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures, on a sample basis, to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity.



**Opinion**

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

- 1) present fairly, in all material respects, the financial position of the Group as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group ; and
- 2) comply with the requirements of the Regulations for Companies and the Company's by laws with respect to the preparation and presentation of the consolidated financial statements.

**For KPMG Al Fozan & Al Sadhan**

**Ebrahim Oboud Baeshen**  
 License No. 382



Al Khobar, February 25, 2016G  
 Corresponding to: Jumada al-Oula 16, 1437H.

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 2015**  
(Expressed in Saudi Arabian Riyals)

	Note	2015	2014
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	3	2,124,558,823	2,458,750,403
Accounts receivable, prepayments and other receivables	4	752,485,797	1,069,450,860
Inventories	5	698,344,835	532,008,409
<b>Total Current Assets</b>		<b>3,575,389,455</b>	4,060,209,672
<b>Non-current Assets:</b>			
Property, plant and equipment	6	13,293,725,235	12,941,838,453
Projects development costs	7	29,464,693	62,160,218
Intangible assets	8	131,134,567	82,907,847
Goodwill	9	29,543,923	29,543,923
<b>Total Non-current Assets</b>		<b>13,483,868,418</b>	13,116,450,441
<b>Total Assets</b>		<b>17,059,257,873</b>	17,176,660,113
<b>LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>			
<b>Current Liabilities:</b>			
Short term loans	10	300,000,000	-
Current portion of long term loans	13	711,319,128	566,356,032
Accounts payable, accruals and other liabilities	11	696,008,855	915,009,956
Short term advances from partners	12	82,476,894	80,287,729
<b>Total Current Liabilities</b>		<b>1,789,804,877</b>	1,561,653,717
<b>Non-current Liabilities:</b>			
Long term loans	13	5,488,283,977	5,588,701,794
Sukuk	14	1,800,000,000	1,800,000,000
Long term advances from partners	12	59,953,703	58,981,712
Employees' benefits payable	15	165,818,715	136,728,449
Fair value of interest rate swaps	16	-	21,952,554
Other non-current liabilities	17	50,602,500	54,398,018
<b>Total Non-current Liabilities</b>		<b>7,564,658,895</b>	7,660,762,527
<b>Total Liabilities</b>		<b>9,354,463,772</b>	9,222,416,244

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED BALANCE SHEET (Continued)**  
**AS AT DECEMBER 31, 2015**  
(Expressed in Saudi Arabian Riyals)

	Note	2015	2014
<b>Shareholders' equity and non-controlling interests</b>			
Share capital	1	3,666,666,660	3,666,666,660
Statutory reserve	20	1,198,394,633	1,169,570,531
Reserve for the results of sale of shares in subsidiaries		48,893,677	48,893,677
Retained earnings		905,614,950	868,398,032
Proposed dividends	21	-	238,333,333
Fair value reserve	16	-	(16,952,840)
Foreign currency translation reserve		(7,194,646)	(6,411,004)
<b>Total shareholders' equity</b>		<b>5,812,375,274</b>	5,968,498,389
Non-controlling interests	22	1,892,418,827	1,985,745,480
<b>Total shareholders' equity and non-controlling interests</b>		<b>7,704,794,101</b>	7,954,243,869
<b>TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS</b>		<b>17,059,257,873</b>	17,176,660,113

The consolidated financial statements appearing on pages 1 to 26 were approved by the Board of Directors of the Company on \_\_\_\_\_, 2016, and have been signed on their behalf by:

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(Expressed in Saudi Arabian Riyals)

	Note	2015	2014
Sales		3,514,839,542	4,124,406,137
Cost of sales		(2,681,846,577)	(2,727,763,704)
<b>Gross Profit</b>		<b>832,992,965</b>	1,396,642,433
Selling, general and administrative expenses	23	(259,623,975)	(218,793,573)
<b>Operating income</b>		<b>573,368,990</b>	1,177,848,860
Investment income		10,012,414	9,146,003
Finance charges		(173,897,287)	(156,151,501)
Other expenses, net	24	(39,964,883)	(93,138,585)
<b>Income before zakat, foreign income tax and non-controlling interests</b>		<b>369,519,234</b>	937,704,777
Zakat and foreign income tax		(30,409,934)	(86,896,888)
<b>Income before non – controlling interests</b>		<b>339,109,300</b>	850,807,889
Non-controlling interest		(50,868,280)	(244,582,325)
<b>Net Income</b>		<b>288,241,020</b>	606,225,564
<b>Earnings per share</b>			
Operating income		1.56	3.21
Net income		0.79	1.65
<b>Weighted average number of shares</b>		<b>366,666,666</b>	366,666,666

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(Expressed in Saudi Arabian Riyals)

	Note	2015	2014
<b>Cash flow from operating activities:</b>			
Net income before non-controlling interest, zakat and foreign income tax		369,519,234	937,704,777
<i>Adjustment to reconcile net income to net cash provided by operating activities:</i>			
Depreciation and amortisation		690,933,494	569,436,506
Finance charges		173,897,287	156,151,501
Provision for employees' benefits		38,072,004	39,267,347
Investment income		(10,012,414)	(9,146,003)
Loss on disposal of property, plant and equipment		1,935,304	-
		<b>1,264,344,909</b>	1,693,414,128
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable, prepayments and other receivables		318,422,054	244,879,853
Inventories		(166,336,426)	(229,281,977)
Accounts payable, accrued and other liabilities		(251,139,600)	121,704,010
		<b>1,165,290,937</b>	1,830,716,014
Finance charges paid		(173,005,023)	(150,172,213)
Zakat and income tax paid		(56,522,041)	(62,640,011)
Employees' benefits paid		(8,981,738)	(5,545,478)
<b>Net cash provided by operating activities</b>		<b>926,782,135</b>	1,612,358,312
<b>Cash flow from investing activities:</b>			
Purchase of property, plant and equipment		(711,404,756)	(1,026,804,197)
Additions to intangible assets	8	(16,096,079)	(59,230,704)
Proceeds from disposals of property, plant and equipment		143,040	-
Additions to project development cost	7	(307,829,163)	(418,200,504)
Investment income received		8,555,423	9,146,003
<b>Net cash used in investing activities</b>		<b>(1,026,631,535)</b>	(1,495,089,402)

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(Expressed in Saudi Arabian Riyals)

Note	2015	2014
<b>Cash flow from financing activities:</b>		
Net movement in bank overdraft	-	(48,744,532)
Proceeds from short term loans	<b>849,995,419</b>	257,447,500
Repayment of short term loans	<b>(549,995,419)</b>	(257,447,500)
Proceeds from long term loans	<b>1,081,178,194</b>	677,546,165
Repayment of long term loans	<b>(1,040,632,731)</b>	(516,465,514)
Advances from partners	-	(328,195,804)
Dividend paid to minority shareholders	<b>(113,570,668)</b>	(186,174,900)
Additional capital contribution by minority shareholders	-	354,901,748
Dividend paid	<b>(458,333,333)</b>	(458,333,333)
Board of Directors' remuneration paid	<b>(2,200,000)</b>	(2,200,000)
<b>Net cash used in financing activities</b>	<b>(233,558,538)</b>	(507,666,170)
<b>Net decrease in cash and cash equivalents</b>	<b>(333,407,938)</b>	(390,397,260)
Cash and cash equivalents at the beginning of the period	<b>2,458,750,403</b>	2,857,603,807
Foreign currency translation reserve	<b>(783,642)</b>	(8,456,144)
<b>Cash and cash equivalent at the end of the period</b>	<b>2,124,558,823</b>	2,458,750,403

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements

**SAUDI INTERNATIONAL PETROCHEMICAL COMPANY**  
(A SAUDI JOINT STOCK COMPANY)  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(Expressed in Saudi Arabian Riyals)

	Share capital	Statutory reserve	Reserve for the results of sale of shares in subsidiaries	Retained earnings	Proposed dividends	Fair value reserve	Foreign currency translation reserve	Total	Non-controlling interest
<b>January 1, 2014</b>	<b>3,666,666,660</b>	<b>1,108,947,975</b>	<b>48,893,677</b>	<b>783,328,357</b>	<b>238,333,333</b>	<b>(54,992,116)</b>	<b>2,045,140</b>	<b>5,793,223,026</b>	<b>1,627,815,030</b>
Net income for 2014	-	-	-	606,225,564	-	-	-	606,225,564	244,582,325
Zakat & foreign income tax	-	-	-	-	-	-	-	-	(67,141,122)
Additional capital contribution	-	-	-	-	-	-	-	-	354,901,748
Net change in fair value of interest rate swaps	-	-	-	-	-	38,039,276	-	38,039,276	11,762,399
Net change in foreign currency translation reserve	-	-	-	-	-	-	(8,456,144)	(8,456,144)	-
Transfer to statutory reserve	-	60,622,556	-	(60,622,556)	-	-	-	-	-
Dividends paid (note 21)	-	-	-	(220,000,000)	(238,333,333)	-	-	(458,333,333)	(186,174,900)
Proposed dividends (note 21)	-	-	-	(238,333,333)	238,333,333	-	-	-	-
Board of Directors' remuneration	-	-	-	(2,200,000)	-	-	-	(2,200,000)	-
<b>December 31, 2014</b>	<b>3,666,666,660</b>	<b>1,169,570,531</b>	<b>48,893,677</b>	<b>868,398,032</b>	<b>238,333,333</b>	<b>(16,952,840)</b>	<b>(6,411,004)</b>	<b>5,968,498,389</b>	<b>1,985,745,480</b>
Net income for 2015	-	-	-	288,241,020	-	-	-	288,241,020	50,868,280
Zakat & foreign income tax	-	-	-	-	-	-	-	-	(35,623,986)
Net change in fair value of interest rate swaps	-	-	-	-	-	16,952,840	-	16,952,840	4,999,721
Net change in foreign currency translation reserve	-	-	-	-	-	-	(783,642)	(783,642)	-
Transfer to statutory reserve	-	28,824,102	-	(28,824,102)	-	-	-	-	-
Dividends paid (note 21)	-	-	-	(220,000,000)	(238,333,333)	-	-	(458,333,333)	(113,570,668)
Board of Directors' remuneration	-	-	-	(2,200,000)	-	-	-	(2,200,000)	-
<b>December 31, 2015</b>	<b>3,666,666,660</b>	<b>1,198,394,633</b>	<b>48,893,677</b>	<b>905,614,950</b>	<b>-</b>	<b>-</b>	<b>(7,194,646)</b>	<b>5,812,375,274</b>	<b>1,892,418,827</b>

The accompanying notes 1 through 29 form an integral part of these consolidated financial statements

## SAUDI INTERNATIONAL PETROCHEMICAL COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 1. ORGANIZATION AND ACTIVITIES:

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

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

As of December 31, 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 December 31, 2015, 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 Company completed acquisition of 11% additional shares from a minority shareholder in each of IAC and IVC, in February 2016.

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

The principal activity of IDC is the manufacturing and sale of maleic anhydride, butanediol and tetrahydro furan. IDC commenced its commercial operations in 2006.

## SAUDI INTERNATIONAL PETROCHEMICAL COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

(Expressed in Saudi Arabian Riyals)

#### 1. ORGANIZATION AND ACTIVITIES (continued)

The principal activities of IAC and IVC are the manufacturing 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 manufacturing and sale of carbon monoxide. IGC commenced its commercial operations in 2009.

The principal activities of SMC and its subsidiary Sipchem Europe Cooperative U.A are to provide marketing services for the products manufactured by the group companies and other petrochemical products. Other services provided by Sipchem, SMC and SMC's affiliates include purchasing and trading of petrochemical products with Sipchem affiliates and third party entities.

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

The principal activity of IPC is to manufacture and sell low density polyethylene (LDPE), polyvinyl acetate (PVAC) and polyvinyl alcohol (PVA). IPC commenced its commercial operations 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. The ethyl acetate plant commenced its commercial operations in 2013 while polybutylene terephthalate plant is under trial production and is expected to commence its commercial production in 2016.

The principal activity of GACI is the manufacture and sale of cross linked polyethylene and electrical connecting wire products. GACI commenced its commercial operations from June 1, 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 moulds and dyes and related services as well as production of EVA films. SSPC is under development stage and expects to commence its commercial production in 2016.

Note 1: Although the Company has only 50% share in GACI, the operations of Gulf Advanced 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 takes place, 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.

## SAUDI INTERNATIONAL PETROCHEMICAL COMPANY

(A SAUDI JOINT STOCK COMPANY)

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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#### 1. ORGANIZATION AND ACTIVITIES (continued)

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 of both of Sipchem and Sahara and the approval of the relevant Saudi Arabian Regulatory authorities.

During 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 during 2014.

#### 2. SIGNIFICANT ACCOUNTING POLICIES:

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

##### a. Accounting convention:

These consolidated financial statements are prepared under the historical cost convention using the accrual basis of accounting modified to include the measurement at fair value for the derivatives and the going concern concept.

##### b. Use of estimates and judgements:

The preparation of the Group’s consolidated financial statements in conformity with generally accepted principles requires the use of estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount 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.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are reflected in the following notes:

Note 2(e) – Provision for doubtful debts

Note 2(f) – Provision for inventory

Note 2(g) – Useful life of property, plant and equipment

Note 2(k) – Impairment

Note 2(v) – Fair value of derivative financial instruments

Note 2(s) – Provisional price

Note 2(m) – Provision for zakat and income tax

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#### 2. SIGNIFICANT ACCOUNTING POLICIES: (continued)

##### c. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, and using consistent accounting policies.

##### Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

##### Non-controlling interests

The Company measures any non-controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

##### Transactions eliminated on consolidation

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group/Company transactions that are recognized in assets, are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

##### d. Cash and cash equivalents:

For the purpose of the statement of cash flows, cash and cash equivalents 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.

##### e. 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 when identified.

##### f. Inventories

Inventories comprise spare parts, finished goods and raw materials, and are stated at the lower of cost or net realisable value. Costs of manufactured goods include raw materials, direct labour 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.

##### g. Property, plant and equipment

Property, plant and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Construction work in progress are not depreciated. Depreciation is provided over the estimated useful lives of the relevant assets using the straight line method. Expenditure on maintenance and repairs is expensed while expenditure for improvement is capitalized. Plant and machinery include planned turnaround costs which are depreciated 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 net book value of planned turnaround costs are immediately expensed and the new turnaround costs are depreciated over the period likely to benefit from such costs.

**2. SIGNIFICANT ACCOUNTING POLICIES: (continued)**

The estimated useful lives of the principal classes of assets are as follows:

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

**h. 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.

**i. Intangible assets**

Intangible assets mainly represent ERP costs and deferred expenses which include upfront fee paid for sukuk issuance and a long term off take agreement. Intangible assets are amortized over the following useful life:

	Years
ERP costs	5
Deferred expenses	5-10

**j. Goodwill**

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

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

**k. Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its non-financial assets excluding goodwill to determine whether there is any indication that those assets have suffered an impairment loss. Goodwill is tested for impairment annually. 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

**2. SIGNIFICANT ACCOUNTING POLICIES: (continued)**

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 such 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 income immediately.

**l. Provision**

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, and an outflow of resources carrying economic benefits is probable and can be measured reliably.

**m. 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 accrual basis. The zakat charge is computed on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. The zakat and foreign income tax charge in the consolidated statement of income represents the zakat for the Company and the Company's share of zakat in subsidiaries and the foreign income tax on foreign shareholders' income.

The zakat and income tax assessable on the non-controlling shareholders are included in non-controlling interests.

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

**n. Long term loans**

Loans are recognized at the proceeds received net of transactions cost incurred. Loans are subsequently carried at amortised cost. Any differences between the proceeds (net of transactions costs) and the redemption value is recognized in the consolidated statement of income over the period using straight line 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 statement of income.

**o. End-of-service indemnities**

Employees' end-of-service indemnities, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated Statement of Income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

**p. Employees' savings plan**

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

**q. Statutory reserve**

In accordance with Regulations for Companies in Saudi Arabia and Company's Articles of Association, the Company has established a

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#### 2. SIGNIFICANT ACCOUNTING POLICIES: (continued)

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 distribution to shareholders.

##### r. 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.

##### s. Revenue recognition

Revenue is recognized upon delivery or shipment of products, depending upon the contractually agreed terms, by which the significant risks and rewards of ownership of the goods have been transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. The Group markets their products through marketers. Sales are made directly to final customers and also to the marketers' distribution platforms. Sipchem, SMC and SMC affiliates provide trading activities of petrochemical products for Sipchem affiliates and third party entities. The portion of sales made through the Group distribution platforms are recorded at provisional prices agreed with such marketers 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 costs of shipping and distribution (settlement price). The Group estimates the final settlement price at the reporting date based on the available market data and records any likely adjustment. Whereas the Group makes adjustments to provisional pricing to support the reporting period, the final settlement pricing outstanding can only be determined upon final settlement of the sales in subsequent reporting periods.

##### t. Expenses

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

##### u. Dividends

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

##### v. Derivative financial Instruments

Derivative financial instruments are recorded at fair value. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the consolidated statement of income as they arise.

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

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

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#### 2. SIGNIFICANT ACCOUNTING POLICIES: (continued)

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.

##### w. Foreign currency transactions

These consolidated financial statements are presented in Saudi Arabian Riyals, which is the functional and presentation currency of the Group. Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are translated at the exchange rates prevailing at that date.

Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

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

1. Assets and liabilities for the balance sheet are translated at the closing exchange rate at the date of balance sheet.
2. Income and expenses for consolidated statement of income are translated at average exchange rates; and
3. Components of the shareholders' equity accounts are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translation of the financial instruments of the foreign subsidiaries into Saudi Riyals are reported as a separate component of consolidated shareholders' 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 recognized in the consolidated statement of income.

##### x. Leasing

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

##### y. 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.

##### z. Earnings per share

Earnings per share are computed by dividing operating income / (loss) and net income / (loss) for the year by the weighted average number of shares outstanding during the year. Weighted average number of outstanding shares as of December 31, 2015 and 2014 were 366,666,666 shares.



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**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturities of three months or less. As of December 31, 2015 and 2014, cash and cash equivalents comprise the following:

	2015	2014
Cash and bank balances	726,627,641	1,154,644,410
Murabaha deposits	1,397,931,182	1,304,105,993
	<b>2,124,558,823</b>	<b>2,458,750,403</b>

	2015	2014
Accounts receivable	556,595,006	861,519,582
Deposits and prepayments	158,774,215	91,772,443
Other receivables	37,116,576	116,158,835
	<b>752,485,797</b>	<b>1,069,450,860</b>

**4. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES**

As at December 31, 2015, accounts receivable include SR 105 million provision supporting 2015 provisional pricing volatility and disputed 2014 and 2015 provisional price claims received in 2015.

Deposits and prepayments include SR 98.3 million advance paid for acquisition of additional shares from a minority interest holder of IAC and IVC (note 1).

**5. INVENTORIES**

	2015	2014
Spare parts	206,776,154	191,589,899
Finished goods	342,132,021	316,279,678
Raw materials	149,436,660	24,138,832
	<b>698,344,835</b>	<b>532,008,409</b>

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**6. PROPERTY, PLANT AND EQUIPMENT**

	Buildings on leasehold land	Plant and machinery	Catalysts and tools	Vehicles, computers, furniture, fixtures and office equipment	Construction work in progress	Total
<b>Cost</b>						
January 1, 2015	192,670,074	10,522,142,006	341,038,863	94,914,878	4,774,129,438	15,924,895,259
Additions	500,193	202,588,658	14,334,998	2,293,833	512,787,074	732,504,756
Transfers from project development	-	-	-	-	327,002,061	327,002,061
Transfers, net	161,801,098	2,726,783,058	57,180,548	10,729,605	(2,956,494,309)	-
Transfers to Intangible assets	-	-	-	-	(55,055,852)	(55,055,852)
Write-off/disposals	-	(3,134,544)	(5,390,306)	-	-	(8,524,850)
December 31, 2015	<b>354,971,365</b>	<b>13,448,379,178</b>	<b>407,164,103</b>	<b>107,938,316</b>	<b>2,602,368,412</b>	<b>16,920,821,374</b>
<b>Depreciation</b>						
January 1, 2015	30,857,221	2,615,300,328	272,449,923	64,449,334	-	2,983,056,806
Charge for the year	9,201,085	566,948,192	65,790,072	8,546,490	-	650,485,839
Write-off/disposals	-	(1,056,200)	(5,390,306)	-	-	(6,446,506)
December 31, 2015	<b>40,058,306</b>	<b>3,181,192,320</b>	<b>332,849,689</b>	<b>72,995,824</b>	<b>-</b>	<b>3,627,096,139</b>
<b>Net book value</b>						
<b>December 31, 2015</b>	<b>314,913,059</b>	<b>10,267,186,858</b>	<b>74,314,414</b>	<b>34,942,492</b>	<b>2,602,368,412</b>	<b>13,293,725,235</b>
<b>December 31, 2014</b>	<b>161,812,853</b>	<b>7,906,841,678</b>	<b>68,588,940</b>	<b>30,465,544</b>	<b>4,774,129,438</b>	<b>12,941,838,453</b>

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**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

The property, plant and equipment are constructed over a land in Jubail Industrial City leased from the Royal Commission for Jubail and Yanbu for 30 years commencing on 16 Muharram, 1432 (corresponding March 30, 2002). The lease agreement are renewable upon the two parties' agreement.

Some of the Group's property, plant and equipment which has net book value of SR 8,753 million (2014: SR 6,558 million) are pledged as security against Saudi Industrial Development Fund loans, syndicated bank loans and Public Investment Fund loans (note 13).

As of December 31, 2015 and 2014, construction work-in-progress is stated at cost and is comprised of construction costs of plants and others under various agreements and directly attributable costs to bring the assets for its intended use which also includes costs of testing to ensure the assets is functioning properly, and after deducting net proceeds from the sale of production generated during the testing phase. Directly, attributable costs includes employee benefits, site preparation costs, and installation costs, licensing fees, professional fees and borrowing costs. Following the commercial operations in 2015 for IPC and GACI, the Group construction work in progress at the end of year 2015 is SR 2,602.4 million.

Borrowing costs relating to projects under development in IPC, SCC and GACI have been capitalized during the year amounting to SR 21.1 million (2014: SR 77.1 million for projects under development in IDC, IPC, SCC, SSPC and GACI).

**7. PROJECTS DEVELOPMENT COSTS**

	2015	2014
January 1	<b>62,160,218</b>	473,322,399
Additions during the year	<b>307,829,163</b>	418,200,504
Transferred to property, plant and equipment (note 6)	<b>(327,002,061)</b>	(791,005,560)
Transferred to intangible assets (note 8)	<b>(13,522,627)</b>	(38,357,125)
December 31	<b>29,464,693</b>	62,160,218

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**8. INTANGIBLE ASSETS**

	ERP costs	Deferred expenses	Total
<b>Cost</b>			
January 1, 2015	120,450,768	85,713,320	<b>206,164,088</b>
Additions	1,638,299	14,457,780	<b>16,096,079</b>
Transfers in (note 6,7)	68,578,479	-	<b>68,578,479</b>
Written off	(82,093,641)	-	<b>(82,093,641)</b>
December 31, 2015	<b>108,573,905</b>	<b>100,171,100</b>	<b>208,745,005</b>
<b>Amortization</b>			
January 1, 2015	84,027,258	39,228,983	<b>123,256,241</b>
Charge for the year	21,324,596	15,123,242	<b>36,447,838</b>
Written off	(82,093,641)	-	<b>(82,093,641)</b>
December 31, 2015	<b>23,258,213</b>	<b>54,352,225</b>	<b>77,610,438</b>
<b>Net book value</b>			
<b>December 31, 2015</b>	<b>85,315,692</b>	<b>45,818,875</b>	<b>131,134,567</b>
December 31, 2014	36,423,510	46,484,337	82,907,847

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#### 9. GOODWILL

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

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

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

#### 10. BANK FACILITIES

The Group obtained bank facilities ("the Facilities") from local banks in the form of bank overdrafts, working capital facilities, letters of credit and guarantee, and other facilities. The Facilities carry commission at the prevailing market rates. The Facilities are secured by corporate guarantees. At year-end 2015, the Group had SR 300 million of working capital facilities outstanding.

#### 11. ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

	2015	2014
Accounts payable	52,325,567	111,764,848
Zakat and income tax (note 18)	98,168,057	124,280,164
Accrued expenses	481,022,005	423,665,808
Retentions payable	27,073,502	243,244,640
Others	37,419,724	12,054,496
	<b>696,008,855</b>	<b>915,009,956</b>

#### 12. ADVANCES FROM PARTNERS

The partners of IAC, IVC, IGC, IPC, SCC, GACI, and SSPC have agreed to contribute long term advances to finance certain percentage of their projects' costs as per the joint venture agreements. As per the joint venture agreements, long term partners' advances shall be repaid after the repayment of external indebtedness and funding of the reserve accounts.

As of December 31, 2015, the Company and the minority partners had long term advances of SR 853 million and SR 59.9 million respectively (2014:SR 596 million and SR 58.9 million respectively). The Company and the minority partners have also made short term advances of SR 243.7 million and SR 82.5 million, respectively (2014: SR 240.9 million and SR 80.3 million respectively). Some of the long term advances do not carry any finance charges and have no specific maturity dates, while other long term advances and the short term advances carry finance charges at normal commercial rates.

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#### 13. LONG TERM LOANS

	2015	2014
Saudi Industrial Development Fund loans	1,631,869,000	1,664,092,000
Shari'a compliant bank loans	2,566,983,312	1,419,396,000
Public Investment Fund loans	1,230,188,000	2,849,006,849
Islamic Tawarruq facility	500,000,000	-
Murahaba facility	299,000,000	255,000,000
	<b>6,228,040,312</b>	<b>6,187,494,849</b>
Less: Unamortized deferred charges	(28,437,207)	(32,437,023)
Total	<b>6,199,603,105</b>	<b>6,155,057,826</b>

Presented in the balance sheet as follows :

	2015	2014
Current portion shown under current liabilities	711,319,128	566,356,032
Non-current portion shown under non-current liabilities	5,488,283,977	5,588,701,794
	<b>6,199,603,105</b>	<b>6,155,057,826</b>

Movement in unamortized deferred charges during the year are as follows :

	2015	2014
Balance as at January 1	32,437,023	39,249,543
Amortization during the year	(3,999,816)	(6,812,520)
Balance as at December 31	<b>28,437,207</b>	<b>32,437,023</b>

The Saudi Investment Development Fund ("SIDF") granted loans to IAC, IVC, IGC, IPC, SCC, SSPC and GACI. These loans are secured by guarantees from partners of relevant affiliates proportionate to partner shareholdings and a first priority mortgage on all present and future assets. The loans are repayable in unequal semi-annual installments. The loan agreements include covenants to maintain financial ratios during the loans period. Management fees and follow-up fees are charged to the loans as stated in the loan agreements.

The Group entered into Shari'a compliant credit facility agreements with syndicates of financial institutions. The loans are secured by pre-completion guarantees from partners of relevant affiliates proportionate to partner shareholdings and a second priority mortgage on the assets already mortgaged to SIDF. The only pre-completion guarantee outstanding in 2014 and 2015 was for International Polymers Company. Under a partner support agreement for the projects financing, the partners have the right following completion of a project to provide a letter of credit for support of operations during the life of loans. The loans are repayable in unequal semi-annual installments. The agreements include covenants to maintain certain financial ratios and also require maintenance of certain restricted bank accounts. The loans carry financial charges at SIBOR plus a fixed margin.

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The Public Investment Fund ("PIF") granted loans to IAC, IVC, IGC and IPC to finance the construction of plants of these companies. The obligation under these loan agreements at all times are pari passu with all other creditors. The loans are repayable in equal semi-annual installments. The agreements include covenants to maintain certain financial ratios. The loans carry financial charges at LIBOR / SIBOR plus a fixed margin. The loan agreements for IAC, IVC and IGC required the companies to enter into an interest rate swap contract to cap the finance charges associated with PIF loans. The interest rate swap agreement was concluded in June 2015.

In 2015, Sipchem entered into an Islamic Tawarruq facility to fund projects under construction and for general corporate purpose.

In 2013, IMC entered into a Murabaha facility agreement with a Saudi bank for the purpose of refinancing its capital lease obligation. The new agreement provided an extension of loan tenure for an additional 6 years, conversion from LIBOR to SIBOR, reduction in loan margin.

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

	2015	2014
2015	-	566,356,032
2016	711,319,128	746,244,449
2017	790,741,160	814,933,553
2018	608,085,606	631,069,916
2019	666,281,278	687,076,138
2020 and beyond	3,451,613,140	2,741,814,761
	<b>6,228,040,312</b>	<b>6,187,494,849</b>

**14. SUKUK**

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

**15. EMPLOYEES' BENEFITS PAYABLE**

	2015	2014
End-of-service indemnities (note a)	154,963,482	130,465,812
Thrift plan (note b)	10,855,233	6,262,637
	<b>165,818,715</b>	<b>136,728,449</b>

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**a. END-OF-SERVICE INDEMNITIES**

	2015	2014
January 1	130,465,812	99,783,090
Provision for the year	33,479,408	36,228,200
Payments during the year	(8,981,738)	(5,545,478)
December 31	<b>154,963,482</b>	<b>130,465,812</b>

**b. THRIFT PLAN**

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

**16. INTEREST RATE SWAP CONTRACTS**

During the year, the IDC, IAC, IVC and IGC 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 lapsed and all payment obligations were met. As of December 31, 2014, the notional amount of IRS contracts was SR 1,075 million. The fair value of interest rate swap has not been recycled through income statement upon maturity of the contracts.

The fair value of the interest rate swap as of December 31, 2014 was SR 21.9 million. The Group share as of December 31, 2014 was SR 16.9 million which has been recorded in the consolidated shareholder' equity. This amount represents the amount that would have been payable in case the Groups management decided to cancel the agreements.

**17. OTHER NON-CURRENT LIABILITIES**

	2015	2014
Product supply advance from customer	50,602,500	50,602,500
Others	-	3,795,518
	<b>50,602,500</b>	<b>54,398,018</b>

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

**18. ZAKAT AND INCOME TAX**

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

	2015	2014
Non-current assets	13,483,868,418	13,116,450,441
Non-current liabilities	7,564,658,895	7,660,762,527
Opening shareholders' equity	5,968,498,389	5,793,223,026
Net income before zakat and income tax	369,519,234	937,704,777
Spare parts	206,776,154	296,093,454
Dividends paid	458,333,333	458,333,333

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

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

	2015	2014
<b>Zakat</b>		
January 1	124,280,164	100,023,287
Provision for the year	30,409,934	86,896,888
Payments during the year	(56,522,041)	(62,640,011)
December 31	98,168,057	124,280,164

The zakat charge for the Group was as follows :

	2015	2014
Current year zakat charge for the Company	11,833,331	54,146,663
Company's share in the zakat and income taxes of foreign subsidiaries	18,576,603	32,750,225
December 31	30,409,934	86,896,888

**Outstanding assessments**

The Company received Zakat assessments for the years 2007 to 2010 with additional zakat liability of SR 108.5 million. The Company does not agree with the additional liability and has appealed against these assessments.

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.

IGC received Zakat assessments for years 2008 to 2010 with additional liability of SR 3.4 million. IGC has accepted the assessment and settled the due liability.

All of the companies within the Group submitted their zakat and income tax declarations up to the year ended 31 December 2014 with in the statutory deadline and still under review of the DZIT.

**19. RELATED PARTIES TRANSACTIONS**

Related parties include the Group's shareholders, associated and affiliated companies and their shareholders, Board of Directors, and entities controlled, jointly controlled or significantly influenced by such parties. During the year, the Group transacted with the following related parties:

Japan Arabia Methanol Company Limited (JAMC)	Minority interest holder
HELM – Arabia GmbH & Co. KG (Helm – Arabia)	Minority interest holder
Hanwha Chemical Malaysia Sdn Bhd	Minority interest holder
Johnson Matthey Davy Technologies Limited	Affiliate of a minority interest holder

Foreign partners of the Company marketed part of the Group's products. Total sales made through those foreign partners amounted to SR 1,518 million (2014: SR 1,835 million).

One of the subsidiaries bought certain fixed assets from one of the foreign partners. Total purchases of the fixed assets from the foreign partner during the year amounted to SR 19.3 million (2014: SR 97.1 million).

The Company and minority partners granted advances to the companies of the group to support their operations and comply with the debt covenants. Some of the long term advances do not carry any finance charges and have no specific maturity dates, whilst other long

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and short term advances carry finance charges at normal commercial rates. (note 12)

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

The above transactions resulted in the following balances with related parties as at December 31:

**a. Due from related parties included in accounts receivable**

	2015	2014
Japan Arabia Methanol Company Limited (JAMC)	6,314,208	37,859,030
HELM – Arabia GmbH & Co. KG (Helm – Arabia)	210,043,373	395,088,705
Hanwha Chemical Malaysia Sdn Bhd	78,661,414	19,097,121
	295,018,995	452,044,856

**b. Due to related parties included in accounts payable**

	2015	2014
Johnson Matthey Davy Technologies Limited	3,200,114	4,664,468
	3,200,114	4,664,468

**20. 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 distribution to shareholders.

**21. 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.

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 quarter ended June 30, 2015.

On June 29, 2015, the Board of Directors approved to distribute interim cash dividends for the first half of the year 2015 amounting to SR 220 million i.e. SR 0.6 per share, equivalent to 6% of the share capital. The Company distributed such dividends during the quarter ended September 30, 2015.

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#### 22. NON-CONTROLLING INTERESTS

	2015	2014
International Methanol Company	396,060,070	430,555,416
International Diol Company	275,014,130	347,542,566
International Acetyl Company	348,612,073	347,380,827
International Polymers Company	257,127,171	217,477,969
International Vinyl Acetate Company	313,746,830	338,749,620
International Gases Company	264,183,164	261,384,130
Gulf Advanced Cables Insulation Company	23,878,697	28,639,551
Saudi Specialized Products Company	13,796,692	14,015,401
	<b>1,892,418,827</b>	<b>1,985,745,480</b>

#### 23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Employees' related costs	139,169,924	98,625,957
Selling and marketing expenses	68,321,501	74,052,043
Depreciation	25,287,987	11,102,923
Expenses of Board of Directors and board meetings for the Group	3,718,629	2,131,601
Donations	2,000,000	4,000,000
Legal and professional expenses	8,103,244	5,078,319
Provision for bad debts	-	2,115,180
Others	13,022,690	21,687,550
	<b>259,623,975</b>	<b>218,793,573</b>

#### 24. OTHER EXPENSES, NET

	2015	2014
Exchange loss	41,551,054	50,691,080
Proposed merger expenses (note 1)	-	37,500,000
Other (income) / expenses, net	(1,586,171)	4,947,505
	<b>39,964,883</b>	<b>93,138,585</b>

#### 25. OPERATING LEASE ARRANGEMENTS

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

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

	2015	2014
Not later than one year	2,569,548	2,569,548
Year two	2,569,548	2,569,548
Year three	2,569,548	2,569,548
Year four	2,569,548	2,569,548
Year five	2,569,548	2,569,548
Later than five years	29,193,233	31,762,781
Total net minimum lease payments	<b>42,040,973</b>	<b>44,610,521</b>
	<b>2015</b>	<b>2014</b>
Payments under operating leases recognized as an expense during the year	<b>2,165,207</b>	<b>2,165,207</b>

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#### 26. COMMITMENTS AND CONTINGENCIES

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

	2015	2014
Letters of guarantees and credits	594,166,940	773,627,852
Capital commitments	344,138,114	829,006,541

As of December 31, 2015, the Group had entered into forward contracts to swap EUR 30.69 million for USD to cover against foreign currency risk due to fluctuations in Euros (December 31, 2014: EUR Nil). The year end mark-to-market impact of the derivative used to swap the Euro is not material.

#### 27. SEGMENTAL ANALYSIS

The Group's operations consist of the following segments:

1. Petrochemical operations include the activities for products manufactured
2. Marketing operations include risk managed marketing and trading activities for products under agreed upon buy-sell arrangements, feedstock and swap transactions, product swaps, and product hedging.

	Petrochemical operations	Marketing operations	Total
<b>2015</b>			
Sales	3,011,945,133	502,894,409	3,514,839,542
Gross profit	653,234,363	179,758,602	832,992,965
Net assets	7,680,301,663	24,492,438	7,704,794,101
<b>2014</b>			
Sales	3,399,955,384	724,450,753	4,124,406,137
Gross profit	1,364,979,816	31,662,617	1,396,642,433
Net assets	7,884,207,431	70,036,438	7,954,243,869

The 2015 gross profit results achieved for Marketing operations includes opportune transactions that are not expected to recur in 2016.

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

#### 28. FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable, certain other receivables, accounts payable, short and long term borrowings and certain other payables.

##### Credit risk

Credit risk is the risk that one party may fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by monitoring outstanding receivables.

Adequate allowances are made for debts considered doubtful. The Group maintains its cash with high credit rated local banks.

**Currency risk**

Currency risk is the risk that the value of financial instruments may fluctuate due to change in foreign exchange rate. The Group is subject to fluctuations in foreign exchange rates for Euros. The currency risk is monitored at the Group level. The Group monitors the fluctuations in Euro exchange rates and enters into forward exchange contracts to hedge the currency risk. At the period end, the Group had receivables of € 37.2 million included in amounts due from related parties.

**Liquidity risk**

Liquidity risk is the risk that the Group may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by managing the working capital and ensuring that the bank facilities are available.

**Commission rate risk**

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market rates. The Group is subject to commission rate risk on its commission bearing assets including bank deposits and its commission bearing liabilities including short term loans, long term loans, sukuk and the obligations under capital lease. Management monitors the changes in the commission rate and believes that the commission rate risk to the Group is not significant.

**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. The fair values of financial instruments are not materially different from their carrying values at the balance sheet date.

**29. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to comply with the current period presentation of the financial statements.





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The background features a decorative pattern of overlapping, slightly tilted ovals. The ovals are arranged in a grid-like fashion, with their color transitioning from a light orange on the left to a dark brown on the right. The pattern is set against a white background.