RIGHTS ISSUE PROSPECTUS

الصحراء للبتروكيماويات
sahara petrochemicals

This unofficial English translation of the official Arabic Prospectus is provided for information purposes only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version of the Sahara Petrochemicals Company Rights Issue offering and shall prevail in the event of any conflicts between the two texts. Accordingly, investors and existing shareholders shall not rely on this version.

SAHARA PETROCHEMICALS COMPANY

A Saudi Arabian joint stock company formed under the Ministerial Resolution number 16249 dated 26/12/1424H (corresponding to 17/2/2004G) with Commercial Registration No. 1010199710.
Offering of 146,265,000 shares through a Rights Issue at an Offer Price of SAR10 per share representing a SAR1,462,650,000 increase in the Company's share capital (equivalent to an increase of 50%).
Offering Period from 11/1/1433H (corresponding to 6/12/2011G) to 19/1/1433H (corresponding to 14/12/2011G).

Sahara Petrochemicals Company ("Sahara" or the "Company") is a Saudi Arabian joint stock company formed under the Ministerial Resolution number 16249 dated 26/12/1424H (corresponding to 17/2/2004G) with Commercial Registration Number 1010199710 dated 19/5/1425H (corresponding to 7/7/2004G). The share capital of the Company is currently SAR2,925,300,000 consisting of 292,530,000 shares with a nominal value of SAR10 each (each an "Existing Share" or collectively the "Existing Shares"), all of which are fully paid.

The Rights Issue (the "Offering" or "Rights Issue") is to raise an amount of SAR 1,462,650,000 by issuance of 146,265,000 new ordinary shares (the "Offer Shares" or the "New Shares") at a price of SAR10 per share (the "Offer Price") to be fully paid upon subscription representing an increase in the Company's share capital from SAR2,925,300,000 to SAR4,387,950,000 and will be directed at, and may be accepted by, the registered holders of Existing Shares (each, an "Eligible Shareholder" and collectively referred to as the "Eligible Shareholders") as at the last closing of Tadawul immediately preceding the commencement of the Extraordinary General Assembly meeting of the shareholders of the Company ("Extraordinary General Assembly") on 4/1/1433H (corresponding to 29/11/2011G) (the "Record Date"), on the basis of one New Share for every two Existing Shares held by Eligible Shareholders (the "Rights Issue Subscription"). Eligible Shareholders may apply for additional shares, if any, in a stand alone field under the same main subscription application. The Offer Shares will be allocated to Eligible Shareholders who applied to subscribe in proportion to the Existing Shares owned by them on the Record Date. The remaining number of the Offer Shares, if any, will be allocated to Eligible Shareholders who applied to subscribe for more than their allocated shares as set out in section 16 (Subscription Terms and Conditions). As for Eligible Shareholders who are entitled to fractional shares, the combined amount of fractional Rights Issue Shares will be accumulated in one portfolio and then sold at market price and the proceeds of such sale shall be distributed to such shareholders in proportion to the fraction each such shareholder is entitled to, being 30 days following distribution of the Rights Issue Shares to the Eligible Shareholders. Upon completion of the Offering, the Company's share capital will be SAR4,387,950,000 and the number of the Company's shares will be 438,795,000. The Net Proceeds from the Offering will be used to fund (i) Sahara's equity investments in Existing Projects, (ii) Sahara's equity investments in New Projects and (iii) the Company's employee home ownership program and certain other miscellaneous items (see section 7 (Use of Proceeds)). The Offering is fully underwritten (see section 15 (Underwriting)).

The Board of Directors, on 6/6/1432H (corresponding to 9/5/2011G), recommended an increase in the Company's capital from SAR2,925,300,000 to SAR4,387,950,000 after obtaining the approval of the competent authorities. The Extraordinary General Assembly meeting held on 4/1/1433H (corresponding to 29/11/2011G) has passed and approved the Board of Directors' recommendation.

The Offering will commence on 11/1/1433H (corresponding to 6/12/2011G) and will continue for a period of 9 days up to and including 19/1/1433H (corresponding to 14/12/2011G) (the "Offering Period"). Subscription to the Offer Shares can be made through branches of each of the Receiving Banks during the Offering Period. In accordance with the instructions of the Capital Market Authority of the Kingdom of Saudi Arabia (the "CMA"), a mechanism will be adopted to compensate Eligible Shareholders who do not exercise their rights to (fully or partially) subscribe in the Offering (see section 16 (Subscription Terms and Conditions)).

Excess of subscription monies, if any, will be refunded to subscribers without any charge or withholding by the Lead Manager and receiving banks. Notification of the final allotment and refund of subscription monies, if any, will be made no later than 26/1/1433H (corresponding to 21/12/2011G) (see section 16 (Subscription Terms and Conditions)).

The Company has only one class of Shares and every share carries the same voting rights. The New Shares being offered will be fully paid and will rank equally in all respects with Existing Shares. Each New Share entitles the holder to one vote and each shareholder ("Shareholder") with at least 20 Shares has the right to attend and vote at general assemblies of the Shareholders. The New Shares will be entitled to receive dividends declared by the Company starting from the date of the commencement of the Offering Period and for the subsequent fiscal years (see section 10 (Dividend Record and Policy)).

Existing Shares are currently traded on the Saudi Arabian Stock Exchange ("Tadawul" or "Exchange"). An application has been made to the CMA for the addition of the New Shares to the Official List, and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA have been granted. Trading in the New Shares is expected to commence on Tadawul after the final allocation of the Offer Shares and refund of the excess subscription monies (see "Key Dates for Subscribers"). Saudi nationals and residents of the KSA, nationals of the Cooperation Council for the Arab States of the Gulf, as well as Saudi companies, banks and investment funds, Gulf companies and institutions, and foreign investors outside the Saudi Kingdom (through swap agreements) shall be permitted to trade the New Shares after listing them on the Exchange.

Eligible Shareholders should read the entire Prospectus and carefully consider, amongst others, the "Important Notice" and section 2 (entitled Risk Factors) of this Prospectus prior to making an investment decision in the Offer Shares offered hereby.

Financial advisor, lead manager and underwriter

السعودي الفرنسي كابيتال
Saudi Fransi Capital

Receiving Banks

البنك السعودي الفرنسي Banque Saudi Fransi | Al Rajhi Bank مصرف الراجحي | العربي anb | NCB الأهلي | samba سامبا | SABB ساب | بنك الرياض riyad bank

This Prospectus includes information given in compliance with the Listing Rules of the CMA. The directors, whose names appear on page 5 collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Capital Market Authority and the Saudi Arabian Stock Exchange do not take any responsibility for the contents of this document, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document.

This Prospectus is dated 5/1/1433H (corresponding to 30/11/2011G).

Capitalised and abbreviated terms have the meanings ascribed to them in section 1 (Glossary and Definitions) and elsewhere in the Prospectus.

English Translation of the Official Arabic Language Prospectus

IMPORTANT NOTICE

GENERAL

This Prospectus provides full details of information relating to Sahara and the Offer Shares being offered. In applying for the Offer Shares, Eligible Shareholders will be treated as applying on the basis of the information contained in the Prospectus, copies of which are available for collection from the Lead Manager or the Receiving Banks or by visiting the Company's website (http://www.saharapcc.com) or the CMA's website (www.cma.org.sa).

Saudi Fransi Capital Limited has been appointed by the Company to act as Financial Advisor, Lead Manager and Underwriter in relation to the offer of Offer Shares described herein.

This Prospectus includes details given in compliance with the Listing Rules of the CMA. The Directors, whose names appear on page C of this Prospectus, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company and its advisors have made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while neither the Lead Manager nor the Company's advisors whose names appear on pages E and F have any reason to believe that any of the market and industry information is materially inaccurate, the Financial Advisor has not independently verified the information contained in this Prospectus about the market and the sectors. Therefore, no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial position of the Company and the value of the Shares may be adversely affected by future developments such as inflation, interest rates, financing costs, taxation, or other economic, political, regulatory and other factors, over which the Company has no control. Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of Sahara or any of its affiliates or any of their advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial position or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information herein, that the information is with regard to individual objectives, financial situations and needs.

The Rights Issue shall be confined to the Eligible Shareholders as at the close of the Record Date. The distribution of this Prospectus and the sale of the Offer Shares in any jurisdiction outside the Kingdom of Saudi Arabia (KSA) is expressly prohibited. The Company and Lead Manager require recipients of this Prospectus to inform themselves about and to observe all such restrictions.

FINANCIAL INFORMATION

The audited financial statements for the years ended 31 December 2008G, 2009G and 2010G and the notes thereto, each of which are incorporated elsewhere in the Prospectus, have been prepared in conformity with the accounting principles issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The Company publishes its financial statements in Saudi Arabian Riyals ("SAR").

FORECASTS AND FORWARD LOOKING STATEMENTS

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "may", "will", "should", or "are expected", "would be", "anticipates" or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an affect are described in more detail in other sections of this Prospectus (see section 2 (Risk Factors)). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Pursuant to the requirements of the Listing Rules, Sahara undertakes to submit a supplementary prospectus to the CMA if at any time after the Prospectus has been approved by the CMA and before admission to the Official List, Sahara becomes aware that: (1) there has been a significant change in material matters contained in the Prospectus or any document required by the Listing Rules, or (2) additional significant matters have become known which would have been required to be included in the Prospectus. Except in the aforementioned circumstances, Sahara does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or might not occur at all. Eligible Shareholders should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Title	Nationality	Age	Executive	Independent
Eng. Esam Fouad Himdy	Managing Director	Saudi	53	Yes	No
H.E. Engineer Abdulaziz Abdullah Al-Zamil	Chairman	Saudi	65	No	No
Dr. Abdulrahman Abdullah Al-Zamil	Director	Saudi	64	No	No
Tariq Mutlaq Al-Mutlaq	Director	Saudi	46	No	Yes
Satam Aamir Al-Harbi	Director	Saudi	33	No	Yes
Jabr Abdulrahman Al-Jabr	Director	Saudi	46	No	Yes
Rashid Saif Al-Ghurair	Director	UAE	34	No	Yes
Sultan Khalid Bin Mahfouz	Director	Saudi	38	No	Yes
Khalid Abdullah Al-Abdullatif	Director	Saudi	48	No	Yes
Saeed Omer Qasim El-Esayi	Director	Saudi	45	No	Yes
Abdulrahman Hayel Saeed	Director	UAE	62	No	Yes

Source: Sahara

ISSUER DETAILS

Registered Office	**Sahara Petrochemicals Company** P.O. Box 251 Riyadh 11411 Al Malaz District, Al-Farazdaq Road Kingdom of Saudi Arabia Tel: +966 1 472 5555 Fax: +966 1 476 6729 Website: www.saharapcc.com
Company's Representative	**H.E. Engineer Abdulaziz Abdullah Al-Zamil** P. O. Box 251 Riyadh 11411 Al Malaz District, Al Farazdaq Road Kingdom of Saudi Arabia Tel: +966 1 472 5555 Fax: +966 1 476 6729 Email: Chairman@saharapcc.com
Secretary to the Board of Directors	**Hammad S. Al-Shammary** P. O. Box 11166 Jubail Industrial City 31961 Kingdom of Saudi Arabia Tel: +966 3 356 7444 Fax: +966 3 358 9900 Email: shammaryhs@saharapcc.com
SHARE REGISTRAR	**TADAWUL** Abraj Attuwenya 700 King Fahad Road P.O .Box 60612, Riyadh 11555 Kingdom of Saudi Arabia Tel: +966 1 218 1200 Fax: +966 1 218 1220 Website: www.tadawul.com.sa

PRINCIPAL ADVISORS

Financial Advisor, Lead Manager and Underwriter

Saudi Fransi Capital Limited
P.O .Box 1290
Riyadh 11431
Kingdom of Saudi Arabia
Tel: +966 1 215 1111
Fax: +966 1 215 2352
Website: www.sfc.sa

Legal Advisor to the Transaction

Freshfields Bruckhaus Deringer LLP in association with The Law Firm of Salah Al-Hejailan
54 Al-Ahsaa Street
P.O. Box 1454
Riyadh 11431, Saudi Arabia
Tel: +966 1 479 2200
Fax: +966 1 479 1717
Website: www.freshfields.com

Legal Advisor to the Financial Advisor

Khalid A. Al-Thebity Law Firm
in affiliation with Dewey & LeBoeuf LLP
Sky Towers-North Tower, 8th Floor
King Fahad Road
P.O. Box 300807
Riyadh 11372
Kingdom of Saudi Arabia
Tel: +966 1 416 9990
Fax: +966 1 416 9980
Website: www.dl.com

Auditors

Ernst & Young
Ernst & Young Al Khobar
4th Floor, Juffali Building,King Abdulaziz Road
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Tel: +966 3 849 9500
Fax: +966 3 882 7224
Website: www.ey.com

Reporting Accountants

KPMG Al Fozan & Al Sadhan
KPMG Tower
Salahudeen Al Ayoubi Road
P.O. Box 92876, Riyadh 11663
Kingdom of Saudi Arabia
Tel: +966 1 874 8557
Fax: +966 1 874 8600
Website: www.kpmg.com

MARKET RESEARCH CONSULTANTS

JACOBS CONSULTANCY	**Jacobs Consultancy** 5995 Rogerdale Road Houston, Texas 77072 United States of America Tel: +1 832 351 7800 Fax: +1 832 351 7887 Website: www.jacobsconsultancy.com
CMR	**Chemical Market Resources, Inc.** 560 Blossom Street, Suite C Houston / Webster, Texas 77598 United States of America Tel: +1 281 557 3320 Fax: +1 281 557 3310 Website: www.cmrhoutex.com
CMAI	**Chemical Market Associates, Inc.** 1401 Enclave Parkway, Suite 500 Houston, Texas 77077 United States of America Tel: +1 281 531 4660 Fax: +1 281 531 9966 Website: www.cmaiglobal.com
BUSINESS MONITOR international	**Business Monitor International** Mermaid House 2 Puddle Dock Blackfriars, London EC4V 3DS United Kingdom Tel: +44 20 7248 0468 Fax: +44 20 7248 0467 Website: www.businessmonitor.com

Advertising Consultant

A1 ADVERT ONE	Shawaf International Co. Al Safwa Commercial Center P.O. Box 43307, Riyadh 11561, Saudi Arabia Tel: +966 1 2886632 Fax: +966 1 288 6631 www.advert1.com

All aforementioned parties have given, and not withdrawn, as of the date of this Prospectus, their written consent to the use of their name, logo, market data and research in this Prospectus.

Receiving Banks

Banque Saudi Fransi
P.O. Box 56006
Riyadh 11554
Kingdom of Saudi Arabia

Al Rajhi Bank
P.O. Box 28
Riyadh 11411
Kingdom Saudi Arabia

Arab National Bank
P.O. Box 56921
Riyadh 11564
Kingdom Saudi Arabia

National Commercial Bank
P.O. Box 3555
Jeddah 21481
Kingdom Saudi Arabia

Riyad Bank
P.O. Box 22622
Riyadh 11416
Kingdom Saudi Arabia

Samba Financial Group
P.O. Box 833
Riyadh 11421
Kingdom Saudi Arabia

The Saudi British Bank (SABB)
P.O. Box 9084
Riyadh 11413
Kingdom Saudi Arabia

PRINCIPAL BANKERS OF SAHARA

Banque Saudi Fransi
Corporate Banking Division
P.O. Box 397, Al Khobar 31952
Kingdom of Saudi Arabia
Tel: +966 3 887 1111
Fax: +966 3 882 3810
Website: www.alfransi.com.sa

The Saudi British Bank
Jubail Industrial City Branch
P.O. Box 10015, Jubail 31961
Kingdom of Saudi Arabia
Tel: +966 3 341 9259
Fax: +966 3 340 8244
Website: www.sabb.com

SUMMARY OF THE OFFERING

Sahara or the Company	Sahara Petrochemicals Company, a Saudi Arabian joint stock company with Commercial Registration number 1010199710 dated 19/5/1425H.
Nature of the Offer	Rights Issue for Eligible Shareholders.
Total number of Existing Shares	292,530,000 fully paid ordinary shares.
Nominal Value	SAR10 per share.
Current capital of the Company	SAR2,925,300,000.
Total number of New Shares	146,265,000 ordinary shares.
Offer Price	SAR10 per New Share.
Number of New Shares underwritten	146,265,000 New Shares.
Amount underwritten	SAR1,462,650,000.
Total Number of Shares after Subscription	438,795,000 Shares.
Percentage of Increase in Capital	The share capital will be increased by SAR1,462,650,000, representing a fifty percent (50%) increase in the Company's current authorized share capital.
Capital of the Company after the Offer	SAR4,387,950,000.
Total Proceeds	SAR1,462,650,000.
Offering Costs	Estimated to be SAR50,000,000.
Net Proceeds (after deduction of the Offering Costs)	Estimated to be SAR1,412,650,000.
Record Date	The close of trading on Tadawul on the day of the Extraordinary General Assembly meeting that approves the Rights Issue on 4/1/1433H (corresponding to 29/11/2011G).
Offering Period	The Offering and receiving of applications will commence on 11/1/1433H (corresponding to 6/12/2011G) and will remain open for a period of 9 calendar days up to and including 19/1/1433H (corresponding to 14/12/2011G).
Eligibility for New Shares	The Company's Shareholders as at the Record Date ("Eligible Shareholders").

Allocation of Offer Shares	One New Share shall be allocated for every two Existing Shares owned by Eligible Shareholders who have applied to subscribe for the New Shares in accordance with the subscription procedures. If the New Shares are not subscribed for in full by the Eligible Shareholders, the remaining New Shares in the Rights Issue shall be allocated *pro rata* to those Eligible Shareholders who have subscribed for additional New Shares to that which they have a prorated entitlement and have bid the highest price for such additional New Shares, in accordance with section 16 (Subscription Terms and Conditions). In the event that demand for the subscription of New Shares exceeds the number of New Shares that are the subject of the Rights Issue, the New Shares shall be distributed amongst Eligible Shareholders in proportion to the Existing Shares in the Company owned by them on the Record Date. As for Eligible Shareholders entitled to fractions of New Shares, fractions of New Shares shall not be issued. Instead, the combined amount of all those fractions of New Shares shall be collected in one portfolio and sold in the open market. Following such sale, any surplus over the Offer Price of the New Shares shall be distributed amongst Eligible Shareholders, according to their fractional entitlements, within 30 days from the date of refund and depositing the shares in the protfolio. The Underwriter shall purchase any unsubscribed New Shares, if any.
Use of Proceeds	The net proceeds of the Offering (after deducting the Offering's expenses) which are estimated to be SAR1,412,650,000 million (the "Net Proceeds"), which will be used principally to fund (i) Sahara's equity investments in Existing Projects, (ii) Sahara's equity investments in New Projects and (iii) the Company's employee home ownership program and certain other miscellaneous items.
Listing of Shares	An application has been made to the CMA for admission of the New Shares to the Official List, and all relevant approvals pertaining to this Prospectus and all other supporting documents requested by the CMA have been granted. Trading in the New Shares is expected to commence on the Exchange soon after the allocation of the New Shares (see "Key Dates for Subscribers").
Excess of Subscription Monies	The excess subscription amounts (if any) will be refunded to the subscribers without any commissions or deductions by the Lead Manager or the Receiving Banks.
Allocation Date	The share allocation notification and refunding of over subscription amounts, if any, will be completed no later than 26/1/1433H (corresponding to 21/12/2011G) (see section 16 (Subscription Terms and Conditions)).
Dilution of Non-Participating Shareholders	Eligible Shareholders who do not subscribe for New Shares in this Offering shall be subject to a reduction in their proportionate ownership, their voting interests in the Company, and the percentage that their Existing Shares represent in the share capital of the Company. In compliance with the CMA's requirements, the Non-Participating Shareholders, if any, may be entitled to receive a Compensation Amount calculated in accordance with the mechanism set out in section 16 (Subscription Terms and Conditions), but will retain ownership of the same number of Existing Shares as they had prior to the Offering.
Dividends	Holders of the New Shares will be entitled to receive any dividends declared and paid by the Company from the date of the commencement of the Offering Period and for subsequent fiscal years (see section 10 (Dividend Record and Policy)).
Voting Rights	The Company has only one class of shares and no Shareholder has any preferential voting rights. Each New Share entitles the holder to one vote and each Shareholder holding at least 20 shares has the right to attend and vote at the General Assembly (see section 11 (Summary of the Company's By-Laws) and section 12 (Description of the Shares)).
Risk Factors	There are certain risks relating to an investment in this Offering. These risks include those described in section 2 (Risk Factors) which should be considered carefully prior to making an investment decision in the New Shares.

Subscription Process	The Offering of New Shares shall be directed at and limited to the Eligible Shareholders. The Company shall have the right to reject any Subscription Application Form in respect of the New Shares, completely or in part, if it does not comply with all Subscription Terms and Conditions and other requirements. No Subscription Application Form may be amended or withdrawn after submission. Execution of the Subscription Application Form and acceptance of the same by the Company shall constitute a binding agreement between the Company and the Eligible Shareholder who applied to subscribe in the Offer (see section 16 (Subscription Terms and Conditions)). The Offering will be directed at, and may be accepted by each Eligible Shareholder as at the Record Date, on the basis of one New Share for every two Existing Shares held by each such Eligible Shareholder. The New Shares will be allocated to Eligible Shareholders who apply to subscribe for the same and who properly complete the subscription procedures for the Offering. If all the New Shares are not subscribed to in accordance with the equation set out below, the remaining number of New Shares will be allocated to Eligible Shareholders who apply to subscribe for more than their allocated shares pro rata to the number of Existing Shares owned by them at the Record Date and who offer the highest price, as per the prices set out in Section 16 (Subscription Terms and Conditions). If the applications for subscription at any of the prices set out below are in excess to the number of New Shares available for sale, the available shares will be distributed among the subscribers pro rata to the number of Existing Shares owned by them at the Record Date. The underwriter shall take up any of the New Shares that are unsubscribed for during the subscription period, if any. As for Eligible Shareholders who are entitled to fractional shares, all fractional New Shares will be combined into one portfolio to be sold at market value, and then any excess monies over the Offer Price of the New Shares shall be distributed amongst Eligible Shareholders at the Record Date, according to their fractional entitlements, within a period not exceeding 30 days from the date of refund and depositing the shares into the portfolio (see Section 16, “Subscription Terms and Conditions”).
Subscription in additional number of New Shares	Shareholders registered in the Company’s register at the last closing of Tadawul immediately preceding the commencement of the Extraordinary General Assembly meeting on 4/1/1433H (corresponding to 29/11/2011G) have the right to subscribe in an additional number of New Shares and to cover those Shares to which the priority right to subscribe was not exercised on. Subscription can only be made at one of the following prices and the closest to the nearest price unit: 1) the Offer Price; 2) the Offer Price plus an amount equal to thirty percent 30% of the difference between the Company’s Share price at the close of trading on Tadawul preceding the commencement of the Extraordinary General Assembly meeting that approves the Rights Issue and the amended Share price after the Extraordinary General Assembly meeting multiplied by the number of Offer Shares that each Existing Share entitles its holder to subscribe for (2), rounded to the nearest unit of the difference in share price; 3) the Offer Price for New Shares plus an amount equal to sixty percent 60% of the difference between the Company’s Share price at the close of trade on Tadawul preceding the commencement of the Extraordinary General Assembly meeting that approves the Rights Issue and the amended Share price after the Extraordinary General Assembly meeting multiplied by the number of Offer Shares that each Existing Share entitles its holder to subscribe for (2), rounded to the nearest unit of the difference in share price; or 4) the Offer Price for New Shares plus an amount equal to ninety percent 90% of the difference between the Company’s Share price at the close of trade on Tadawul preceding the commencement of the Extraordinary General Assembly meeting that approves the Rights Issue and the amended Share price after the Extraordinary General Assembly meeting multiplied by the number of Offer Shares that each Existing Share entitles its holder to subscribe for (2), rounded to the nearest unit of the difference in share price. The prices for additional shares will be as follows: SAR10 per share, SAR12 per share, SAR14 per share and SAR16 per share. Eligible Shareholders cannot choose more than one price for additional shares.
Compensation	Eligible Shareholders who have not subscribed to the Offering, whether in full or in part, will not be granted any benefits or privileges for their rights other than the Compensation Amount, if any, in accordance with section 16 (Subscription Terms and Conditions).

KEY DATES FOR SUBSCRIBERS

Event	Date
Convene the Extraordinary General Assembly meeting and set the Record Date to identify the Eligible Shareholders	4/1/1433H (corresponding to 29/11/2011G)
Offering Period	Starts on 11/1/1433H (corresponding to 6/12/2011G) and continues for a period of 9 calendar days up to close of business on 19/1/1433H (corresponding to 14/12/2011G)
Last day for submission of the Subscription Application Forms and payment of the subscription monies	19/1/1433H (corresponding to 14/12/2011G)
Notification of Final Allotment and Refund (if any)	26/1/1433H (corresponding to 21/12/2011G)
Start date of Trading of the New Shares on Tadawul	It is expected to start upon completion of all relevant regulatory procedures. Dates will be announced in the local press and on Tadawul's website.

The above timetable is tentative. Actual dates will be communicated through announcements in the local press.

HOW TO APPLY

Eligible Shareholders who are interested in subscribing to the New Shares, are required to complete and deliver Subscription Application Forms that will be made available during the Offering Period at the branches of the Receiving Banks. Subscription can also be effected through the internet, phone banking, or automated teller machines of any of the Receiving Banks that offer one or all of those facilities, provided that: (i) the subscriber (Eligible Shareholder) holds an account at such Receiving Bank, and (ii) there are no changes to the subscriber's (Eligible Shareholder's) information or details since the subscriber's subscription in a recent offering unless those changes have been duly communicated and approved by the Receiving Bank.

The Subscription Application Forms must be completed in accordance with the instructions described in section 16 (Subscription Terms and Conditions).

The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event that any of the Subscription Terms and Conditions are not met. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted to the Receiving Banks. Furthermore, the Subscription Application Form shall, upon acceptance, represent a binding agreement between the Eligible Shareholder and the Company (see section 16 (Subscription Terms and Conditions).

SUMMARY OF KEY INFORMATION

This summary of key information gives an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to interested subscribers. Recipients of this Prospectus must read the whole Prospectus before making a decision to invest in the Company. Capitalised and abbreviated terms have the meanings ascribed to them in section 1 (Glossary and Definitions) and elsewhere in the Prospectus.

Company Profile

Sahara was established as a Saudi joint stock company on 19/5/1425H (corresponding to 7/7/2004G). It is registered under commercial registration number 1010199710, it has its head office in Riyadh and its shares were listed on the Saudi stock market on 8 July 2004G.

The Company's private sector founders, which included corporations and individuals led by the Zamil Holding Company Group, jointly contributed seventy percent (70%) of Sahara's initial share capital, while three Saudi Arabian public sector entities, namely General Organization for Social Insurance ("GOSI"), General Retirement Organization ("GRO") and Majlis Al-Awqaf Al-Aala ("Al-Awqaf High Commission"), participated with a combined ten percent (10%) of the share capital issued. Specifically, GOSI and GRO owned four percent (4%) each while Al-Auqaf High Commission owned two percent (2%) of Sahara's capital.

The remaining twenty percent (20%) equity was raised through an initial public offering on Tadawul in May 2004G directed at Saudi Arabian retail investors. Shares were allocated to each subscriber on a pro-rata basis. The share capital of Sahara immediately following the initial public offering was SAR1,500 million, divided into 30 million ordinary shares with a nominal value of SAR50 each.

On 17 July 2007G, Sahara increased its share capital by SAR375 million to SAR1,875 million divided into 187.5 million shares through the issuance of one bonus share for every four shares owned by the then shareholders. As a result, the number of issued shares increased from 150 million to 187.5 million shares with a nominal value of SAR10 each.

On 17 September 2009G, Sahara raised its capital by SAR1,050,300,000 by issuing 105.03 million new shares at a price of SAR10 per share comprising a nominal value of SAR10 per share and no premium. As a result, the number of issued shares increased from 187.5 million shares to 292.53 million shares with a nominal value of SAR10 each.

Sahara Joint Ventures

AL WAHA

AL WAHA was established in September 2006G as a limited liability joint venture company between Sahara and Basell Arabie Investissements S.A.S. with a seventy–five percent (75%) and twenty–five percent (25%) shareholding respectively. The share capital of AL WAHA is SAR1,547.6 million.

AL WAHA was established to construct, own and operate a petrochemicals complex that produces 467,000 tons of propylene as primary feedstock for the production of 450,000 tons of polypropylene. The polypropylene will be sold in both regional and international markets. The AL WAHA Plant is located in Jubail Industrial City in the eastern region of Saudi Arabia and commenced commercial operations on 1 April 2011G.

Polypropylene is a light weight plastic and is used to produce textile fibres, outdoor furniture, crates, house wares and automotives parts and other products. The products are being sold both internationally and within the region.

TSOC

TSOC was established in May 2006G as a closed joint stock company in which Sahara owns 32.55%, GOSI owns 7.00% and the remaining 60.45% is owned by Tasnee, Tasnee Petrochemicals and Marketing Company, National Gulf Company for Petrochemical Technology and National Worldwide Industrial Advancement Company. TSOC was incorporated with a share capital of SAR2,400 million. TSOC's share capital was increased to SAR2,530 million during the 2009G financial year and to SAR2,830 million during the 2010G financial year, both times by way of cash injection from TSOC's shareholders.

TSOC was established as a holding company for investments in certain other joint venture projects. Its current holdings comprise a seventy–five percent (75%) equity stake in SEPC and a sixty–five percent (65%) equity stake in SAAC.

SEPC

SEPC was established in May 2006G as a limited liability company, representing a 75:25 shareholding joint venture between TSOC and Basell Moyen Orient Investissements SAS respectively. By virtue of Sahara's 32.55% equity stake in TSOC, Sahara owns a 24.41% indirect equity interest in SEPC. The share capital of SEPC is SAR2,737.5 million.

SEPC was formed to develop, finance, construct, commission, own, manage and operate a petrochemicals complex for the production of 284,800 tonnes per annum of propylene and 1,008,000 tonnes per annum of ethylene. Approximately eighty percent (80%) of the 1,008,000 tonnes per annum of ethylene produced will be used as the primary feedstock for the production of approximately 800,000 tonnes per annum of high and low density polyethylene. The SEPC Plant is located in Jubail Industrial City in the eastern region of Saudi Arabia and commenced operations in June 2009G.

High density polyethylene is a thermoplastic that is used to produce suitcases, automotive fuel tanks, pipes and tubes, insulating sleeves, bottles, lids and toys etc.

Low density polyethylene is used to produce packaging films, trash and grocery bags, agricultural greenhouse, wire and cable insulations, squeeze bottles, toys and house wares.

SAMAPCO

SAMAPCO was established as a limited liability company which is a 50:50 joint venture between Sahara and Ma'aden with a share capital of SAR900 million.

SAMAPCO was established to design, construct, commission, own and operate an integrated chlor-alkali plant capable of producing 227,000 tonnes per annum of chlorine and 250,000 tonnes per annum of caustic soda, as well as an ethylene dichloride plant capable of producing 300,000 tonnes per annum of ethylene dichloride, together with the associated utilities and support facilities to be located in Jubail Industrial City in the eastern region of Saudi Arabia. Commercial operations are expected to commence in the first quarter of 2013G.

Caustic soda is used in many industries, mostly as a strong chemical base in the manufacture of pulp and paper, textiles, drinking water, soaps and detergents and as a drain cleaner. Ethylene dichloride is mainly used to produce vinyl chloride monomer, the major precursor for PVC production.

NPG

NPG is expected to be established as a limited liability company, representing a joint venture between Sahara and Chemanol who will each own a forty-eight percent (48%) and fifteen percent (15%) equity stake respectively, with the remaining thirty-seven percent (37%) shareholding being held by Mitsubishi Gas Chemical Co. Inc. and Sojitz Corporation.

NPG is being established to own, manage and operate a neopentyl glycol plant capable of producing 45,000 tonnes per annum of neopentyl glycol. The NPG Plant will be located in Jubail Industrial City in the eastern region of Saudi Arabia. NPG is currently at the feasibility stage and following such evaluations, if successful, commercial operations are expected to commence in the second quarter of 2014G.

Neopentyl glycol is used as a raw material in the production of saturated polyester and alkyd resins. Most alkyd resins containing neopentyl glycol are used in coating metal furniture and fixtures.

SAAC

SAAC was established in April 2009G as a limited liability company, representing a joint venture in which Sahara owns twenty-two percent (22%), TSOC owns sixty-five percent (65%) and Tasnee owns the remaining thirteen percent (13%) of SAAC's share capital. By virtue of Sahara's 32.55% equity stake in TSOC, Sahara owns an additional indirect equity stake of 21.15% in SAAC giving an aggregate shareholding of 43.16%. The share capital of SAAC is SAR620 million.

SAAC is a holding company for investments in certain other joint venture projects including the Integrated Acrylates Complex project. Its current and (where applicable) proposed holdings comprise a seventy-five percent (75%) equity stake in SAMCO, a seventy-five percent (75%) equity stake in SAPCO and a thirty-three percent (33%) equity stake in the Butanol JV. SAAC will also own and operate the U&O Facilities for the Integrated Acrylates Complex project including product storage and warehouse, truck-loading/transportation and port facilities expected to be completed by the first quarter of 2013G.

SAMCO

SAMCO was established in July 2009G as a limited liability company, representing a 75:25 shareholding joint venture between SAAC and Rohm & Haas (Dow) respectively. By virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara owns an indirect equity stake of 32.37% in SAMCO. The share capital of SAMCO is SAR733 million.

SAMCO was established to own, manage and operate the acrylic acid and esters plant of the Integrated Acrylates Complex. It will be supplied with up to 96,000 tonnes per annum of n-butanol from SAAC, up to 100,000 tonnes per annum of propylene from SEPC, and up to 14,000 tonnes per annum of propylene from S-Chem (Chevron). SAMCO will produce and sell up to 64,000 tonnes per annum of glacial acrylic acid to SAPCO, and up to 160,000 tonnes per annum of butyl acrylate to SAAC and Rohm & Haas (Dow). Commercial operations are expected to commence in the second quarter of 2013G.

Acrylates are intermediate products, which have a wide variety of applications in downstream and specialty petrochemical products, including in the production of super absorbent polymers, paints, coatings, textiles, plastic additives, adhesives etc.

SAPCO

SAPCO is expected to be established as a limited liability company, as a 75:25 joint venture between SAAC and Evonik respectively. On this basis, by virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara would own an indirect equity stake of 32.37% in SAPCO.

SAPCO will be established to own, manage and operate the super absorbent polymer plant of the Integrated Acrylates Complex. It will be supplied with up to 64,000 tonnes per annum of glacial acrylic acid from SAMCO and 24,000 tonnes per annum of dry caustic soda from SABIC or Cristal. SAPCO will produce 80,000 tonnes per annum of super absorbent polymer for sale to Evonik and SAAC. Commercial operations are expected to commence in the first quarter of 2014G.

Super absorbent polymers are used in the production of baby diapers, adult incontinence, feminine hygiene and agricultural products.

Butanol

The Butanol joint venture ("Butanol JV") is expected to be owned by SAAC, Saudi Kayan and RTIP each with a 33.3% shareholding. On this basis, by virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara would own an indirect equity stake of 14.38% in the Butanol JV. Until the formation of RTIP, its shareholders Saudi Aramco and Saudi Dow will be directly participating in the Butanol JV.

The Butanol JV will be established to own, manage and operate the Butanol Plant of the Integrated Acrylates Complex. The n-butanol production capacity will be made available in equal proportions to SAAC, Saudi Kayan and RTIP. Each of them will be responsible for procuring and supplying propylene and sales gas feedstock for production of their share of n-butanol and offtake thereof. All iso-butyraldehyde production and one-third of hydrogen capacity will be made available to SAAC, while the remaining hydrogen capacity will be made available to Saudi Kayan and each of SAAC and Saudi Kayan will have to arrange corresponding feedstock supply and product offtake accordingly. Commercial operations are expected to commence in the second quarter of 2014G.

Both n-butanol and iso-butyraldehyde are important intermediates for the construction industry, especially for paints and coatings. N-butanol is also used as a solvent and feedstock for the production of butyl acrylate and acetate.

Key Strengths

Management of Sahara considers the following to be the key factors in helping Sahara build and strengthen its brand equity.

- Sahara's Executive President has 28 years of experience in the Saudi Arabian petrochemicals industry. Similarly, the General Manager for Maintenance and Technical Services has 20 years of experience in the petrochemicals industry while the General Manager for Planning and Development has 26 years of experience in the development and operation of petrochemicals and fertilizer projects.
- Sahara participates in the formation of limited liability companies as joint ventures with experienced domestic and international partners who operate within the petrochemicals industry using some of the latest technologies to produce and market various petrochemical products efficiently and cost effectively. These joint venture partners are committed to bringing and applying their strategies and strengths to the relevant project company.
- AL WAHA and SEPC have entered into long-term supply contract agreements with Saudi Aramco for the supply of propane feedstock to Al-Waha and ethane feedstock to SEPC at a price that is significantly lower than international prices. In addition, SAMAPCO has received gas allocation letters from Saudi Aramco for the proposed supply of propane feedstock to SAMAPCO.
- Many of the Group's joint ventures are highly integrated with certain products being used as feedstock for the production of other products. Therefore, these joint ventures benefit from having complete production lines which will help them sustain their operating levels and financial performance.
- Basell Sales & Marketing Company B.V. will market the majority of AL WAHA's production, up to the full capacity of the AL WAHA Plant. Similar marketing and off-take agreements have been reached with SEPC whereby Basell Moyen Orient Investissements SAS and Tasnee Petrochemicals (or affiliates thereof) will market all of SEPC's production of high and low density polyethylene.

Key Shareholder

The table below presents the list of shareholders who owned more than five percent (5%) of the share capital of Sahara as of 26 September 2011G:

Shareholder	Number of Shares	(%)
Zamil Group Company	23,146,000	7.91%

Source: Sahara

Summary of Performance and Financial Indicators

The financial information included hereunder should be read in conjunction with Section 9 of this Prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operation" and the audited financial statements included under Section 18 of this Prospectus entitled "Audited Financial Statements". The summary information hereunder is based on the audited financial statements for the years ended 31 December 2008G, 2009G and 2010G and the related auditor's reports.

The historical financial information included hereunder is only a summary of past performance and not necessarily an indication of future performance.

Consolidated Income Statements

SAR'000	FY 2008G	FY 2009G	FY 2010G	1H 2010G	1H 2011G
Sales	-	-	-	-	721,330
Cost of sales	-	-	-	-	(560,316)
Gross profit	-	-	-	-	161,014
Selling and distribution expenses	-	-	-	-	(21,527)
General and administration expenses	(40,168)	(39,428)	(10,966)	(4,510)	(8,581)
Profit/(loss) from main operations	(40,168)	39,428	(10,966)	(4,510)	130,906
Murabaha income	65	1,269	2,306	645	-
Right issue cost	-	(38,334)	-	-	-

SAR'000	FY 2008G	FY 2009G	FY 2010G	1H 2010G	1H 2011G
Other income and expenses, net	-	525	(507)	72	162
Financial charges	-	-	-	-	(24,136)
Pre-operating expenses, net	(3,776)	-	-	-	-
Profit/(loss) before share in results or an associate	(43,879)	(75,968)	(9,167)	(3,793)	(106,932)
Share in result of an associate	3,323	153,666	339,526	221,211	250,501
Income/ (loss) before minority interest and Zakat	(40,556)	77,698	330,359	217,418	357,433
Minority interest	944	(35)	-	-	(28,613)
Zakat	(1,534)	(1,200)	(1,200)	(600)	(19,874)
Net income/ (loss) for the year/period	(41,146)	76,463	329,159	216,818	308,946

Consolidated Balance Sheets

SAR'000	2008G	2009G	2010G	IH 2010G	IH 2011G
Current assets	456,358	791,905	733,282	888,826	1,161,298
Non-current assets	4,264,494	5,163,683	5,851,022	5,612,021	6,091,543
Total assets	4,720,852	5,955,588	6,584,304	6,500,847	7,252,841
Current liabilities	829,153	264,742	487,445	361,895	946,037
Non-current liabilities	1,773,443	2,359,603	2,329,941	2,416,747	2,245,101
Total Liabilities	2,602,596	2,624,345	2,817,386	2,778,642	3,191,138
Shareholders' equity & Minority interest	2,118,256	3,331,243	3,766,918	3,722,205	4,061,703
Total liabilities, shareholders' equity and minority interest	4,720,852	5,955,588	6,584,304	6,500,847	7,252,841

Key Indicators

(Figures in %, unless mentioned otherwise)	2010G	2009G	2008G
Return on equity	11.2%	2.60%	-2.32%
Return on assets	4.99%	1.28%	-0.87%
Net profit/ (loss) margin	-	-	-
Current ratio (times)	1.50x	3.07x	0.55x
Total liabilities and minority to total assets	49.80%	50.66%	62.52%
Revenue growth rate	-	-	-

Summary of Risk Factors

In considering an investment in the Offer Shares, Eligible Shareholders should carefully consider all the information contained in this Prospectus, including the risks described below and explained in more detail in section 2 of this Prospectus entitled "Risk Factors".

Risks Relating to the Group's Operations

- Joint Ventures
- Implementation Risks
- Construction Risks
- Operating Risks
- Integration Risks
- Investing in the Joint Venture Projects Under Development
- Technology Licences
- Dependence on Key Suppliers
- Insolvency of Counterparties related to LyondellBasell
- Utilities Supply
- Use of Pipelines
- Risks of Exposure to Toxic or Hazardous Substances
- Risks Related to Transport
- Marketing and Off-take Agreements
- Risks Associated with Export Sale
- Commercial Counterparty Risks
- Limited Revenue Generating Operations as a Holding Company
- Operating History of AL WAHA and SEPC
- Operating Costs and Prices
- Exchange Rate Risks
- Financing Risks
- AL WAHA Financing Risks
- Financing Cost Risks
- Profit Rate Swap Risks
- Sufficiency of Insurance Coverage
- Delays at AL WAHA
- Staff Turnover and Dependence on Key Personnel
- Saudization

Risks Relating to the Market

- Competition
- Product Substitution
- Commodity Prices
- Cyclical Demand for Products
- Regulatory Risks
- Environmental Risks
- Political and Economic Risk

Risks Relating to the Shares

- Fluctuations in Share Price
- Dilution of ownership of Shares upon issue of New Shares
- Dividend Distribution
- Major Shareholder

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1. GLOSSARY AND DEFINITIONS

In this document the following expressions have the following meanings unless the context otherwise requires:

2009G Rights Issue	the rights issue undertaken by the Company in September 2009G by way of an issuance of 105,030,000 New Shares at a price of SAR10 per share comprising a nominal value of SAR10 per share
AA Plant	the acrylic acid and esters plant of the Integrated Acrylates Complex Project owned, managed and operated by SAMCO
AL WAHA	AL WAHA Petrochemical Company, a Saudi limited liability company with commercial registration number 2055007751 issued in Jubail on 9/8/1427H (corresponding to 2/9/2006G)
AL WAHA Plant	the petrochemical plant of AL WAHA, including the PDH Plant and the PP Plant
Board of Directors	the board of directors of the Company
Butanol JV	Butanol company, a company expected to be established by SAAC, Saudi Kayan and RTIP in respect of the Butanol Plant
Butanol Plant	the butanol plant of the Integrated Acrylates Complex Project owned, managed and operated by the Butanol JV
CA Plant	the chlor-alkali plant being established by SAMAPCO
Chemanol	Methanol Chemicals Company
CMA	the Capital Market Authority of the Kingdom of Saudi Arabia
Cracker	the ethane cracker plant of SEPC
DZIT	the Department of Zakat and Income Taxation (Saudi Arabia)
EDC Plant	the ethylene dichloride plant being established by SAMAPCO
Evonik	Evonik Stockhausen GmbH, a limited liability company existing in Germany
Existing Projects	the projects comprising AL WAHA, SEPC SAMAPCO, SAPCO and SAMCO
Group	Sahara and its affiliates, associates and subsidiaries, including the joint venture project companies in respect of the Existing Projects and the New Projects, from time to time
HDPE	high-density polyethylene
Integrated Acrylates Complex	the integrated acrylates petrochemical complex comprising the AA Plant, the SAP Plant, the Butanol Plant and the U&O Facilities
Islamic Facilities Agreement or IFA	the USD276.55 million (SAR1,037.06 million) Islamic facilities agreement entered into between AL WAHA and a consortium of commercial financial institutions dated 14 November 2006G in respect of the AL WAHA Plant
Joint Venture Projects Under Development	SAMAPCO , NPG, U&O Project, SAMCO, SAPCO and Butanol
LDPE	low-density polyethylene
LyondellBasell	LyondellBasell Industries N.V., incorporated under Dutch law, which includes the Basell Group of companies including Basell Holdings B.V., also incorporated under Dutch law, and its subsidiaries and affiliates
Ma'aden	Saudi Arabian Mining Company
Murabaha Facility Agreement	the SAR1,000 million Murabaha Facility Agreement entered into between Sahara and Riyad Bank dated 9 May 2011G
NPG	Neopentyl Glycol Company, a company expected to be established by Sahara, Chemanol, Mitsubishi Gas Chemical Co. Inc. and Sojitz Corporation in respect of the NPG Plant

NPG Plant	the petrochemical plant of NPG
New Projects	the projects comprising NPG, Butanol and the U&O Facilities
PDH Plant	the propane dehydrogenation plant of AL WAHA
PIF	Public Investments Fund
PIF Loan	the USD250.0 million (SAR937.5 million) term loan agreement entered into between AL WAHA and PIF dated 31 October 2007G in respect of the AL WAHA Plant
PP Plant	the polypropylene plant of AL WAHA
Rohm & Haas (Dow)	Rohm and Haas, as from 1 April 2009G a wholly owned subsidiary of The Dow Chemical Company, as the context requires
SAAC	Saudi Acrylic Acid Company, a Saudi limited liability company
SABIC	Saudi Basic Industries Corporation
SAMAPCO	SAHARA and MA`ADEN Petrochemicals Company (SAMAPCO), a Saudi limited liability company registered under commercial registration number 2055013947, issued in Jubail on 14/09/1432 H (corresponding to 14 August 2011G).
SAMAPCO Plant	the petrochemical plant of SAMAPCO, including the CA Plant and the EDC Plant
SAMCO	Saudi Acrylic Monomers Company, a Saudi limited liability company
SAPCO	Super Absorbent Polymers Company, a company expected to be established by SAAC and Evonik in respect of the SAP Plant
SAP Plant	the super absorbent polymer plant of the Integrated Acrylates Complex Project owned, managed and operated by SAPCO
Saudi Arabia or the KSA	The Kingdom of Saudi Arabia
SEC	Saudi Electrical Company
SEPC	Saudi Ethylene and Polyethylene Company, a Saudi limited liability company with commercial registration number 2055007540 issued in Jubail on 22/4/1427H (corresponding to 20/5/2006G)
SEPC Plant	the petrochemical plant of SEPC, including the Cracker and the HDPE and LDPE plants
Shares	fully paid ordinary shares in the Company including, where the context allows, the Existing Shares and the New Shares
SIDF	Saudi Industrial Development Fund
SIDF Loan	the SAR400 million term loan agreement entered into between AL WAHA and SIDF dated 18 June 2007G in respect of the AL WAHA Plant
Tasnee	National Industrialization Company
Tasnee Petrochemicals	National Petrochemical Industrialization Company
TSOC	Tasnee and Sahara Olefins Company, a Saudi joint stock company with commercial registration number 1010818959 issued in Riyadh on 8/4/1427H
UOP	UOP LLC, a limited liability company of Delaware, USA
U&O Facilities	the utilities and offsite facilities of the Integrated Acrylates Complex Project owned, managed and operated by SAAC through the U&O Project

2. RISK FACTORS

In considering an investment in the Offer Shares, Eligible Shareholders should carefully consider all the information contained in this Prospectus, including, in particular, the specific risks described below prior to making any decision on whether or not to make an investment in Sahara. These risks and uncertainties may not be the only ones facing the Group. Additional risks and uncertainties not presently known to the Group or that the Company's management currently deems immaterial may also have a material adverse affect on the Group's business, results of operations and overall financial condition. If any, or a combination, of these risks actually occurs, the Group's business, results of operations and overall financial condition could be materially and adversely affected. If this occurs, the trading price of the shares could decline and Eligible Shareholders could lose all or part of their investment.

2.1. Risks Relating to the Group's Operations

2.1.1. Joint Ventures

Sahara has, to date, only developed and invested in petrochemical projects via joint venture project companies and may continue to do so if it believes that such joint ventures are consistent with its growth strategy or can otherwise present attractive opportunities for entry into new markets or introduction of new products.

Although Sahara jointly controls these joint venture project companies with one or more third parties, and in the case of AL WAHA has the controlling interest, joint ventures necessarily involve special risks and there may be disagreements and deadlocks among the partners.

Pursuant to the contracts and agreements governing the functioning, control and financing of these joint ventures, certain strategic decisions such as those relating to new financing , dividend distributions and approvals of operating plans may only be made either with the agreement of all parties, or require unanimous and/or majority votes at the board and/or shareholders level, thereby possibly diminishing the Company's ability to control matters, especially in the context of strong minority protection rights.

As with any such joint venture arrangement, differences between Sahara and its partners may result in delayed decisions or in failures to agree on major matters, adversely affecting the business and operations of the joint ventures through disruption to operations or by the delay or non-completion of such a joint venture project which, in turn, could have a material adverse affect the Group's business, results of operations and overall financial condition.

Sahara's forecasts and plans for its joint ventures, assume that its joint venture partners will observe their obligations with respect to their commitments to the joint ventures. In the event that any of the Group's current or prospective partners do not honour their undertakings or obligations or exit the joint venture prematurely, it is possible that the affected joint venture would not be able to operate in accordance with its initial strategic business plans or that Sahara would be required to modify such plans and / or increase its level of commitment in order to give effect to such plans.

Sahara or its subsidiaries has entered into agreements which may involve costs or liabilities which are ultimately to be borne by the project company once it is incorporated and the agreements can be novated or replaced. However, Sahara faces the risk that it may not be reimbursed for its costs from such and incorporated company or the anticipated partner in the project company, in which case it may face higher costs or liabilities than it anticipates.

2.1.2. Implementation Risks

Successful implementation and completion of the Group's joint ventures is subject to various factors, many of which are not in its control. These factors include the granting of consents and permits from the relevant government departments, the availability, terms, conditions and timing of the delivery of plant, equipment and other materials necessary for the construction and/or operation of the relevant plant, the availability of acceptable arrangements for construction, technology and transportation, the performance of engineering and construction contractors, suppliers and consultants, and the availability of acceptable arrangements for feedstock, marketing and off-take commitments. The lack of availability of plant, equipment and other materials or acceptable contractual terms for construction, technology, transportation, feedstock and off-take or a slower than anticipated performance by any contractor could delay or prevent the successful completion of the Group's joint ventures. There can therefore be no guarantee as to when the Group's joint ventures will be completed, whether the resulting operations will achieve the anticipated production volumes or whether the costs of developing these projects will be in line with those anticipated. Any failure to implement and complete the Group's joint ventures could have a material adverse effect on the Group's business, results of operations and overall financial condition.

2.1.3. Construction Risks

Each of the Group's joint ventures depend on skilled engineering, procurement and construction contractors and project management contractors for the timely construction of its respective manufacturing facility. The process of construction may be delayed or disrupted by a number of factors, such as natural disasters, industrial accidents, defective building methods or materials, failure in the performance and reliability of critical equipment and machinery, including long lead items such as plant catalysts, and having to comply with, or respond to changes to, regulatory requirements. Any of these factors, alone or in combination, could delay or disrupt the engineering, procurement and construction process or the start-up and commissioning of the manufacturing facility, and in each case may cause significant cost overruns or delayed or incomplete start-up of projects.

A joint venture project company may not be able to recover cost overruns under its insurance policies or from the responsible contractor or sub-contractor or may incur increased costs, any of which could have a material adverse effect on the Group's business, results of operations and overall financial condition.

2.1.4. Operating Risks

The Group's manufacturing facilities are subject to hazards and risks associated with the manufacturing, handling, storage and transportation of chemical materials and products, which are, to a large extent, outside its control, including exposure to chemical, toxic, inflammable, volatile or hazardous substances, pipeline leaks and ruptures, explosions, fires, unscheduled downtime, natural disasters, failure in the performance and reliability of critical equipment and machinery, including long lead items such as plant catalysts, as well as power, water supply, information systems and other equipment failures. All the Group's manufacturing facilities are located in the industrial area of the city of Jubail. The concentration of such facilities at a single site makes production output vulnerable to such hazards and risks. While the Group's joint ventures have put in place sophisticated safety and protective measures to minimize the effects of such hazards and risks, there can be no assurance that any disruptions that may occur will not have a material adverse affect on the Group's business, results of operations and overall financial condition.

2.1.5. Integration Risks

Many of the Group's joint ventures are highly integrated with certain products being used as feedstock for the production of other products. Any failure to produce all or part of any product may therefore adversely affect the production of other petrochemical products within the same production chain. Production problems of this type may cause curtailment or cessation of operations at downstream facilities particularly if such product or substitute cannot be readily acquired from third party sources. In addition, most of the integrated production processes, and in particular, the Integrated Acrylates Complex, also rely on shared utilities or infrastructure, for example, the U&O facilities, such that any disruption or other interference in the maintenance or provision of such services or infrastructure may adversely affect production rates and sales at multiple manufacturing facilities.

2.1.6. Investing in the Joint Venture Projects Under Development

Sahara is in the process of investing in the Joint Venture Projects Under Development. Sahara's ability to manage these joint ventures will be subject to, amongst others, the implementation risks set out in paragraph 2.1.2. Such joint ventures could also entail a number of additional risks including, but not limited to, cost overruns or delayed or incomplete start-up of projects, problems with effective integration of operations, inability to maintain key contractual relationships, increased operating costs, exposure to unanticipated liabilities and difficulties in realising projected output, efficiencies, synergies and costs savings. Consequently, actual costs and expenditures related to any joint venture project could exceed planned costs and expenditures, and any delays in completion of these joint ventures could have a material adverse affect on the Group's business, results of operations and overall financial condition.

2.1.7. Technology Licences

The Group depends upon a range of intellectual property to support its manufacturing business and has obtained licences for certain technologies which are essential in the products produced by the various joint ventures. Any termination of, or inability to maintain, a technology licence, or any disputes related to its use, could require the relevant manufacturing facility to cease using the relevant technology and therefore have a material adverse effect on such relevant manufacturing facility's ability to produce the relevant products.

Whilst Sahara believes that the technology its joint ventures use is advanced, there can be no assurance that more economical production or advanced technology will not be developed, or that the economic conditions in which current technology is applied will not change. Any of these factors, alone or in combination, could have a material adverse affect on the Group's competitiveness.

2.1.8. Dependence on Key Suppliers

Each of the Group's joint ventures depends on receiving sufficient quantities of high quality feedstock or other raw materials in a timely manner and at acceptable prices. Procurement of such feedstock and raw materials involves risks typically connected with commercial arrangements which can include political and economic instability, regulatory uncertainties and problems due to local production and/or delivery conditions.

In particular, the AL WAHA and SEPC manufacturing facilities obtain all of their feedstock, namely ethane and propane, from Saudi Aramco at prices which are controlled by the Saudi Arabian government (and which are generally below those available outside Saudi Arabia). Specifically, the price of propane is determined by a formula which is, in part, determined by a propane product factor which is set for each year up to the end of 2011G. There can be no assurance that this propane product factor will not increase after 2011G (which, if increased, may adversely affect the Company's profitability). In addition, the supply contract provides that Saudi Aramco may be released from its delivery obligations if certain "force majeure" events occur. Moreover, Saudi Aramco may suspend deliveries if Ministry of Petroleum conditions are not and AL WAHA's delayed completion may have resulted in AL WAHA not strictly complying with Ministry of Petroleum conditions. While neither the Ministry of Petroleum nor Saudi Aramco have raised any concerns with the delay or notified AL WAHA of any intention to suspend deliveries, it remains a potential risk that Saudi Aramco could suspect deliveries which would be critical for AL WAHA's business.

In addition, SAMAPCO has received gas allocation letters from Saudi Aramco regarding the proposed supply by Saudi Aramco of propane to the SAMAPCO manufacturing facility. These arrangements are conditional on certain project milestones being satisfied by specified time periods. Any failure to satisfy, or delay in satisfying, any such conditions on the part of SAMAPCO could result in the refusal by Saudi Aramco to enter into such formal supply agreements which, in turn, could result in amendments to, or termination or non-renewal of, the terms on which feedstock is expected to be supplied to SAMAPCO.

The Group's operations may therefore be interrupted or otherwise adversely affected by any material delays, suspension or refusal by Saudi Aramco in supplying feedstock to AL WAHA, SEPC and SAMAPCO, or by any other third party supplier in supplying feedstock or other raw materials to its relevant manufacturing facility, particularly if it is not possible, on short notice, to shift to alternative sources of supply, and any changes in the terms (including price) on which any such feedstock or raw materials is available could have a material adverse affect on the Group's business, results of operations and overall financial condition. More generally, replacing a feedstock or other third party supplier may delay the production of some products until a permanent replacement supplier relationship is established. The loss of a key supplier, the deterioration of a relationship with a supplier or any unilateral modification to the contractual terms under which feedstock or other raw materials is supplied could have a material adverse affect on the Group's business, results of operations and overall financial condition.

In addition, many of the Company's joint ventures are highly integrated with certain products being used as feedstock for the production of other products. Any failure to produce all or part of any product due to the reasons described above may therefore adversely affect the production of other petrochemical products within the same production chain. See also paragraph 2.1.5 ("Integration Risks").

2.1.9. Insolvency of Counterparties related to LyondellBasell

Some of the Group's joint venture partners, as well as certain counterparties to material contracts including sales and marketing agreements and licensing agreements, are related to LyondellBasell, which had its US operations and one of its European holding companies voluntarily file to reorganise under Chapter 11 of the US Bankruptcy Code in order to restructure company debts in 2009G. On 30 April 2010G, LyondellBasell emerged from Chapter 11 protection. While this Chapter 11 filing did not cause any significant disruption to Sahara's projects – only one off-take guarantor, which is currently being liquidated, had to be replaced with another related off-take guarantor – there is no guarantee that other entities related to LyondellBasell which are party to joint venture agreements or other material agreement will not be affected by similar insolvency proceedings in the future.

2.1.10. Utilities Supply

Each of the Group's joint ventures depends on supplies of electricity, cooling sea water and water to meet their production needs. The Saudi Electric Company supplies electricity in Saudi Arabia. At present Marafiq is the only utility company which supplies cooling sea water and water within Jubail Industrial City, where all the Company's manufacturing facilities are located. Any material increase in the prices charged by these two utility companies (which is at the sole discretion of the government of the Kingdom of Saudi Arabia) or material delays or interruptions in the supply of electricity, cooling sea water and water could have a material adverse affect on the Group's business, results of operations and overall financial condition.

2.1.11. Use of Pipelines

Ethylene, propylene and various utilities are supplied to Sahara through a limited number of pipelines. In addition, the Group's joint ventures are also connected to existing pipeline networks in Jubail Industrial City which are used to transport ethylene, propylene and butane-1 and other feedstock around various locations in Jubail Industrial City.

Most of these pipelines are owned by third parties, and the Group relies on the security measures adopted by such third parties for the operation of these pipelines. As such, the possibility of an accident can never be excluded. In addition to the impact on the environment, such an accident may cause a material delay or interruption in the supply of raw materials and utilities to the Group's joint ventures which, in turn, could have a material adverse affect on the

Group's business, results of operations and overall financial condition.

2.1.12. Risks of Exposure to Toxic or Hazardous Substances

Each of the Group's joint ventures use large quantities of chemical, toxic, inflammable, volatile or hazardous substances in manufacturing their products. Although the joint ventures have put in place, and will continue to put in place, various safety and monitoring procedures at each production site and for the handling, processing, transportation and storage of its products, and have provided for suitably related insurance coverage, its employees, customers or service providers may become exposed to such substances and the Group may be subject to future claims in respect of such exposure. Any such claims may have material adverse effect on the Group's business, results of operations and overall financial condition.

2.1.13. Risks Related to Transport

Each of the Group's joint ventures relies on transport services to deliver their relevant products to its customers. Disruption of these transport services could temporarily impair a joint venture's ability to supply its products to its customers and thus could adversely affect the Group's business, results of operations and overall financial condition.

2.1.14. Marketing and Off-take Agreements

The Group's off-take customer base consists principally of large industrial concerns. During periods of economic decline, or weaker economic growth, such off-take customers may be subject to varying degrees of financial difficulties, such as issues accessing credit and the resulting problems with being able to continue their own development or production leading, potentially, to insolvency. The effects of these difficulties may include such off-take customers delaying payments owed to the Group, reducing their purchases over time or otherwise defaulting on their off-take agreement obligations, including in respect of compensation amounts payable to the relevant joint venture company upon the off-taker failing to meet its minimum purchase requirements, the occurrence of any of which could have a material adverse affect on the Group's business, results of operations and overall financial condition, particularly if it is not possible to source alternative off-takers on similar terms and conditions.

2.1.15. Risks Associated with Export Sale

The imposition of new legal or regulatory requirements, anti-dumping or countervailing duties, import quotas, tariffs, sanctions, boycotts and other measures, whether adopted by individual governments or addressed by regional trade blocs, may impact the competitive position of the products manufactured by the Group's joint ventures or preclude the sale of such products into certain countries, which could have a material adverse effect on the Group's business, results of operations and overall financial condition.

2.1.16. Commercial Counterparty Risks

A substantial portion of the Group's commercial arrangements are initiated under non-legally binding documents, containing principle terms and conditions, which may, during the course of subsequent discussions and negotiations, develop into definitive contractual documents creating rights and obligations between, and legally binding on, the parties thereto. As with any commercial arrangement, until a definitive contractual document is entered into, there are inherent risks to be considered and mitigated, and there can be no assurance that the principle terms and conditions set out in any such non-legally binding document will not be re-negotiated, varied or otherwise amended, and therefore that the anticipated obligations and rights will be crystallised, which may result in a contractual relationship that is more prejudicial to the Group than that envisaged. Delays in signing and negotiating such project documents may also be encountered by Sahara due to reasons beyond its control including delays by the counterparties of such project documents. Both amendments to principle terms and conditions and delays in the signing and negotatioting of project documents could have a material adverse affect on the Group's business, results of operations and overall financial condition.

2.1.17. Limited Revenue Generating Operations as a Holding Company

Sahara is a holding company with no business operations, sources of income or assets of its own other than its shareholdings in its joint ventures. Substantially all of the Group's revenues for the year ended 31 December 2010G were derived from the sale of petrochemical products produced by AL WAHA and SEPC. Consequently if there were any circumstances which materially reduced or interrupted or halted operations at AL WAHA and SEPC, then the Group's business, results of operations and overall financial condition could be materially and adversely affected.

The payment of dividends to Sahara by its joint venture companies is subject to restrictions, including, but not limited to, local law and regulatory requirements, the existence of sufficient distributable reserves, applicable contractual restrictions contained in loan agreements (e.g. financial covenants) and joint venture agreements, and to each such joint venture company having sufficient funds that are not needed to fund their operations, other obligations or business plans.

2.1.18. Operating History of AL WAHA and SEPC

Sahara's shares have been trading on Tadawul since 18/06/1425H (corresponding to 05/08/2004G). However, the Company's revenues are currently derived from production at only two manufacturing facilities, AL WAHA and SEPC. The AL WAHA Plant commenced commercial operations on 1 April 2011G, whereas the SEPC Plant commenced commercial operations on 1 June 2009G. Consequently, there is limited historical operating financial information available to help Eligible Shareholders evaluate Sahara's manufacturing business record, via AL WAHA and SEPC, to date or to predict the Company's future performance and prospects. In addition, if there was any event which materially reduced or interrupted or halted operations at AL WAHA and SEPC then the Group's business, results of operations and overall financial condition could be materially and adversely affected.

2.1.19. Operating Costs and Prices

As the Group is unable to directly set the prices it receives for the petrochemical products it produces, its competitiveness and long term profitability depend, to a significant degree, on its ability to reduce costs and maintain low cost, efficient operations. The Group's operating costs include personnel expenses, maintenance and repairs, feedstock, materials, energy and contractors some of which are susceptible to inflationary and supply and demand pressures. Because it is difficult for the Group to pass these costs onto its customers, any increase in operating costs may adversely affect the Group's business, results of operations and overall financial condition.

2.1.20. Exchange Rate Risks

The Group produces and sells products that are typically priced in U.S. dollars, while a substantial portion of the operating costs, including its investment in the Joint Venture Projects Under Development, is incurred in local currencies including the Saudi Arabian Riyal and the Euro. Accordingly the strengthening of any of those currencies or other local currencies in which the Group incurs expenditure has a detrimental effect on the Group's results of operations and overall financial condition. To the extent that the Group does not hedge its exposure to exchange rate fluctuations, or to the extent that such hedging is inaccurate or otherwise ineffective, the Group may face higher than expected exchange rates, which could have a material adverse affect on the Group's business, results of operations and overall financial condition.

2.1.21. Financing Risks

The petrochemical industry is very capital intensive. The operation, implementation and integration of the Group's joint ventures will involve significant capital expenditure. Actual costs and capital expenditure may vary significantly from planned costs and expenditure, mostly due to factors outside the Group's control, and there may be a requirement for greater investment than currently envisaged. Whilst the Company expects the joint ventures to be in a position to finance their future growth, there can be no assurance that, in the longer term, production levels will generate sufficient cash flow, or that the Group will have access to sufficient investments, loans, guarantees or other financing alternatives at all or on commercially satisfactory terms to enable the Group to continue to operate, implement and integrate its joint ventures.

Any disruption in the global credit markets, re-pricing of credit risk and any difficulties in the conditions of the financial market may impact the Group's ability to fund its business in a similar manner, and at a similar cost, to the funding raised in the past. If debt availability is limited, the Group may not be able to refinance, if necessary, its outstanding debt on acceptable terms, or at all, which could have a material adverse affect on the Group's business, results of operations and overall financial condition. Note also that certain finance agreements contain market disruption clauses. For example, AL WAHA had to pay an additional 1.4% which translated into USD600,000 (SAR2,250,000) in the first quarter of 2010G when certain banks invoked the market disruption clause under the Islamic Financing Agreement.

Sahara has arranged for a number of commercial banks to issue letters of guarantee in favour of third parties. If any payment is made under these letters of guarantee, Sahara will be required to reimburse the issuing bank for an equivalent amount and Sahara's financial position would be affected.

2.1.22. AL WAHA Financing Risks

AL WAHA currently has a substantial amount of outstanding secured indebtedness, consisting of an Islamic Facilities Agreement and term loan agreements with SIDF and PIF (in general, see section 14.2.9). AL WAHA is currently experienced and is currently experiencing a number of issues under these agreements including the following:

(i) the participants to the Islamic Facilities Agreement have served event of default notices on AL WAHA under the Islamic Facilities Agreement for failing to complete the AL WAHA Plant in accordance with the agreed completion timeframes;

(ii) a "change in circumstances event" under the Islamic Facilities Agreement has occurred as a result of the Chapter 11 filing by LyondellBasell and the proposed dissolution of the Offtake Guarantor, Basell A.F. SCA;

(iii) the failure to complete the AL WAHA Plant by the first quarter of 2009G has triggered an event of default under the SIDF Loan;

(iv) the failure to complete the AL WAHA Plant by 20 July 2010G has triggered an event of default under the PIF Loan; and

(v) the above defaults have also caused separate cross-defaults under each of the Islamic Facilities Agreement, the SIDF Loan and the PIF Loan.

Although the Company believes these issues will be resolved such that AL WAHA will service its debt, there can be no assurance of this, including as a result of events outside its control, nor can there be any assurance that the secured indebtedness will not be accelerated, which could lead to the acceleration of debt under any other debt instruments containing cross-acceleration or cross-default provisions. If the debt owed by AL WAHA were to be accelerated or cross-accelerated, AL WAHA may not be able to refinance or otherwise repay its indebtedness and the Islamic Facilities Agreement participants, the SIDF and the PIF could enforce their rights under their respective financing agreements, including enforcing security against the AL WAHA Plant assets. Any such action would have a material adverse effect on the Group's business, results of operations and overall financial condition.

In addition, if an event of default occurs under the Islamic Facilities Agreement the Participants may exercise step-in rights under the Direct Agreements (see section 14.2.9.10 (Summary of Material Contracts)) which could result in the substitution of AL WAHA in a number of material contracts. Such an event of default could result from a failure by AL WAHA to perform its obligations under the Islamic Facilities Agreement or a failure by AL WAHA to perform its obligations under the PIF Loan or the SIDF Loan which could trigger the cross-default provisions in the Islamic Facilities Agreement. The exercise of such rights by the Participants would have a material adverse effect on the Group's business, results of operations and overall financial condition.

Furthermore, if the debt owed by AL WAHA is accelerated or cross-accelerated, this will trigger an event of default under the Murabaha Facility Agreement, permitting Riyad Bank to require Sahara to immediately pay the total amount outstanding under the Murabaha Facility Agreement (see section 14.1.2). This could have a materially negative adverse effect on the Company's financial condition.

2.1.23. Financing Cost Risks

Financing cost under the Group's debt facilities is calculated by reference to the floating interest rates. Although the Group has hedged such exposure at present, there can be no assurance that this will continue to be the case in the future and an adverse shift in interest rates would have a negative impact on the Group's results of operations and overall financial condition.

2.1.24. Profit Rate Swap Risks

The Group is subject to profit rate risks in the ordinary course of its business resulting from borrowing activities undertaken to manage its liquidity and capital requirements. To hedge against the profit rate risks associated with the Islamic Facilities Agreement, AL WAHA has entered into profit rate swap agreements with a number of commercial banks. Specifically, in the financial year 2006G, AL WAHA entered into profit rate swaps with commercial banks to manage its exposure to volatility in interest rates for a nominal amount ranging from USD16.7 million (SAR62.7 million) to USD503.8 million (SAR1,889.7 million) with no upfront premium. The swap fixed the finance charge rate on IFA lease repayment at 5.105% per annum and payments under the swaps are made on a six-monthly basis, up to 31 December 2016G

AL WAHA incurred a fair value (loss) or gain of (SAR148.5 million), SAR62.8 million and (SAR4.3 million) during the financial years 2008G, 2009G and 2010G on account of fluctuations in LIBOR rates against its profit rate swap contracts with commercial banks to hedge interest rate volatility.

SEPC has also entered into profit rate swap agreements to hedge interest rate volatility. SEPC incurred a fair value losses of SAR87.6 million and SAR14.3 million, and fair value gain SAR124.4 million during the financial years 2008G, 2009G and 2010G respectively, on account of fluctuations in LIBOR rates against its profit rate swap contracts with commercial banks.

There can therefore be no assurance that AL WAHA's hedging strategy will be effective and/or that profit rate fluctuations will not adversely affect the Group's business, financial condition and results of operations.

2.1.25. Sufficiency of Insurance Coverage

To protect the interests of the Group, each of the Group's joint ventures has arranged and procured a comprehensive insurance programme that includes coverage for construction, delay in plant start-up, marine and cargo, and third party liability risks.

Each of the Group's joint ventures has also planned to provide for post-construction completion and operational phase insurance coverage for their own benefit, as well as against third party liabilities. A significant portion of each joint venture's insurance programme is to be re-insured offshore in the international insurance market.

Although each joint venture maintains insurance coverage in this way, its insurance does not cover every potential risk associated with its implementation or operations, premiums may be increased, including as a result of any claim or as a consequence of having to extend cover due to delayed or incomplete start-up of projects, there can be no assurance that deductibles will not be applied, and certain claims may take a significant amount of time to get settled. Already, as a result of delays in AL WAHA's start up, certain insurance policies were extended and there has been an increase in insurance premiums. AL WAHA has submitted certain insurance claims for assessment by an insurance broker. The claims are generally related to construction all risk insurance, marine cargo insurance, delay in start up insurance, business interruption and property damage insurance and range in amounts from USD628 to USD22,387,698 (SAR2,355 to SAR83,953,868).

There can therefore be no assurance that the insurance coverage obtained by a joint venture will be adequate to cover all losses which such joint venture may incur or that the liability imposed on the joint venture will not exceed the insurance coverage or its total assets. The occurrence of a single adverse event, the effects of which are not partially or fully covered by insurance, could therefore have a material adverse effect on the Group's business, results of operations and overall financial condition.

2.1.26. Delays at AL WAHA

The construction of the AL WAHA Plant, and thus its operation, has been delayed. One factor concerned the failure of critical equipment and machinery, resulting in, for example, a full catalyst replacement for the PDH Plant. Other factors included the project being awarded during a period of greater demand for EPC contractors (resulting in availability issues and delays by the EPC contractors), vendors of major critical equipment delivering behind schedule, changes in the scope of the project, and additional work for SEC in laying cables for AL WAHA due to unforeseen new construction. These significant delays have resulted in estimated losses of approximately USD30 million (SAR112.5 million) and have inevitably impacted on the timeframe for achieving the overall project completion date, including delays in respect of the "ready for cold run" and "ready for start up" status for each plant and delays for effecting and satisfying the performance tests in respect of the joint venture.

AL WAHA may not be able to recover such losses under its insurance policies or from the responsible contractor or sub-contractor, any of which could have a material adverse effect on the Group's business, results of operations and overall financial condition.

2.1.27. Staff Turnover and Dependence on Key Personnel

The performance of the joint ventures, and consequently that of Sahara, is dependent upon the abilities and experience of their executive officers, senior management and other key personnel. There can be no certainty that the services of current key personnel will continue to be available to the Group. Moreover, the Group's future prospects will depend, to a large extent, on its ability to continually attract and retain highly skilled and qualified personnel. In Jubail Industrial City, where all the Company's manufacturing facilities are located, it may be difficult for the Group to hire such personnel or to obtain all of the necessary expertise locally or at reasonable rates due to a shortage of appropriate qualified individuals. If the Group is not successful in retaining or attracting highly qualified individuals in key positions this could have a material adverse affect the Group's business, results of operations and overall financial condition.

2.1.28. Saudization

As of 31 August 2011G, the Saudization at Sahara stood at 85.9% with 146 Saudi employees out of a total of 170. Sahara has developed training programs and employment plans to ensure adequate skills and manpower ability as needed.

Saudization levels at AL WAHA and SEPC stood at 67.7% as of 31 August 2011G and 62.2% as of 31 August 2011 respectively. As there are no employees directly employed by any of TSOC, SAAC or SAMCO, the Saudization requirements are not applicable to those entities.

The Council of Ministers issued Resolution No. 50 dated 21/4/1415H (corresponding to 27/9/1994G) providing that all establishments having twenty (20) or more employees must increase the employment of their Saudi staff by five percent (5%) each year. The current minimum percentage of Saudi nationals required to be employed by companies in the Kingdom stands at thirty percent (30%).

Although Sahara, AL WAHA and SEPC meet the requirements of Council of Ministers issued Resolution No. 50 at present, there is no assurance that they may be able to continue do so in the future. Furthermore, the Ministry of Labour may impose more stringent Saudization policies on Saudi Arabian entities in the future to come in line with the Labour Law which was recently passed requiring that the minimum percentage of Saudi nationals required to be employed by companies in the Kingdom to be seventy-five percent (75%). Sanctions for non-compliance with Saudization requirements include the suspension of applications for employment visas or transfer of sponsorship for non-Saudi employees, or the exclusion of the company violating Saudization requirements from bidding for government tenders and applying for government loans.

As such, the operations of the Company, AL WAHA and SEPC, their ability to meet their commitments and their financial performance may be adversely affected due to their non-compliance with Saudization requirements.

2.2. Risks Relating to the Market

2.2.1. Competition

The markets in which the Group's joint ventures will sell their products are highly competitive and governed by many factors which include global supply and demand. Whereas competition for commodity grade petrochemical products is principally based on price, competition for more specialised petrochemical products is based on several factors including performance, quality, manufacturing flexibility and delivery time.

Some of the Group's competitors, who operate on similar low cash costs of production, may manufacture similar products more economically and maintain significantly greater operating and financial flexibility than the Group's joint ventures. Some of these competitors may also have a broader range of products that make them less susceptible to cyclical downturns. As a result, such competitors may be better positioned to withstand changes in conditions within the petrochemical industry, prices of certain raw materials, power and energy costs and general economic conditions. Emerging companies attempting to obtain a share of the existing markets may do so by creating price pressure on certain petrochemical products. Significant capacity expansion by existing competitors may also result in competitive pressure on prices.

All such pricing, marketing and other decisions of competitors could adversely affect the Group's margins and profitability. There can therefore be no certainty that the Group will retain or develop a competitive position within the markets in which it sells it products, which could have a material adverse effect on the Group's business, results of operations and overall financial condition.

2.2.2. Product Substitution

Growth in demand for polypropylene and polyethylene over the past decade has been driven in part by their use as a substitute for comparable polymers due to their specifications and competitive pricing. However, in many applications and markets, both products compete with, and can be substituted by, other raw materials and products.

Such product substitution may have a material adverse impact on the financial performance of AL WAHA and SEPC respectively. An equivalent risk may also apply to the products to be manufactured by the Joint Venture Projects Under Development.

2.2.3. Commodity Prices

The Group's revenue and earnings depend upon prevailing prices for the petrochemical products it produces. The expected future performance of the Group's joint ventures is largely based upon certain assumptions, including those relating to the future conditions of the markets and the host country's GDP growth rates in which the Group's joint ventures sell their products.

These markets are global commodity markets driven by global supply and demand and are affected by the volatility and level of global prices of oil and gas which can be subject to wide and, at times, rapid fluctuations. The Group does not, and will not, have control over factors affecting its petrochemical product prices. Actual changes in supply and demand, market uncertainty, speculation by market traders, international economic and political conditions and the availability and costs of substitutes may affect prices, the accuracy of the assumptions and/or the future prospects of the Group's joint ventures, which could have a material adverse effect on the Group's business, results of operations and overall financial condition.

2.2.4. Cyclical Demand for Products

Historically, the petrochemicals industry has been cyclical in nature. One of the main reasons behind petrochemical industry cycles is attributed to worldwide project developers building new production capacities in an uncoordinated manner. Surplus capacity requires several years to subside, after which demand typically catches up and absorbs such surpluses, resulting in a subsequent cycle upswing.

The markets in which the Group's joint ventures will sell their products have experienced alternating periods of tight supply, causing prices and profit margins to increase, followed by periods of oversupply, primarily due to such significant global capacity additions, resulting in declining prices and profit margins.

It is not possible to accurately predict the supply and demand balances, general economic and market conditions and other factors which may affect industry operating rates, sale prices and margins in the future. The Group may therefore experience periodic fluctuations in its future financial results reflecting such industry-wide conditions and their development.

2.2.5. Regulatory Risks

Each of the Group's joint ventures is required, under applicable laws and regulations, to obtain certain regulatory approvals from a number of regulators including MOCI and the Royal Commission of Jubail and Yanbu to build and operate their respective manufacturing facility. Obtaining the relevant regulatory approvals and licences can be a complex and time-consuming process. The duration and success of applications are contingent on many factors that are outside the Group's control. Failure to obtain or renew or update a necessary approval or licence could mean that the Group is unable to proceed with the development or continued operation of a project which, in turn, may have a material adverse effect on the Group's business, results of operations and overall financial condition.

In the event of any changes to regulations or in case of any additional regulations being imposed, the entire market, as well as the Groups' joint ventures, may be adversely affected and may incur significant expenditure which may be required for them to comply with any such regulatory changes.

2.2.6. Environmental Risks

The operations of the Group are subject to a range of environmental laws and regulations including those governing, for example, compliance with waste and waste water treatment and disposal, emissions and discharge requirements, the generation, use, storage, transportation, treatment and disposal of hazardous chemicals and wastes, and employee health and safety matters.

Compliance with such laws and regulations can be costly and the Group's joint ventures incur costs, and will continue to incur costs, to comply with such requirements. Failure to comply may result in civil or criminal penalties, remedial costs, curtailment or cessation of operations and/or orders to take preventative steps against possible future violations.

Possible additional future laws and regulations, changes to existing laws and regulations or more stringent enforcement or restrictive interpretation of current laws and regulations could cause additional expenditure (including capital expenditure) to be incurred or impose restrictions on or suspension of the Groups' operations and delays in the implementation of its joint ventures.

2.2.7. Political and Economic Risk

Sahara was established in Saudi Arabia and most of its assets are located or registered in Saudi Arabia. As a result, the Group's business, financial condition and result of operations may be affected, in general, by political, economic, social, legal, regulatory, and other risks relating to or affecting Saudi Arabia and other countries in the Middle East. In particular, any material decline or increased volatility in oil prices may have a negative impact on Saudi Arabia's overall economy which may affect companies operating in Saudi Arabia, including Sahara.

2.3. Risks Relating to the Shares

2.3.1. Fluctuations in Share Price

As of 6 September 2011G, the closing price of Sahara's Shares on Tadawul was SAR 19.95 million. During the 12 months prior to 6 September 2010G, Sahara's share price fluctuated between SAR15.2 and SAR27.4. Eligible Shareholders who choose to subscribe to the Offering may not be able to sell their Offered Shares at a price equal to, or greater than, the acquisition price for those shares due to several factors including, but not limited to, national and global economic, political and financial conditions, the market's response to the Rights Issue, variations in the Company's operating results, business developments of the Company and/or its competitors, regulatory changes affecting the Company's operations, market trends or any other factor beyond the Company's control. Stock markets in the Middle East, and in particular the Tadawul, have recently experienced significant price and volume fluctuations due to the current political unrest across the region that have, in respect of the Tadawul, affected the market price for the Company's Shares. Furthermore, the operating results or prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in reduced trading liquidity and/or the price of the Shares could be adversely affected and may decline below the Offer Price. Should that occur, relevant Shareholders will suffer an immediate unrealised loss as a result.

2.3.2. Dilution of ownership of Shares upon issue of New Shares

If Eligible Shareholders do not take up the offer of New Shares under the Rights Issue, their proportionate ownership and voting interest in Sahara will be reduced and the percentage that their shares will represent of the total share capital of the Company will be reduced accordingly. Even if an Eligible Shareholder elects not to subscribe to the Offering, whether in full or in part, he may not receive any consideration for his Rights or any consideration he does receive may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue (see also paragraph 16.2 of Part 16 (Subscription Terms and Conditions)).

2.3.3. Dividend Distribution

Dividend payments are not guaranteed as described in more detail in Section 10 (Dividend Record and Policy). As a holding company, Sahara's ability to pay dividends in the future is affected by a number of factors including, but not limited to, local law and regulatory requirements and its ability to receive sufficient dividends from its subsidiaries and joint ventures. The payment of dividends to Sahara by its subsidiaries and joint ventures is, in turn, subject to restrictions, including, but not limited to, local law and regulatory requirements, the existence of sufficient distributable reserves, applicable contractual restrictions contained in loan agreements (e.g. financial covenants) and joint venture agreements, and to each such subsidiary and joint venture company having sufficient funds that are not needed to fund their operations, other obligations or business plans.

There can therefore be no assurance that any future dividends will be declared or paid by Sahara, nor can there be any assurance as to the amount to be declared or paid (if any) by Sahara in any given financial year. Furthermore, the dividend policy of Sahara, its subsidiaries and its joint ventures may be subject to amendments from time to time over the coming years.

2.3.4. Major Shareholder

As at 20 July 2011G, Zamil Group Company held 7.91% of Sahara's issued share capital. The value of Sahara's shares may be adversely affected if this major shareholder was to dispose of all, or a substantial portion of, its shareholding in Sahara.

3. PETROCHEMICAL INDUSTRY

The information in this Section 3 (entitled Petrochemical Industry) has been derived from reports prepared by Jacobs Consultancy ("Jacobs"), Chemical Market Resources, Inc. ("CMRI"), Chemical Market Associates, Inc. ("CMAI") and Business Monitor International ("BMI"). Reports by Jacobs, CMRI and CMAI were prepared specifically and exclusively for the Company. The Business Monitor International ("BMI") report, published in June 2011, was not prepared exclusively for the Company and is currently available for purchase. Jacobs, CMRI, CMAI and BMI as well as any of their affiliates, shareholders, directors or their relatives do not hold any shareholding or interest of any kind in Sahara. They have all given, and not withdrawn, their written consent to the use of their market data and research in the Prospectus. The reports used in this section are as follows:

1. *Business Monitor International* (Saudi Arabia: Petrochemicals Report Q3 2011G), April 2011G.
2. *Jacobs Consultancy* (Polyolefins Market Study Update), June 2011G.
3. *Jacobs Consultancy* (N-Butanol Market Study), March 2011G.
4. *Chemical Market Associates, Inc.* (Chlor Alkali & EDC Feasibility Study Update), 15 September 2011G.
5. *Chemical Market Resources, Inc.* (Final Report Acrylic Acid and Derivatives Business Planning & Strategic Development), 19 September 2011G.

Business Monitor International, Inc. was established in 1984, providing information in the field of risks relating to states and industrial research in the capacity of an independent information provider. It also provides analyses on a wide variety of countries and industries for companies, banks, financial services companies, governments, academic circles, and research centres, including more than 400 Fortune 500 global companies. It is headquartered in London with offices in Singapore and New York. Jacobs was established in 1957G and provides consultancy services to chemical, refining and petrochemical clients, amongst others. They provide consultancy to clients in refining and petrochemicals industry through their offices in Calgary, Chicago, Houston and London. CMRI was founded in 1990G and provides business research and strategic planning services to clients in chemical, petrochemical, plastics and allied industries. Their offices are located in Houston while CMAI was established in 1979G and provides consultancy services to clients in petrochemical, plastics, fibres and chlor-alkali industries. Their offices are located in Houston, New York, London, Düsseldorf, Dubai, Singapore and Shanghai. They have also developed a strategic alliance with energy consultants, Purvin and Gertz.

3.1. Petrochemical Industry in Saudi Arabia

Derived from crude oil or natural gas, petrochemicals are used as raw materials to manufacture other basic petrochemicals which are in turn to be used as feedstock to produce detergents, industrial chemicals, fertilizers, pesticides, plastics, paints, medicines, cosmetics and many other products.

3.1.1. Market Overview[1]

The Saudi Arabian petrochemicals business environment is considered by many to be the most attractive in the Middle East region (and possibly the world) as a result of substantial reserves of cheaply extractable feedstock, including the largest oil reserves in the world, in combination with supportive government policy, foreign companies willing to invest an attractive geographic location for exports to Europe and Asia, and a rapidly growing capacity. Saudi Arabia's proven natural gas reserves was an estimated 7,919 billion cubic meters (bcm) in 2009G, ranking the country fourth after Russia, Iran and Qatar. The Saudi Arabian petrochemicals sector accounts for about seven percent (7%) of the global supply for basic and intermediary petrochemical products. From being a net importer, the country has emerged as a leading exporter in the petrochemicals sector, supplying to over 100 countries, due to strong infrastructure, significant cost advantage due to lower average variable and fixed costs including as a result of access to lower-than-market-cost feedstock, and competitive and fixed natural gas prices. These factors have also resulted in substantial investment inflows into the sector and it is estimated that Saudi Arabia may become the second largest ethylene producer in the world behind the United States, by 2010G.

Ethane availability and feedstock pricing are critical for the continued growth of the Saudi petrochemical industry. Saudi Arabia's rapid and continuing expansion of its petrochemicals industry has been based on the accessibility of cheap feedstock. The situation is likely to change with the Ministry of Petroleum and Mineral Resources indicating in January 2011G that it will implement a phased increase in the price of gas sold to domestic industrial users and reduce the discount that is currently applied to the price of propane. The government had previously suggested raising the price of ethane from US$0.75/MBTU to US$1.25/MBTU from 2012G due to economic and policy factors.

Meanwhile, the discount on the price of propane could fall from twenty−eight percent (28%) in 2011G to twenty−five percent (25%) from 2014G, reducing by one percentage point per annum, although prices will still be well below global levels of US$4-5/MBTU. Further phases could see the price of gas reach US$2.00/MBTU from 2014G. However, until the Saudi government publishes a decision with respect to the price of ethane, it is difficult to

1 *Information contained in this paragraph 3.1.1 has been extracted from Business Monitor International (Saudi Arabia: Petrochemicals Report Q3 2011).*

assess the impact of any such change on petrochemical feedstock prices in Saudi Arabia and the resulting overall competitiveness of the Saudi petrochemical industry.

Saudi Arabia's petrochemical industry is growing at a consistent and exponential rate, accounting for about seven percent (7%) of the global supply for basic and intermediary petrochemical products. The country's strong infrastructure, significant cost advantage, which is due to lower average variable and fixed costs and competitive and fixed natural gas prices, make it attractive for investments in crackers of olefins and derivatives. As oil prices increase, and because petroleum feedstock costs remain fixed, Saudi Arabia's cost advantage also increases, leading to increasingly competitive feedstock costs. Accordingly, Saudi Arabia provides feedstock at a price that provides a petrochemical producer with an incentive to invest in Saudi Arabia, while offering better value for the hydrocarbon producer. This advantage in feedstock cost translates itself into the ability to manufacture and deliver polyolefins from a strong competitive cash cost position. The Saudi Arabian General Investment Authority (SAGIA)'s energy strategy promotes diversification into the downstream sector and the development of export-oriented plastic conversion industries, which may result in further opportunities. Investor confidence in the industry is evident from the large investment commitments made by global companies over the last few years through joint ventures and expansions.

Saudi Arabia is leading the world in petrochemicals expansion, allocating significant amounts of gas production for feedstock in established and planned cracker facilities. Saudi Arabia will represent fifty−six percent (56%) of the total increase in cracker capacity in the GCC between 2009G and 2015G. Most fresh investment will be directed into downstream segments with greater specialisation and attention to more value-added niche markets. Saudi Arabia could easily establish world-scale third and fourth derivative units along the production chain, thereby strengthening its competitive advantage and diversifying away from commodity chemicals.

Although the Saudi petrochemicals industry has access to the country's plentiful and cheap ethane resources, its main weakness is the lack of diversification into differentiated products such as functional resins and high-performance films. Instead, the industry is geared to being a supplier to China's industrial base, locking it in with the fortunes of Chinese economy. The main risks in 2011G include the slowdown in Chinese growth, the effects of credit restriction and unemployment on US demand and the gloomy outlook for the European market. At the same time, the start-up of large-scale projects in Saudi Arabia is leading to a saturation of the Asian market, narrowing margins.

3.1.2. Competitive Advantages of Saudi Petrochemical Industry[2]

According to Business Monitor International, more than US$70 billion-worth (SAR262.5 billion) of investment is being channelled into the petrochemical sector.

Factors that characterize the petrochemical industry in Saudi Arabia and are the main drivers behind the above-mentioned growth include:

- Saudi Arabia has the largest oil reserves in the world and the fourth largest proven natural gas reserves in the world, both of which are also comparatively easy to extract. This provides abundant and extremely inexpensive feedstock for its growing petrochemicals industry.
- The Saudi government has undertaken substantial investments in the sector, and is encouraging foreign companies to enter into joint ventures with Saudi Arabian partners for new projects.
- A major increase in refining capacity between now and 2011G will ensure adequate, cost-effective feedstock supplies for new petrochemical projects.
- Saudi Arabia is well placed for export to Europe and Asia, and has a strong relationship with China.
- The country's strong infrastructure and significant cost advantage, which is due to lower average variable and fixed costs and competitive and fixed natural gas prices, make it an attractive destination for investments in crackers of olefins and derivatives.
- The Saudi Arabian General Investment Authority's energy strategy promotes diversification into the downstream sector and the development of export-oriented plastic conversion industries.

2 *Information contained in this paragraph 3.1.2 has been extracted from Business Monitor International (Saudi Arabia: Petrochemicals Report Q3 2011).*

3.2. Products

The Existing Projects produce, and the New Projects are expected to produce, the petrochemical products as described in Exhibit 3.1.

Exhibit 3.1: Products of Sahara

Products	Project
Polypropylene	AL WAHA
High Density Polyethylene	SEPC
Low Density Polyethylene	SEPC
Caustic soda	SAMAPCO
Ethylene dichloride	SAMAPCO
Neopentyl glycol	NPG
Commodity acrylates	SAMCO
Superabsorbent polymers	SAPCO
N-butanol	Butanol

Source: Sahara

3.3. Polypropylene

Polypropylene is a light weight plastic which has a wide range of applications in packaging, consumer products and transportation industry.

In 2010G, global demand for polypropylene stood at around 46.3 million tons, making it the world's second-most demanded thermoplastic after polyethylene. This is due to the following reasons:

- chemical and physical properties of polypropylene allow it to be used as a substitute for many other polymers and materials.
- its attractive pricing structure relative to the polyethylene grades with which it competes. However, high demand of polypropylene in recent times has put pressure on propylene supplies. It is expected that this will lead to structurally higher prices of polypropylene in the future relative to polyethylene.

3.3.1. Applications

Three main applications of polypropylene include its use in injection moulding, fibre and film. In 2010G, they accounted for forty−two percent (42%), twenty−seven percent (27%) and eighteen percent (18%) of the global demand respectively.

- injection moulding applications include the use of polypropylene to produce products that include caps and closures for packaging applications, house wares, luggage and automotive parts;
- fibre applications include the use of polypropylene to produce textile fibers and rafia. Textile fibers are used to manufacture carpet, ropes, cordage and non-woven fabrics while rafia is used to manufacture woven bags and intermediate bulk containers; and
- film applications include the use of polypropylene in food packaging and adhesive tapes.

3.3.2. Global Demand Overview

Polypropylene, the fastest growing commodity resin, has outperformed many other polymers. Annual global demand is estimated to have been nearly 46.3 million tons in 2010G, with an aggregate annual growth rate of 2.9% over the last five years. Historically, polypropylene has witness above average growth rates ranging from 8 to ten percent (10%) per annum due to its versatile properties and relative low cost position compared to other polymers. However, due to the economic downturn the global for polypropylene declined by about 2.8% in 2008G. Notably, there were significant decreases in demand in Western Europe and in North America, but these decreases were generally counterbalanced by the growth in demand from China and modest declines elsewhere in some other parts of Asia. Polypropylene demand in 2009G fell by 6.8% in Western Europe and by 6.9% in North America. On the other hand, demand for polypropylene in China grew by 2.7% in 2008G and by 24% in 2009G.

Exhibit 3.2: Global Polypropylene Demand by Region

(000 tons)	2008G	2009G	2010G
USA/Canada	4,806	4,474	4,530
Latin America	3,810	3,733	3,638
Western Europe	7,304	6,809	7,030
Central and Eastern Europe	2,342	1,943	2,068
Middle East/Africa	5,020	5,282	5,474
Asia/Oceania	20,413	22,680	23,624
Total Demand	43,696	44,921	46,365

Source: Jacobs Consultancy, June 2011G

AL WAHA's intended target markets for polypropylene are the Middle East, Southeast Asia and India. These regions have experienced historical demand growth over the last two decades. Historical demand growth has been dominated by Asia in volume terms, which has seen an average growth in demand of 8.2% per annum from 1995G to 2010G. Central/Eastern Europe and the Middle East/Africa regions have also seen high growth rates of around 12-12.5% annually over the same period. The growth in demand is principally due to population growth, increasing disposable income and living standards, which are driving growth in consumer and other products where polypropylene has a presence.

3.3.3. Global Supply Overview

Global polypropylene production capacity in 2010G stood at 57.3 million tons with over two-thirds of capacity located in Asia and Europe. Since 2000G, almost 22 million tons of new capacity has been added, largely in Asia and the Middle East, to meet increased demand. With an increment of 2.2 million tons of capacity each year in the 2000G to 2010G period, global capacity has grown by an average annual rate of almost five percent (5%). Polypropylene production is gradually shifting from mature markets to regions with low-cost feedstock such as the Middle East, which enjoys close proximity to consumers in Asia, or regions closer to the growth markets.

Exhibit 3.3: Global Polypropylene Capacity by Region

(000 tons)	2008G	2009G	2010G
USA/Canada	8,332	7,338	7,413
Latin America	2,995	3,145	3,145
Western Europe	9,815	9,840	10,070
Central and Eastern Europe	2,237	2,262	2,362
Middle East/Africa	4,725	6,630	8,700
Asia/Oceania	21,097	22,847	25,609
Total Capacity	49,201	52,062	57,299

Source: Jacobs Consultancy, June 2011G

3.4. Polyethylene

Polyethylene is a widely used petrochemical product. Its market can be segmented into two main product groups:

- high density polyethylene; and
- low density and linear low density polyethylene

3.4.1. High Density Polyethylene

High density polyethylene is a dense, strong and relatively stiff thermoplastic which is used in suitcases, automotive fuel tanks, pipes and tubes, insulating sleeves, bottles, lids and toys. It is the third largest commodity thermoplastic after polyvinyl chloride and polypropylene with a global demand of around 31.5 million tons per annum in 2010G.

3.4.1.1. Applications

High density polyethylene is a rigid crystalline polymer which is used in a wide range of moulded and extruded goods. Its applications include its use in the production of:

- supermarket and merchant bags
- small, medium and large containers including car fuel tanks and household gas tanks. High density polyethylene provides the cheapest solution to produce containers that are not transparent.
- optical cables, pressurized pipes for the distribution of natural gas and water as well as un-pressurized pipes for irrigation.
- packaging of agricultural products in woven sacks and in raffia. However polypropylene is now increasingly being used in the production of raffia.
- injection moulding and coating of pipes, wires and cables.

The wide range of applications (as described above) and the lack of any major substitutes (except for the use of polypropylene in injection moulding and in the production of raffia) may be the basis for the growth in its demand.

3.4.1.2. Global Demand Overview

Global demand for high density polyethylene has been reasonably strong in recent years, registering 3.4% year on year growth from 2000G to 2010G. The North American high density polyethylene market has been shrinking since the last few years due to the prevailing recession and has declined by an average rate of 4.7% per annum since 2004G, with demand totalling 6 million tons in 2010G. The Western Europe high density polyethylene market also experienced negative growth during the last five years as demand in the region declined by 2.6% reaching a level of almost 4.3 million tons in 2010G. However, Asia has experienced the strongest growth, led by China, where growth rates of over 4.8% have been experienced during the last five years, with the region consuming almost 12.8 million tons of high density polyethylene in 2010G (of which more than half was consumed in only China).

Exhibit 3.4: Global High Density Polyethylene Demand by Region

(000 tons)	2008G	2009G	2010G
USA/Canada	5,882	6,034	6,031
Latin America	2,716	2,396	2,488
Western Europe	4,627	4,350	4,371
Central and Eastern Europe	1,903	1,629	1,681
Middle East/Africa	3,898	4,024	4,120
Asia/Oceania	10,971	12,326	12,840
Total Demand	29,995	30,758	31,532

Source: Jacobs Consultancy, June 2011G

SEPC's target markets for the high density polyethylene are the Middle East, South East Asia and Europe. Apart, from Western Europe, where demand growth has been affected by the recession, these regions generally experienced considerable growth in demand during the three year period between 2008G and 2010G. In particular, Central and Eastern Europe, Asia (especially China) and the Middle East are regions with above average growth rates.

3.4.1.3. Global Supply Overview

High density polyethylene can be produced either through dedicated production facilities or through flexible production units, where linear low density polyethylene can also be produced along with high density polyethylene. Jacobs estimates that global production capacity of high density polyethylene reached 41.7 million tons per annum in 2010G, comprising of 23.8 million tons per annum of dedicated high density polyethylene capacity and around 17.9 million tons per annum of flexible capacity.

Of the globally high density polyethylene capacity in 2010G, less than a quarter of the capacity was based in North America and approximately fifty–four percent (54%) was based in Asia and the Middle East. Since 2000G, over 15 million tons of new capacity has been added, largely in Middle East and Asia. This amounts to 1.5 million tons per annum capacity addition per year. During this period, capacities have experienced a global annual growth rate of approximately 4% while the Middle East and Central/Eastern Europe regions have added new capacity at a much faster annual rate of 15% and 11% respectively.

3.4.2. Low density polyethylene

3.4.2.1. Applications

Low density polyethylene is widely used because of its low cost, flexibility and resistance to chemicals. It is primarily used to put a moisture resistant protective coating on paperboards and in the production of films. Films, apart from their industrial applications, are also used in food packaging. Thus, applications of low density polyethylene includes its use in such packaging films, trash and grocery bags, agricultural greenhouses, wire and cable insulation, squeeze bottles, toys and house wares.

3.4.2.2. Global Demand Overview

Globally, low density polyethylene remains the slowest growing of all polyolefins due to its on-going substitution by linear low density polyethylene (albeit at a slowing rate in many markets) and the maturity of many low density polyethylene applications. As a result, growth in demand of low density polyethylene in 2010G was only 0.4%. However, it retains its market share based on its ease of processing, clarity and sealability compared to linear low density polyethylene. Accordingly, low density polyethylene has value as a blend stock with linear low density polyethylene. In fact, most low density films are produced with some low density polyethylene in the blend to aid processability and improve optical properties. As a result, although demand growth is small, it remains globally positive.

Exhibit 3.5: Global Demand for Low Density Polyethylene

(000 tons)	2008G	2009G	2010G
North America	2,528	2,653	2,544
Latin America	1,592	1,416	1,407
Western Europe	3,923	3,637	3,590
Central and Eastern Europe	1,436	1,618	1,649
Middle East/Africa	1,998	2,236	2,268
Asia/Oceania	5,362	4,597	4,765
Total Demand	16,839	16,158	16,222

Source: Jacobs Consultancy, June 2011G

3.4.2.3. Global Supply Overview

At present, low density polyethylene capacity is largely concentrated in the industrially developed regions such as Western Europe and United States but new capacities are being developed in the Middle East, Asia and Central & Eastern Europe because of the low cost of feedstock in that region and technological advances that allow integrated industrial complexes to be built at a much larger scale. Within the Middle East, six major new plants totalling 1.6 million tons will be constructed in Saudi Arabia, Qatar, UAE and Iran, which will increase regional capacity by almost eighty percent (80%) of the current level of capacity. In Asia and in Central and Eastern Europe, four new plants in each of these regions totalling over 1 million tons and around 0.5 million tons respectively are planned.

Exhibit 3.6: Global Capacity of Low Density Polyethylene

(000 tons)	2008G	2009G	2010G
North America	4,109	3,917	3,795
Latin America	1,438	1,438	1,438
Western Europe	5,858	5,438	5,903
Central and Eastern Europe	1,822	1,837	1,837
Middle East/Africa	1,826	2,406	2,676
Asia/Oceania	6,409	6,234	6,509
Total Capacity	21,462	21,270	22,158

Source: Jacobs Consultancy, June 2011G

3.5. Caustic Soda

Pure caustic soda is a white solid; available in pellets, flakes, granules and as a 50 percent saturated solution. Caustic soda forms a strong alkaline solution when dissolved in a solvent such as water. Caustic soda is generally transported as a 50 percent aqueous solution and as a result, is quite expensive to transport. While not physically difficult to handle as a liquid, it is corrosive and reacts violently with water, acids and other substances. In colder climates, storage vessels must be insulated and/or heated to prevent solidification.

3.5.1. Applications

Caustic soda is used in many industries, mostly as a strong chemical base in the manufacture of pulp and paper, textiles, drinking water, soaps and detergents and as a drain cleaner.

Exhibit 3.7: Applications of Caustic Soda

(000 Dry Metric Tons)	2007G	2008G	2009G	2010G
Pulp & Paper	8,451	8,489	8,070	9,040
Propylene Oxide	2,998	2,713	2,570	2,612
Alumina	6,437	6,842	6,539	7,182
Epichlorohydrin	825	832	827	971
Organic Chemicals	6,894	6,754	6,213	6,662
Soaps & Detergents	3,563	3,597	3,642	3,794
Textile	4,858	4,823	4,924	5,135
Inorganic Chemicals	8,063	7,784	7,139	7,631
Water Treatment	2,840	2,864	2,870	3,054
Others	14,615	13,991	13,738	15,059
Total	59,544	58,689	56,532	61,140

Source: Chemical Market Associates, Inc., September 2011G

3.5.2. Global Demand Overview

Worldwide caustic soda demand in 2011G is expected to be approximately 64 million metric tonnes, which represents an increase of approximately six percent versus caustic soda demand in 2010G. Caustic demand increased in 2010G to more than 61 million metric tonnes (exceeding the total demand in 2007G of 59.5 million metric tonnes) after experiencing two prior years of lower demand in 2008G and 2009G. Northeast Asia is the largest producing and consuming region, followed by North America and Western Europe which are each less than half the size of Northeast Asia.

Exhibit 3.8: Global Demand for Caustic Soda by Region

(000 Dry Metric Tons)	2007G	2008G	2009G	2010G
North America	12,716	11,974	10,448	11,790
South America	3,588	3,815	3,483	3,650
Western Europe	10,086	9,608	8,500	9,379
Central Europe	985	904	781	875
CIS and Baltic States	1,425	1,392	1,176	1,275
Africa	1,152	1,094	1,214	1,185
Middle East	1,067	1,076	1,130	1,187
Northeast Asia	22,314	22,576	23,247	25,030
Southeast Asia	3,724	3,710	3,800	3,962
Indian Subcontinent	2,478	2,540	2,713	2,807
Total Demand	59,554	58,689	56,532	61,140

Source: Chemical Market Associates, Inc., September 2011G

The intended main target markets for SAMAPCO are Saudi Arabia, Northeast Asia and Southeast Asia.

3.5.3. Global Supply Overview

Caustic soda supply is dominated by Northeast Asia, North America and Western Europe. Global caustic soda capacity is estimated at 72.8 million dry metric tons for 2011G, representing an increase of nearly 3.5 million dry metric tons from 2010G.

Exhibit 3.9: Global Supply for Caustic Soda by Region

(000 Dry Metric Tons)	2007G	2008G	2009G	2010G
North America	14,821	13,741	12,592	13,656
South America	3,810	3,999	3,710	3,857
Western Europe	10,610	10,028	9,163	9,923
Central Europe	1,700	1,621	1,232	1,360
CIS and Baltic States	1,684	1,643	1,461	1,544
Africa	1,223	1,175	1,315	1,287
Middle East	1,976	2,006	2,019	2,082
Northeast Asia	25,233	25,831	26,596	28,355
Southeast Asia	3,896	3,896	4,063	4,226
Indian Subcontinent	2,518	2,590	2,768	2,860
Total Capacity	67,471	66,530	64,919	69,152

Source: Chemical Market Associates, Inc., September 2011G

3.6. Ethylene Dichloride

The chemical compound ethylene dichloride is a colourless liquid with a chloroform-like odour. Ethylene dichloride is used as an intermediate for other organic chemical compounds, and as a solvent. At room temperature, Ethylene dichloride is an easy-to-transport, colourless oily heavy liquid. It is routinely shipped in all modes of transportation from trucks to ocean-going vessels and can be a very practical means of transporting contained energy and chlorine and hydrocarbons.

Ethylene dichloride production is a convenient method to convert chlorine into a form that is more easily transported. Ethylene dichloride represents an inexpensive way to ship both chlorine and ethylene into deep-water markets.

3.6.1. Applications

Ethylene dichloride is a chlorinated hydrocarbon, mainly used to produce vinyl chloride monomer, the main feedstock for polyvinyl chloride ("PVC") production.

3.6.2. Global Demand Overview

Global demand for ethylene dichloride is driven by demand for PVC as virtually all of the ethylene dichloride produced in the world is consumed in the manufacture of PVC. Worldwide ethylene dichloride demand in 2011G is expected to be approximately 49 million metric tons, dominated by regions of high PVC demand, being Northeast Asia, North America and Western Europe.

Exhibit 3.10: Global Demand for Ethylene Dichloride by Region

(000 Dry Metric Tons)	2007G	2008G	2009G	2010G
North America	12,525	11,084	10,907	12,178
South America	1,627	1,618	1,678	1,709
Western Europe	10,564	9,700	8,554	8,887
Central Europe	1,527	1,477	977	1,156
CIS and Baltic States	1,019	905	808	917

(000 Dry Metric Tons)	2007G	2008G	2009G	2010G
Africa	611	607	594	623
Middle East	1,661	1,670	1,610	1,766
Northeast Asia	13,086	12,364	13,416	13,638
Southeast Asia	2,514	2,317	2,547	2,435
Indian Subcontinent	1,110	1,246	1,349	1,608
Total Demand	46,244	42,988	42,440	44,917

Source: Chemical Market Associates, Inc., September 2011G

3.6.3. Global Supply Overview

Ethylene dichloride supply is dominated by Northeast Asia, North America and Western Europe. Global ethylene dichloride capacity is estimated at 49.3 million metric tons for 2011G, representing an increase of slightly less than 2.2 million metric tons from 2010G.

Exhibit 3.11: Global Supply for Ethylene Dichloride

(000 Dry Metric Tons)	2007G	2008G	2009G	2010G
North America	13,278	11,850	11,595	12,828
South America	1,773	1,701	1,890	1,884
Western Europe	10,640	9,907	8,848	9,078
Central Europe	1,528	1,447	977	1,158
CIS and Baltic States	1,038	929	822	926
Africa	619	607	594	623
Middle East	2,227	2,154	2,080	2,365
Northeast Asia	13,388	12,847	13,706	13,957
Southeast Asia	2,733	2,542	2,785	2,706
Indian Subcontinent	1,110	1,246	1,359	1,608
Total Capacity	48,334	45,230	44,656	47,133

Source: Chemical Market Associates, Inc., September 2011G

3.7. Neopentyl Glycol

Neopentyl glycol is a neopentyl polyhydric alcohol that is soluble in water, other alcohols, glycol ethers, ketones and esters but insoluble in aliphatic, aromatic and halogenated hydrocarbons. Neopentyl glycol is available in three different forms: flake, molten and a ninety percent (90%) aqueous slurry. The ninety percent (90%) aqueous slurry product is the most commonly used form of neopentyl glycol. It is easy to store and handle; however, a storage facility must be built to store the slurry. Neopentyl glycol flake does not require specialized storage facilities; its use is common with small customers.

3.7.1. Applications

The main application of neopentyl glycol is powder coating resin and powder coating demand.

- polyester resins: neopentyl glycol is the polyol of choice for manufacturing polyester resins for powder coatings. Partly because of neopentyl glycol's structure, powder coatings exhibit hydrolytic stability and outdoor weatherability that is comparable with that of liquid polyester-based coatings.
- unsaturated polyester resins: neopentyl glycol–based gel coats are applied on boat hulls, bathtubs, showers stalls, camper and pick-up truck tops, motor-home exterior parts, trailer sidewalls, pools, spas, fibreglass concrete forms, industrial cooling towers and communication antennae.
- other: neopentyl glycol is used to produce polymeric plasticizers. PVC formulations account for approximately eighty-five percent (85%) of polymeric plasticizer consumption. They are used in specialty applications where high permanence, resistance to extraction, extremely low migration and high resistance under prolonged

exposure to heat are required. Typical uses include automobile decals, labels and dashboards, and vinyl awnings. Other plasticizers that consume neopentyl glycol include neopentyl glycol dibenzoate.

3.7.2. Global Demand Overview

Asia, Europe and North America are the largest markets for neopentyl polyhydric alcohols, accounting for nearly ninety−one percent (91.4%) of world consumption in 2010G. World consumption of neopentyl polyhydric alcohols grew at an average annual rate of 3.5% during 2005G-2010G, down from 6.0% during 2001G-2005G, the result of weaker demand due to a sluggish global economy, especially between the years 2007G-2008G. Strong Asian (excluding Japan) demand in all applications boosted overall demand during 2005G-2010G. World consumption is forecasted to grow at an average annual rate of 2.9% during 2010G-2013G. Continuing significant demand growth in Asia, Central and Eastern Europe, Central and South America, Africa and the Middle East for surface coatings will balance out moderate growth in the Americas and Western Europe.

European markets for neopentyl glycol are roughly double those of the United States. One factor for the higher use of neopentyl glycol in Europe is the greater use of polyester resins for powder coatings, especially on architectural aluminium. Other areas where powder coating of architectural aluminium used for construction is widespread are the Middle East, Brazil, South Africa, Australia and Southeast Asia. Currently, the United States consumes little powder coating on aluminium extrusions because powder coating is not yet used in large-scale quantities on buildings exposed to extreme weather conditions. World consumption of powder coatings is forecast to increase 3-4% globally in the near future.

Of the three large-volume neopentyl polyhydric alcohols, neopentyl glycol is the fastest-growing product in most regions; world consumption is forecast to grow at an average annual rate of 2.9% during 2010G- 2013G.

Exhibit 3.12: Global Demand for Neopentyl Glycol by Region

(000 Metric Tons)	2008G	2009G	2010G	Average Annual Growth Rate
United States	68	58	67	-0.74%
Canada	1.8	1.2	1.2	-16.67%
Mexico	1.2	1.2	1.2	0.00%
Central and South America	15.5	11.7	22.1	21.29%
Western Europe	143	119.3	107.5	-12.41%
Central and Eastern Europe	5.1	4.3	6.4	12.75%
Middle East	4.8	4	5.6	8.33%
Africa	2.2	1.8	2.5	6.82%
Japan	18.9	16.0	19	0.26%
Other areas of Asia	135.5	112.2	180.1	16.95%
Oceania	4.2	3.5	4.3	1.19%
Total Demand	399.2	333	416.5	3.43%

Source: Mitsubishi Gas Chemical Company, Sahara's joint venture partner in the NPG project, (Business Plan of Neopentyl Glycol Project), February 2011G, as amended in 19 October 2011G.

3.7.3. Global Supply Overview

World production of neopentyl polyhydric alcohols in 2008 was approximately 1,084 thousand metric tons, up from 927 thousand metric tons in 2005G. Between 2005G and 2010G, world capacity for neopentyl polyhydric alcohols grew at an average annual rate of 3.65%, outpacing world consumption, which grew at an average annual rate of 3.5% during the same period. Global capacity for neopentyl polyhydric alcohols increased by approximately 170 thousand metric tons during 2005G-2010G; most capacity growth occurred in Asia, mainly China.

The top five producers of neopentyl polyhydric alcohols account for 51.1% of global capacity. The two largest producers, accounting for thirty–one percent (31%) of global capacity, are Western European–based multinational chemical companies, both of which operate plants in more than one region.

Exhibit 3.13: Global Capacity for Neopentyl Glycol by Region

(000 Metric Tons)	2010G
United States	117
Europe (including Western, Eastern and Central Europe)	185
Middle East	0
Japan	45
Other areas in Asia	150
Total Capacity	497

Source: Mitsubishi Gas Chemical Company, Sahara's joint venture partner in the NPG project, (Business Plan of Neopentyl Glycol Project), February 2011G, as amended in 19 October 2011G.

3.8. Commodity Acrylates (Butyl Acrylates and 2-Ethylhexyl Acrylates)

3.8.1. Applications

The major applications for commodity acrylates include their use in coatings, adhesives, plastic additives and in textiles and fibers.

- coatings: in coatings applications, acrylates are used in the form of emulsion or solution polymers as high quality paint binders because of their excellent durability, toughness, optical clarity, ultra-violet stability and colour retention. These are also used to provide finishing to wood, metal furniture and containers, and can and coil coatings.
- adhesives: this includes their use in tapes, labels, construction formulations and film-to-film laminates.
- plastic additives: this includes their use in the manufacture of vinyl siding and exterior window profiles and improving the processing characteristics of PVC.
- textiles and fibers: this includes their use in the form of emulsion polymers as binders for fibrefill and nonwoven fabrics, textile bonding or laminating and pigment printing applications. Polyester, glass, and rayon nonwoven and fibrefill mats have also been manufactured using acrylic binders to hold the mats together. The major advantages of acrylic esters include durability, soft feel and resistance to discoloration.

Globally, coatings were the largest application of Commodity Acrylates accounting for about 49% of demand in 2010G. The next largest application was in adhesives representing 23% of total demand, followed by textiles and fibres, accounting for about 16% of demand.

Exhibit 3.14: Global Applications for Commodity Acrylates

(KT)	1999G	2004G	2009G	2010G	AAGR (2010G-2015G)
Coatings	1,202	1,438	1,679	1,742	3.5%
Adhesives	533	639	766	802	4.4%
Textiles and Fibers	387	459	549	568	3.5%
Plastic Additives	184	213	246	252	2.7%
Others	146	162	181	185	2.0%
Total	2,452	2,912	3,422	3,549	3.6%

Source: Chemical Market Resources, Inc., September 2011G

3.8.2. Global Demand Overview

Four major types of commodity acrylates are butyl acrylate, ethyl acrylate, 2-ethylhexyl acrylate and methyl acrylate. Butyl acrylates and 2-ethylhexyl acrylates together accounted for around 80.4% of the global acrylates demand in 2010G. The demand for these two acrylates was 2,852 kilo-tons ("KT") in 2010G out of a total of demand of 3,549 KT. For all the regions butyl acrylate was the most commonly used commodity acrylate.

Exhibit 3.15: Global Demand for Commodity Acrylates in 2010G by region

(KT, 2010G)	Butyl Acrylate	2- Ethylhexyl Acrylate	Ethyl Acrylate	Methyl Acrylate	Total
North America	509	117	191	28	845
South America	76	12	17	3	108
Western Europe	462	166	122	6	755
Eastern Europe	19	4	3	1	26
Japan	100	52	22	27	201
China	448	91	81	18	638
Rest of Asia	547	165	121	43	876
Middle East / Africa	64	19	13	2	98
Total	2,225	627	568	129	3,549

Source: Chemical Market Resources, Inc., September 2011G

During 1999G and 2010G, global demand share for commodity acrylates has decreased in developed regions. Global demand share has decreased from twenty-seven percent (27%) in 1999G to twenty-four percent (24%) in 2010G in North America and from twenty-four percent (24%) in 1999G to twenty-one percent (21%) in 2010G in Western Europe. China has seen the largest increase in global demand share from thirteen percent (13%) in 1999G to eighteen percent (18%) in 2010G, followed by the rest of Asia, which has increased global demand share from twenty-two percent (22%) in 1999G to twenty-five percent (25%) in 2010G. Butyl acrylate has remained the largest type of commodity acrylate, encompassing over sixty percent (60%) of the global market. 2-ethylhexyl acrylate is largely dependent on the global plastics market, as its primary application is plastic additives.

Exhibit 3.16: Global Demand for Butyl Acrylates and 2-Ethylhexyl Acrylates by Region

	Butyl Acrylate (KT)				2-Ethylhexyl Acrylate (KT)			
	1999G	2004G	2009G	2010G	1999G	2004G	2009G	2010G
North America	383	445	499	509	88	102	116	117
South America	50	61	73	76	8	10	11	12
Western Europe	355	413	450	462	131	150	164	166
Eastern Europe	11	15	18	19	3	3	4	4
Japan	93	95	99	100	47	48	52	52
China	227	310	422	448	51	67	87	91
Rest of Asia	326	410	517	547	103	127	156	165
Middle East / Africa	40	49	60	64	13	15	18	19
Total	1,486	1,796	2,139	2,225	442	521	609	627

Source: Chemical Market Resources, Inc., September 2011G

3.8.3. Global Supply Overview

During 1999G and 2010G, the global capacity share of North America and Western Europe has decreased. North America's capacity share has decreased from thirty-two percent (32%) in 1999G to twenty-four percent (24%) in 2010G, and Western Europe's capacity share has decreased from twenty-five percent (25%) in 1999G to eighteen percent (18%) in 2010G. The share of global capacity increased in other regions where significant demand was present. The largest increase in global capacity share occurred in the Chinese market, increasing from 8.7% in 1999G to twenty-six percent (26%) in 2010G.

Exhibit 3.17: Global Capacity for Commodity Acrylates by Region

(KT)	1999G	2004G	2009G	2010G
North America	910	960	1,045	1,045
South America	-	45	95	95
Western Europe	710	750	770	820
Eastern Europe	40	66	85	85
Japan	450	450	450	450
China	245	245	1,160	1,160
Rest of Asia	455	640	680	680
Middle East / Africa	-	115	115	115
Total Capacity	2,810	3,271	4,400	4,450

Source: Chemical Market Resources, Inc., September 2011G

3.9. Superabsorbent Polymers

3.9.1. Applications

Major applications of superabsorbent polymers include their use as a liquid absorbent in disposable hygiene products which include baby diapers and feminine hygiene and adult incontinence products. Other applications include their use in liquid absorbent pads in packaged meat and in water-blocking tapes and coatings for electrical and telecommunication cables. In 2010G, about seventy–nine percent (79%) of the capacity of superabsorbent polymers was consumed in the production of baby diapers.

Exhibit 3.18: Global Applications for Superabsorbent Polymers

(KT)	1999G	2004G	2009G	2010G	AAGR (2010G-2015G)
Baby Diapers	715	953	1,141	1,186	3.9%
Adult Incontinence	60	93	160	166	4.5%
Feminine Hygiene	26	46	88	92	4.2%
Agriculture	-	23	24	24	4.1%
Others	51	46	38	39	3.0%
Total	851	1,162	1,450	1,508	4.0%

Source: Chemical Market Resources, Inc., September 2011G

3.9.2. Global Demand Overview

During 1999G and 2010G, global demand share for superabsorbent polymers has remained relatively stable for developed regions and these regions have remained the largest markets for superabsorbent polymers. The rest of Asia (excluding China and Japan) has seen the largest increase in global demand share from nine percent (9%) to thirteen percent (13%) from 1999G to 2010G.

Exhibit 3.19: Global Demand for Superabsorbent Polymers by Region

(KT)	1999G	2004G	2009G	2010G	AAGR (2010G-2015G)
North America	231	315	377	387	2.7%
South and Central America	94	127	160	168	5.0%
Western Europe	235	300	355	364	2.6%
Eastern Europe	30	38	47	49	4.2%

(KT)	1999G	2004G	2009G	2010G	AAGR (2010G-2015G)
Japan	131	149	169	173	2.3%
China	15	26	43	46	6.4%
Rest of Asia	75	125	180	191	7.1%
Middle East / Africa	40	80	120	131	5.9%
Total Demand	851	1,162	1,450	1,508	4.0%

Source: Chemical Market Resources, Inc., September 2011G

3.9.3. Global Supply Overview

During 1999G and 2010G, the global capacity share of North America and Western Europe has decreased. North America's capacity share has decreased from thirty-seven percent (37%) in 1999G to twenty-six percent (26%) in 2010G, and Western Europe's capacity share has decreased from thirty-one percent (31%) in 1999G to twenty-five percent (25%) in 2010G. Global capacity shares have increased in other regions with large demand. The largest increase in global capacity share was seen in China, which increased to eleven percent (11%) in 2010G after beginning production of superabsorbent polymers in 2006G. The rest of Asia's (excluding China's and Japan's) capacity share has increased from nine percent (9%) in 1999G to eleven percent (11%) in 2010G.

Exhibit 3.20: Global Capacity for Superabsorbent Polymers by Region

(KT)	1999G	2004G	2009G	2010G
North America	450	465	510	510
Western Europe	370	520	515	520
Japan	281	367	514	579
China	-	-	225	230
Rest of Asia	104	128	220	250
Total	1,205	1,480	1,984	2,089

Source: Chemical Market Resources, Inc., September 2011G

3.10. N-Butanol

N-butanol is a member of a group of chemical compounds commonly referred to as oxo alcohols. These are chemical intermediates produced by the reaction of olefins with syngas, with the most important compounds in terms of market size being 2-ethyl hexanol and butanols (normal and iso). Most oxo alcohols are co-products of the same production process, though producers have some flexibility to vary the output mix depending on the market situation.

3.10.1. Applications

Butanols are mostly used as solvents and for production of butyl acrylate and acetate. Both these materials are important intermediates for the construction industry, especially for paints and coatings. The world's n-butanol market currently stands at around three million tons per annum. The largest sector of demand is for the manufacture of acrylic esters which are mainly used in coating systems. Other important uses are in solvent derivatives, which are used in coating systems, and as a direct solvent.

3.10.2. Global Demand Overview

The regional distribution of demand for n-butanol is shown in Exhibit 3.23. The market has come to be increasingly dominated by Asia, which accounts for around forty-three percent (43%) of consumption. In 2000G, it accounted for thirty-five percent (35%) of worldwide consumption. With strong growth expected to continue into the foreseeable future, driven by its higher level of growth in GDP and manufacturing activity, Jacobs suggest that the region will account for over half of global demand by 2025. In North America and Western Europe, growth rates are forecast at a little below GDP, or around 2.1% to 2.2% per annum over the long term, and thus will see a declining share of the global market as Asia's position strengthens.

Exhibit 3.21: Global Demand for N-Butanol by Region

(000 Metric Tons)	2000G	2008G	2009G	2010G	AAGR (2000G-2010G)
Asia	797	1,180	1,225	1,280	4.9%
North America	695	814	751	759	0.9%
Western Europe	627	733	625	631	0.1%
Middle	35	139	137	141	14.9%
Central Europe	68	128	115	117	5.6%
South America	67	82	80	82	2.0%
Total Demand	2,289	3,075	2,933	3,010	2.8%

Source: Jacobs Consultancy, March 2011G

3.10.3. Global Supply Overview

The global capacity base for petrochemical-based n-butanol stands at around 3.9 million tons per annum. The global capacity base has grown by more than 1.2 million tons since 2000G, an increase of around forth–four percent (44%), equivalent to 3.7% per annum over the period.

Capacity has been essentially static in North America and Western Europe as a number of small scale expansions have been offset by the closure of other plants. Further rationalisation of European production with the closure of older uneconomic plants in Eastern Europe or replacement with more modern facilities is likely but with only modest increase in overall production capacity.

Exhibit 3.22: Global Capacity for N-Butanol by Region

(000 Metric Tons)	2000G	2008G	2009G	2010G
Asia	507	1,286	1,486	1,504
North America	1,166	1,145	1,145	1,145
Western Europe	781	774	774	774
Middle	25	175	175	175
Central Europe	232	284	274	225
South America	23	53	53	53
Total Capacity	2,734	3,717	3,907	3,906

Source: Jacobs Consultancy, March 2011G

4. BUSINESS DESCRIPTION

4.1. Overview

Sahara was established as a Saudi joint stock company on 19/5/1425H (corresponding to 7/7/2004G). It is registered under commercial registration number 1010199710 and has its head office in Riyadh. It operates as a holding company focusing on the chemical and petrochemical sector in the KSA and participates in various joint venture projects with local and international partners with the following areas of focus:

- Providing sound investment opportunities for the Saudi private sector in the downstream chemical and petrochemical sector.
- Securing state-of-the-art technology and a skilled workforce to produce value-added and export-oriented products.
- Creating challenging opportunities for its staff with an emphasis on Saudization at all levels in the organisation.

Vision Statement

To be amongst the world's leaders in promoting petrochemical and chemical businesses, utilising state of the art technologies and building effective strategic alliances and synergies.

Mission Statement

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

4.2. Share capital

The Company's private sector founders, which included corporations and individuals led by the Zamil Holding Company Group, jointly contributed seventy percent (70%) of Sahara's initial share capital, while three Saudi Arabian public sector entities, namely General Organization for Social Insurance ("GOSI"), General Retirement Organization ("GRO") and Majlis Al-Awqaf Al-Aala ("Al-Awqaf High Commission"), participated with a combined ten percent (10%) of the share capital issued. Specifically, GOSI and GRO owned four percent (4%) each while Al-Auqaf High Commission owned two percent (2%) of Sahara's capital.

The remaining twenty percent (20%) equity was raised through an initial public offering on the Tadawul in May 2004G directed at Saudi Arabian investors. Shares were allocated to each subscriber on a pro-rata basis. The share capital of Sahara immediately following the initial public offering was SAR1,500 million, divided into 30 million ordinary shares with a nominal value of SAR50 each.

In accordance with the Council of Ministers' resolution dated 27 March 2006G and the CMA's directive dated 29 March 2006G, the shares of Sahara were split into five shares for every one share. Accordingly, while the share capital remained SAR1,500 million, this share capital was divided into 150 million shares with a nominal value of SAR10 each.

On 17 July 2007G, Sahara increased its share capital by SAR375 million to SAR1,875 million divided into 187.5 million shares through the issuance of one bonus share for every four shares owned by the then shareholders by capitalisation of retained earnings. As a result, the number of issued shares increased from 150 million to 187.5 million shares with a nominal value of SAR10 each.

On 17 September 2009G, Sahara raised its capital by SAR1,050,300,000 by issuing 105.03 million new shares at a price of SAR10 per share comprising a nominal value of SAR10 per share and no premium. As a result, the number of issued shares increased from 187.5 million shares to 292.53 million shares with a nominal value of SAR10 each.

Sahara confirms that neither the Company's capital nor the capital of any affiliates is under any option that may require the issue, sale or transfer of further shares.

As of 26 September 2011G the share capital and the shareholding structure of the Company was as follows:

Exhibit 4.1: Shareholding pattern of Sahara as at 26 September 2011G

Serial No.	Shareholder name	Capital (SAR'000)	Shareholding (%)
1	Zamil Holding Company Group	231,460	7.91%
2	General Retirement Organization	140,829	4.81%
3	General Organisation for Social Insurance	117,012	4.00%
4	Saeed Omar Qasem Al-Essaei	111,557	3.81%
5	Frimex Company Limited	86,881	2.97%
6	Al-Jazeera Petrochemical Company	78,131	2.67%
7	Sultan Khalid Salem Bin Mahfouz	68,215	2.33%
8	Prince Mohammed Bin Fahad	64,604	2.21%
9	Khalid Abdullah Al-Zamil	63,036	2.15%
10	Saleh Abdulaziz Al Saleh Al Rajhi	62,339	2.13%
11	Ministry of Islamic Affairs, Endowments, Da'wah and Guidance	58,506	2.00%
12	Ali Abdulaziz Al-Dwayan	58,306	1.99%
13	Khalid Ibrahim Abdulaziz Al-Ibrahim	56,068	1.92%
14	Riyadh Cables Group	52,500	1.79%
15	National Industries Company	37,206	1.27%
16	Yamama Cement Company	34,129	1.17%
17	SAMBA Investment fund	32,589	1.11%
18	SAMBA Trade fund (Al-Raed)	31,869	1.09%
19	Shareholders holding more than 1% of shares	1,385,238	47.35%
20	Shareholders holding more than 0.1% and less than 1% of shares (109 shareholders)	803,582	27.48%
21	Shareholders holding less than 0.1% shares (more than 50k shareholders)	736,481	25.18%
Total		2,925,300	100.00%

Source: Sahara

For the purposes of capital increase, Sahara's Board of Directors, on 6 Jumada II 1432H (corresponding to 9 May 2011), noted by way of written resolution that it would recommend to the general assembly to increase the Company's share capital to SAR4,387,950 million by way of a Rights Issue by raising the number of Shares from 292,530 million Shares to 438,795 million Shares.

4.3. Major Shareholder

Only one shareholder, Zamil Group Company, owns more than five percent (5%) of Sahara's share capital.

Exhibit 4.2: Direct and Indirect Shareholding of Major Shareholders of Sahara as at 26 September 2011G

Shareholder	Number of Shares	Number of Direct Shares %	Number of Indirect Shares %	Total Number of Direct and Indirect Shares
Zamil Group Company	23,146,001	7.91%	-	23,146,001

Source: Sahara

Zamil Group Company's shareholding structure is shown below:

Exhibit 4.3a: Ownership Breakdown of Zamil Group Company as at 26 September 2011G

Shareholder's Name	Number of shares	Total Value of shares	Percentage
Zamil Abdullah Hamad Al-Zamil	380,025	3,800,250	7.30%
Khalid Abdullah Hamad Al-Zamil	380,025	3,800,250	7.30%
Hamad Abdullah Hamad Al-Zamil	380,025	3,800,250	7.30%
Abdulaziz Abdullah Hamad Al-Zamil	355,175	3,551,750	6.80%
Abdulrahman Abdullah Hamad Al-Zamil	355,175	3,551,750	6.80%
Suleman Abdullah Hamad Al-Zamil	355,175	3,551,750	6.80%
Ahmed Abdullah Hamad Al-Zamil	355,175	3,551,750	6.80%
Waleed Abdullah Hamad Al-Zamil	372,187	3,721,870	7.10%
Fahad Abdullah Hamad Al-Zamil	372,189	3,721,890	7.10%
Tawfeeq Abdullah Hamad Al-Zamil	372,187	3,721,870	7.10%
Adeeb Abdullah Hamad Al-Zamil	372,187	3,721,870	7.10%
Fatima Abdullah Hamad Al-Zamil	190,000	1,900,000	3.60%
Loloa Abdullah Hamad Al-Zamil	177,575	1,775,750	3.40%
Hasa Abdullah Hamad Al-Zamil	177,575	1,775,750	3.40%
Badreya Abdullah Hamad Al-Zamil	177,575	1,775,750	3.40%
Manahel Abdullah Abdulaziz Al-Hamdan	30,850	308,500	0.60%
Abdullah Fahad Abdullah Al-Hamdan	39,435	394,350	0.80%
Monerah Fahad Abdullah Al-Hamdan	22,290	222,900	0.40%
Loloa Abdulaziz Suleman Al-Saleem	44,403	444,030	0.90%
Abdullah Mohammed Abdullah Al-Zamil	88,792	887,920	1.70%
Nawaf Mohammed Abdullah Al-Zamil	88,792	887,920	1.70%
Amal Mohammed Abdullah Al-Zamil	44,396	443,960	0.90%
Maha Mohammed Abdullah Al-Zamil	44,396	443,960	0.90%
Norah Mohammed Abdullah Al-Zamil	44,396	443,960	0.90%
Total	5,220,000	52,200,000	100%

Source: Sahara

Amongst all the shareholders of Zamil Group Company, only Khalid Abdullah Hamad Al-Zamil, Dr. Abdulrahman Abdullah Hamad Al-Zamil, Fahad Abdullah Hamad Al-Zamil, Abdulaziz Abdullah Hamad Al-Zamil, Adeeb Abdullah Hamad Al-Zamil, Zamil Abdullah Hamad Al-Zamil and Suliman Abdullah Hamad Al-Zamil have direct shareholdings in Sahara as well. However, even after taking into account their direct and indirect shareholding in Sahara, none of them had a total shareholding of more than five percent (5%) as at 26 September 2011G.

Exhibit 4.3b: Shareholdings in Sahara of the shareholders of Zamil Group Company as at 26 September 2011G

Shareholder	Number of Direct Shares	Number of Indirect Shares	Total Number of Shares	Percentage
Khalid Abdullah Hamad Al-Zamil	6,303,617	1,689,658	7,993,275	2.73%
Dr. Abdulrahman Abdullah Hamad Al-Zamil	1,501,000	1,573,928	3,074,928	1.05%
Fahad Abdullah Hamad Al-Zamil	500,000	1,643,366	2,143,366	0.73%
Abdulaziz Abdullah Hamad Al-Zamil	1,101,000	1,573,928	2,674,928	0.91%
Adeeb Abdullah Hamad Al-Zamil	1,287,550	1,643,366	2,930,916	1.00%
Zamil Abdullah Hamad Al-Zamil	975,100	1,689,658	2,664,758	0.91%
Suliman Abdullah Hamad Al-Zamil	813,000	1,573,928	2,386,928	0.81%

Source: Sahara

4.4. Sahara Joint Ventures and Group Structure

Sahara operates as a holding company focusing on the chemical and petrochemical sector in the KSA and participates in various joint venture projects with local and international partners as described below. A group structure chart is also provided at Exhibit 4.4. Further information regarding the projects is provided in section 4.6.

4.4.1. Operational Joint Venture Projects

AL WAHA

AL WAHA was established in September 2006G as a limited liability joint venture company between Sahara and Basell Arabie Investissements S.A.S. with a seventy–five percent (75%) and twenty–five percent (25%) shareholding respectively. The share capital of AL WAHA is SAR1,547.6 million.

AL WAHA was established to construct, own and operate a petrochemical complex that produces 467,600 tons of propylene as primary feedstock for the production of 450,000 tons of polypropylene. The polypropylene will be sold in both regional and international markets. The AL WAHA Plant is located in Jubail Industrial City in the eastern region of Saudi Arabia and commenced commercial operations on 1 April 2011G.

TSOC

TSOC was established in May 2006G as a closed joint stock company in which Sahara owns 32.55%, GOSI owns 7.00% and the remaining 60.45% is owned by Tasnee, Tasnee Petrochemicals and Marketing Company, National Gulf Company for Petrochemical Technology and National Worldwide Industrial Advancement Company. TSOC was incorporated with a share capital of SAR2,400 million, subsequently increased to SAR2,530 million and SAR2,830 million during the financial years 2009G and 2010G respectively.

TSOC was established as a holding company for investments in certain other joint venture projects. Its current holdings comprise a seventy–five percent (75%) equity stake in SEPC and a sixty–five percent (65%) equity stake in SAAC.

SEPC

SEPC was established in May 2006G as a limited liability joint venture company between TSOC and Basell Moyen Orient Investissements SAS with a seventy–five percent (75%) and twenty–five percent (25%) shareholding respectively. By virtue of Sahara's 32.55% equity stake in TSOC, Sahara owns an indirect equity stake of 24.41% in SEPC. The share capital of SEPC is SAR2,737.5 million.

SEPC was formed to develop, finance, construct, commission, own, manage and operate a petrochemicals complex for the production of 284,800 tonnes per annum of propylene and 1,008,000 tonnes per annum of ethylene. Approximately eighty percent (80%) of the 1,008,000 tonnes per annum of ethylene produced will be used as the primary feedstock for the production of approximately 800,000 tonnes per annum of high and low density polyethylene. The SEPC Plant is located in Jubail Industrial City in the eastern region of Saudi Arabia and commenced operations in June 2009G.

4.4.2. Joint Venture Projects Under Development

SAMAPCO

SAMAPCO was recently established in August 2011 as a limited liability company which is a 50:50 joint venture between Sahara and Ma'aden with a share capital of SAR900 million.

SAMAPCO was established to design, construct, commission, own and operate an integrated chlor-alkali plant capable of producing 227,000 tonnes per annum of chlorine and 250,000 tonnes per annum of caustic soda, as well as an ethylene dichloride plant capable of producing 300,000 tonnes per annum of ethylene dichloride, together with the associated utilities and support facilities to be located in Jubail Industrial City in the eastern region of Saudi Arabia. Commercial operations are expected to commence in the first quarter of 2013G.

NPG

NPG is expected to be established as a limited liability joint venture company with a share capital of SAR187.52 between Sahara and Chemanol who will each own a forty-eight percent (48%) and fifteen percent (15%) equity stake respectively with the remaining thirty-seven percent (37%) shareholding being held by Mitsubishi Gas Chemical Co. Inc. and Sojitz Corporation.

NPG will be established to own, manage and operate a neopentyl glycol plant capable of producing 45,000 tonnes per annum of neopentyl glycol. The NPG Plant will be located in Jubail Industrial City in the eastern region of Saudi Arabia. NPG is currently at the feasibility stage and following such evaluations, if successful, commercial operations are expected to commence in the second quarter of 2014G.

SAAC

SAAC was established in April 2009G as a limited liability joint venture company in which Sahara owns twenty-two percent (22%), TSOC owns sixty-five percent (65%) and Tasnee owns the remaining thirteen percent (13%) of the share capital. By virtue of Sahara's 32.55% equity stake in TSOC, Sahara owns an additional indirect equity stake of 21.15% in SAAC giving an aggregate shareholding of 43.16%. The share capital of SAAC is SAR620 million.

SAAC was established as a holding company for investments in certain other joint venture projects including the Integrated Acrylates Complex Project. Its current and (where applicable) proposed holdings comprise a seventy-five percent (75%) equity stake in SAMCO, a seventy-five percent (75%) equity stake in SAPCO and a thirty-three percent (33%) equity stake in Butanol. SAAC will also own and operate utilities and offsite facilities for the Integrated Acrylates Complex Project including product storage and warehouse, truck-loading/transportation and port facilities which will be established through the U&O Project (expected to be completed by the first quarter of 2013G).

SAMCO

SAMCO was established in July 2009G as a limited liability joint venture company between SAAC and Rohm & Haas (Dow) with a seventy-five percent (75%) and twenty-five percent (25%) shareholding respectively. By virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara owns an indirect equity stake of 32.37% in SAMCO. The share capital of SAMCO is SAR733 million.

SAMCO was established to own, manage and operate the acrylic acid and esters plant of the Integrated Acrylates Complex Project. It will be supplied with up to 96,000 tonnes per annum of n-butanol from SAAC, up to 100,000 tonnes per annum of propylene from SEPC, and up to 14,000 tonnes per annum of propylene from S-Chem (Chevron). SAMCO will produce and sell up to 64,000 tonnes per annum of glacial acrylic acid to SAPCO, and up to 160,000 tonnes per annum of butyl acrylate to SAAC and Rohm & Haas (Dow). Commercial operations are expected to commence in the second quarter of 2013G.

SAPCO

SAPCO is expected to be established as a limited liability joint venture company between SAAC and Evonik with a seventy-five percent (75%) and twenty-five percent (25%) shareholding respectively. On this basis, by virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara would own an indirect equity stake of 32.37% in SAPCO.

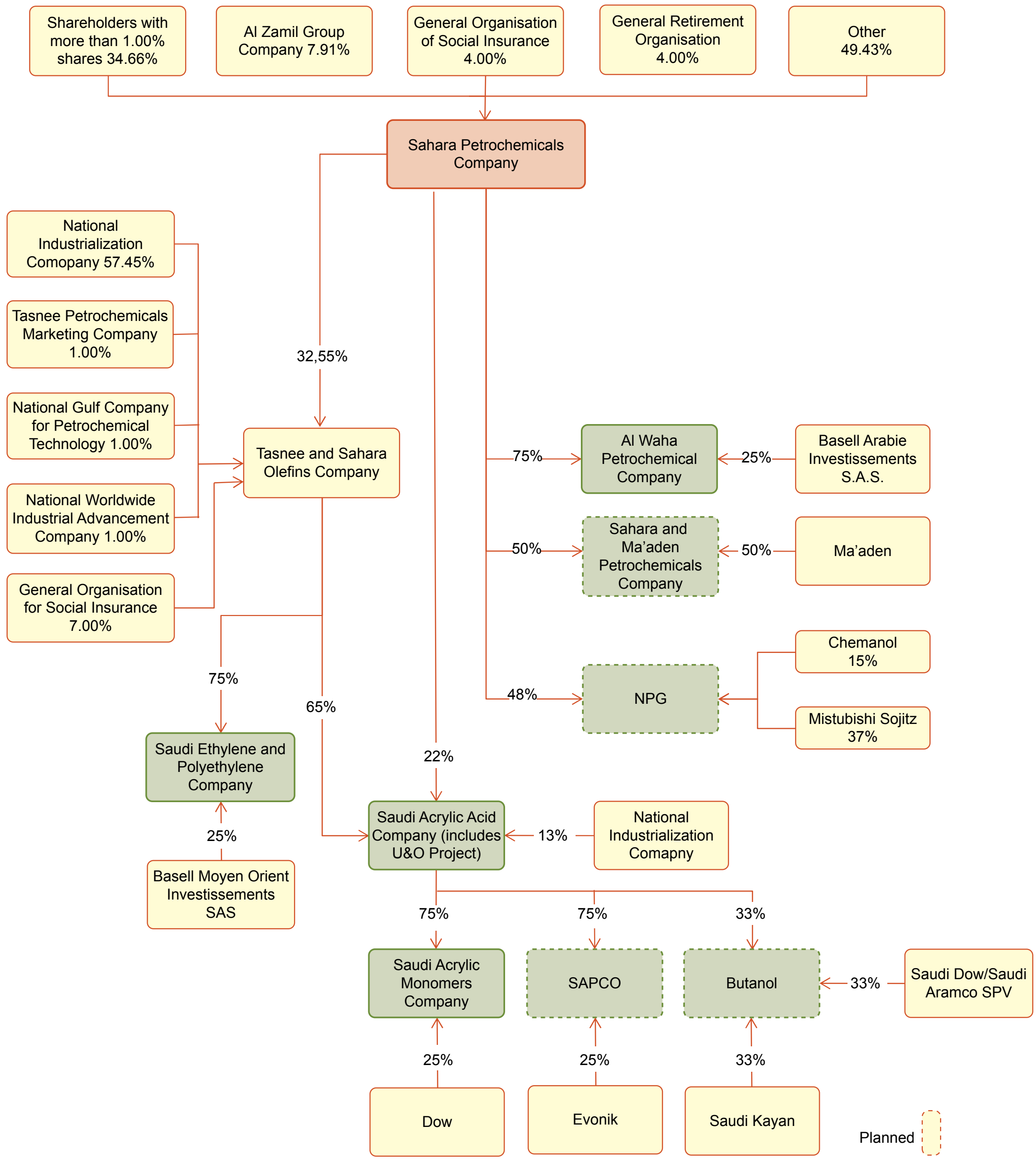
SAPCO will be established to own, manage and operate the super absorbent polymer plant of the Integrated Acrylates Complex Project. It will be supplied with up to 64,000 tonnes per annum of glacial acrylic acid from SAMCO and 24,000 tonnes per annum of dry caustic soda from SABIC or Cristal. SAPCO will produce 80,000 tonnes per annum of super absorbent polymer for sale to Evonik and SAAC. Commercial operations are expected to commence in the first quarter of 2014G.

Butanol

The Butanol JV will be established as a limited liability joint venture company with a share capital of SAR1,048.50 million, to be owned by SAAC, Saudi Kayan and RTIP each with a 33.3% shareholding. On this basis, by virtue of Sahara's aggregate 43.16% equity stake in SAAC, Sahara would own an indirect equity stake of 14.38% in the Butanol JV. Until the formation of RTIP, its shareholders Saudi Aramco and Saudi Dow will be directly participating in the Butanol JV.

The Butanol JV will be established to own, manage and operate the n-Butanol Plant of the Integrated Acrylates Complex Project. The n-Butanol Plant will produce 330,000 tonnes of n-butanol per annum. This capacity will be made available in equal proportions to SAAC, Saudi Kayan and RTIP. Each of them will be responsible for procuring and supplying propylene and sales gas feedstock for production of their share of n-butanol and off-take thereof. All iso-butyraldehyde production and one-third of hydrogen capacity will be made available to SAAC, while the remaining hydrogen capacity will be made available to Saudi Kayan and each of SAAC and Saudi Kayan will have to arrange corresponding feedstock supply and product off-take accordingly. Commercial operations are expected to commence in the second quarter of 2014G.

Exhibit 4.4: Sahara Group Structure as at 31 December 2010G



Source: Sahara

4.5. Organisational Structure

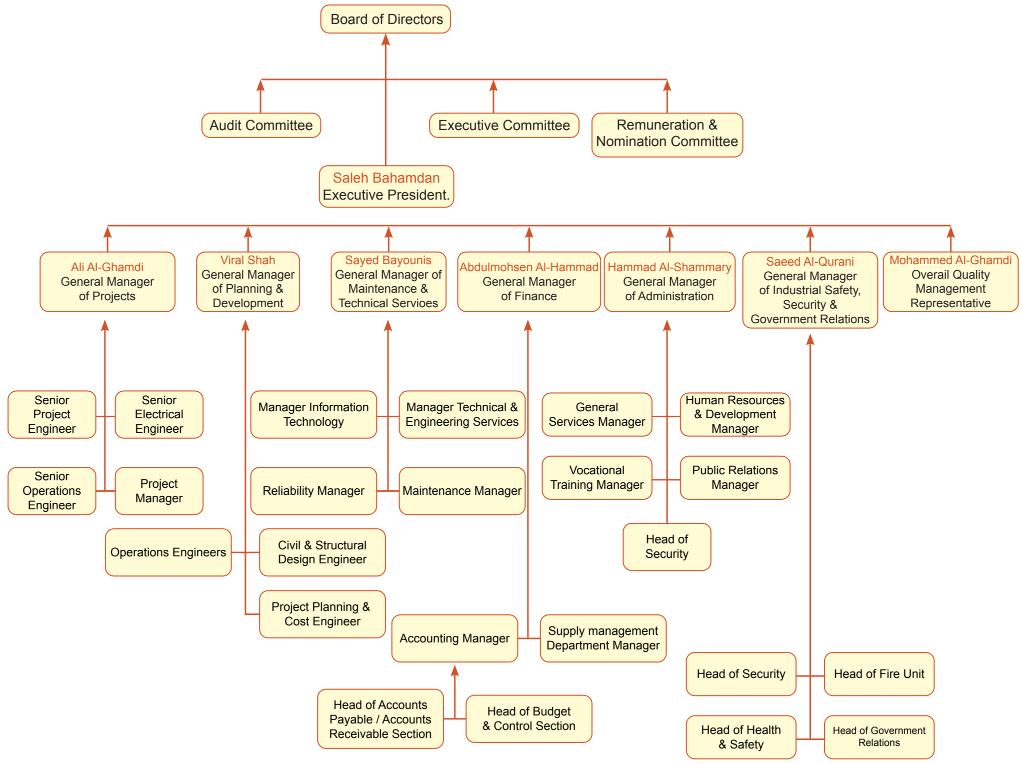
Sahara has developed an organisational structure that consists of the following seven business divisions:

- Planning and Development;
- Maintenance and Technical Services Division[3];
- Finance[4];
- Administration;
- Industrial Safety and Security;
- Projects;
- Overall Quality Management; and
- Information Technology Division[5].

Each business division is lead by a manager who reports to the Executive President as shown in Exhibit 4.5.

3 *This division shall be reorganised and transferred to Al WAHA and SAMAPCO, as described below in paragraph 4.5.9.*
4 *This division shall be reorganised by transferring part of it to Al WAHA and SAMAPCO, as described below in paragraph 4.5.9.*
5 *This division has been established within the process of reorganising certain departments within the organisational structure of Sahara, as described below in paragraph 4.5.9.*

Exhibit 4.5: Sahara Organisational Structure as of 31 August 2011G



4.5.1. Planning and Development

This division is responsible for ensuring continued growth of Sahara by identifying and evaluating business opportunities and new projects in the chemical and petrochemical sector and presenting the same to senior management for their consideration and approval. Following such approval, this division is responsible for building alliances with local and global counterparties as well as formulating, adapting and administering company policies. Furthermore, this division negotiates and finalises various agreements including joint venture, technology licensing, marketing and other related services agreements. The division confers with the Executive President and other company executives to facilitate the execution of business opportunities and new projects. It is also responsible for each project until it is handed over to the Projects team, who then takeover the responsibility of the project up to plant construction and then subsequently hand it over to the respective joint venture management team.

Sahara relies on its technical partners in each of the joint ventures for its technology needs and hence does not have its own R&D division at this juncture.

4.5.2. Maintenance and Technical Services Division

This division is responsible for providing services to Sahara and its affiliates in respect of the planning, directing and controlling of all activities concerning the maintenance of project plants, technical and engineering issues relating to project plant improvement, engineering and execution of capital projects, project plant reliability and inspection support, and information technology requirements.

In June 2011, the Company's management decided to reorganise this department as described in detail below in paragraph 4.5.9 ("Shared Services").

4.5.3. Finance

Reporting directly to the General Manager - Finance, the Finance division is responsible for:

- Financial Affairs: Financing resources, cash management and zakat/tax communications.
- Accounts: Drafting individual and consolidated financial statements, providing information about, and monitoring compliance with, the accounting standards adopted by Sahara as well as administering accounting and financial procedures.
- Revenue: Drawing up revenues and inter-company billing.
- Management Control: Preparing and analysing budgets and reporting monthly/quarterly results to management.
- Arranging required banking facilities and necessary funding.
- Managing corporate activities such as metal lease arrangements etc.

In June 2011, the Company's management decided to reorganise this department as described in detail below in paragraph 4.5.9 (Shared Services).

4.5.4. Administration

This division is responsible for planning, directing and controlling all non-finance and non-technical administrative activities and plays a major role in organising board of directors meetings and official communications. The division provides the following services: Human Resources & Development, General Services Department, Supply Management Department, Training Section and a Public Relations Department where it is responsible for shareholder matters. The division is also responsible for arranging the Company's General Assembly meeting which is held at least once a year, assists in the initiation of legal documents for the establishment of Sahara's joint ventures and coordinates communications with shareholders.

4.5.5. Industrial Safety and Security

This division was formerly part of the Administration division and was spun out as a separate part of the organisational structure in 2009G. This division is responsible for the provision of various service elements including in respect of security systems, safety, fire services, environmental services and government relations. The division reports directly to the Executive President.

4.5.6. Projects

This division is responsible for supervising all aspects of the project related to its execution, which includes monitoring the project budgets, planned schedules, product quality and selection of project management consultants and contractors. Development of organisational structure for any new joint venture project as well as its policies and procedure also form part of this division's scope of work. Furthermore, this division has the responsibility to keep itself abreast of all the technological developments and to ensure that every project is properly handed-over to its management at the time of the start of its operations.

4.5.7. Overall Quality Management

This division is responsible for (i) controlling the integrated management systems ("IMS") to ensure that the document record and control procedure is updated and implemented by Sahara and its affiliates, (ii) planning and coordinating the implementation of internal and external audits, (iii) analysing company performance on its major processes and developing improvement teams to implement corrective actions, (iv) conducting quality, health, safety and security workshops for employees, (v) monitoring and evaluating the performance of outsourced processes (including shared services and services provided by contractors), (vi) participating and assisting in the implementation of Sahara's safety, security, health and environmental programmes and (vii) preparing and distributing periodic reports for management on the status of the IMS and the improvement teams as well as a monthly performance report in respect of shared services.

4.5.8. Information Technology

This division is responsible for providing IT services to Sahara to support its business objectives, including: (a) the provision of high-speed (and reliable) network infrastructure to meet or exceed current and future requirements of the Company, (b) the creation of infrastructure for systems to support the delivery of highly-secured applications, the provision of websites and data storage, and (c) to increase the efficiency and effectiveness of administrative functions, information retrieval through technology systems and improved business processes, and (d) the provision of infrastructure to support customer requirements for information technology and telecommunications for Sahara and its affiliates.

4.5.9. Shared Services

The business divisions which form Sahara's organisational structure also provide operational and administrative services and support to certain Sahara's joint venture projects, namely AL WAHA, SAMAPCO and NPG.

In June 2011, Sahara's management decided to reorganise certain divisions within its organisational structure, in a natural transitional process from project phase to the normal operational phase. This change shall be deemed a positive step in achieving greater efficiency and improvement of an administrative structure in line with the requirements of the petrochemical sector. This process of reorganising Sahara's internal organisational structure started in June 2011 and is expected to be completed by November 2011.

The organisational structures of Sahara and AL WAHA, in Exhibits 4.5 and 4.8 (respectively), show the organisational structure of both companies after the completion of the ongoing internal reorganisation.

The divisions being reorganised within Sahara's organizational structure are: (a) the Maintenance and Technical Services Department, and (b) Department of Finance.

(A) Maintenance and Technical Services Division (Information Technology Division)

This division has been responsible for the provision of planning, direction and control services of all activities related to the maintenance of project's plants, as well as dealing with technical and engineering issues associated with enhancing plant performance, in addition to engineering services, execution of projects and following-up on plant reliance matters, and supporting information technology testing and requirements for Sahara and its subsidiaries.

Maintenance services works, which were part of this division, will be divided and transferred to AL WAHA and SAMAPCO, while technical services works, which were also a part of this division, will be divided into: (a) Engineering works for plants (which have been fully moved to AL WAHA), and (b) Engineering works for the projects (which have been annexed to Sahara projects department). Additionally, information technology works (which were previously considered part of the Maintenance and Technical Services) have been spun out as a separate division within the organisational structure of Sahara.

(B) Finance Division

This division will continue to undertake its normal functions as described in paragraph 4.5.3 above, but it will be divided into three separate sections between Sahara, AL WAHA and SAMAPCO, as shown in Exhibit 4.5(a) below:

Exhibit 4.5.(a): Finance Division following internal reorganisation:

	After Re-Organisation Services			
Functions	Shared Services	Sahara	AL WAHA	SAMAPCO
Director of Financial Affairs	1	0	0	0
Financial Manager	0	1	*1	1
Administrative Assistant	1	1	0	0
Head of Control, Budget and Reports	1	1	0	0
Accountants of Control, Budget and Reports	3	0	2	0
Book of General Accountant	2	1	1	0
Cash Management	2	1	1	0
Asset Management	1	1	0	0
Insurance	1	0	0	1
Head of Dues Payment Section	1	0	1	0
Accounts Payable	2	1	1	0
Accounts Receivable	1	0	1	0
Administrative Officer	1	0	1	0
Treasurer	1	0	1	0
Total	18	7	9	2

4.6. Description of Projects

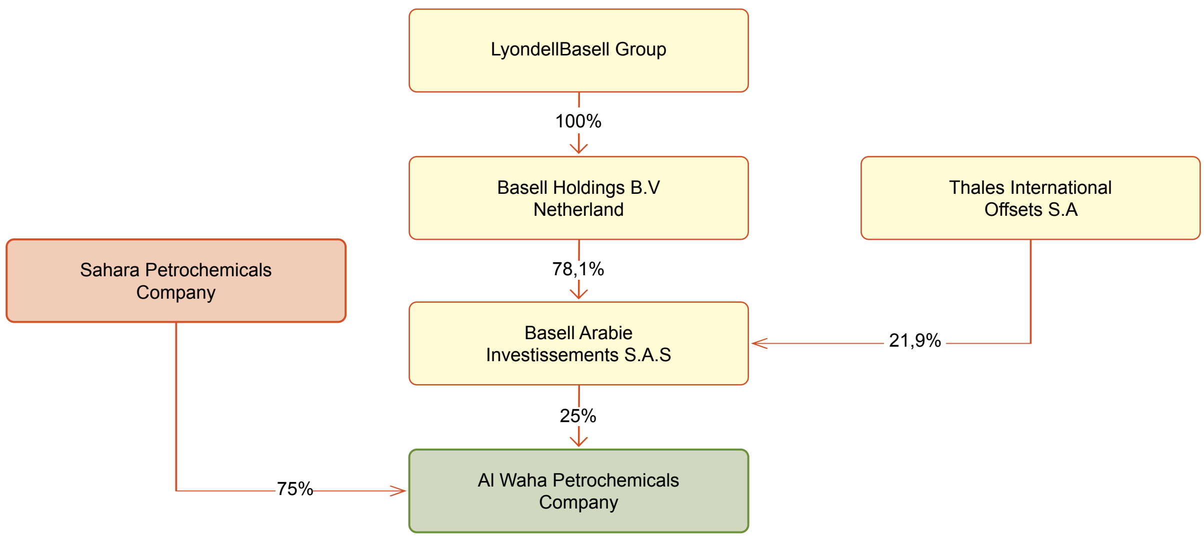
4.6.1. Operational Projects

4.6.1.1. The AL WAHA Project

The Project Sponsors

The AL WAHA joint venture project has been developed by two sponsors, Sahara and Basell Arabie Investissements S.A.S. who own seventy–five percent (75%) and twenty–five percent (25%) respectively of AL WAHA as shown in Exhibit 4.6. AL WAHA is a limited liability joint venture company with a fully paid share capital of SAR1,547.6 million and commercial registration number 2055007751 issued in Jubail on 9/8/1427H (corresponding to 2/9/2006G).

Exhibit 4.6: Shareholding structure of AL WAHA



Source: Sahara

As set out in Exhibit 4.6 the LyondellBasell ownership stake is held by a company in which Thales International Offsets S.A. ("Thales") also has an equity stake. The involvement of Thales is attributed to the fact that a portion of LyondellBasell's affiliate investment in AL WAHA was funded under the Saudi-French Economic Offset program. LyondellBasell's affiliate could not receive a loan under this program but was instead led to award an actual ownership stake in the AL WAHA project to Thales. Once Thales recoups its investment through dividends, LyondellBasell's affiliate Basell Arabie Investissements S.A.S. will become a wholly owned entity of its parent, LyondellBasell.

The Project

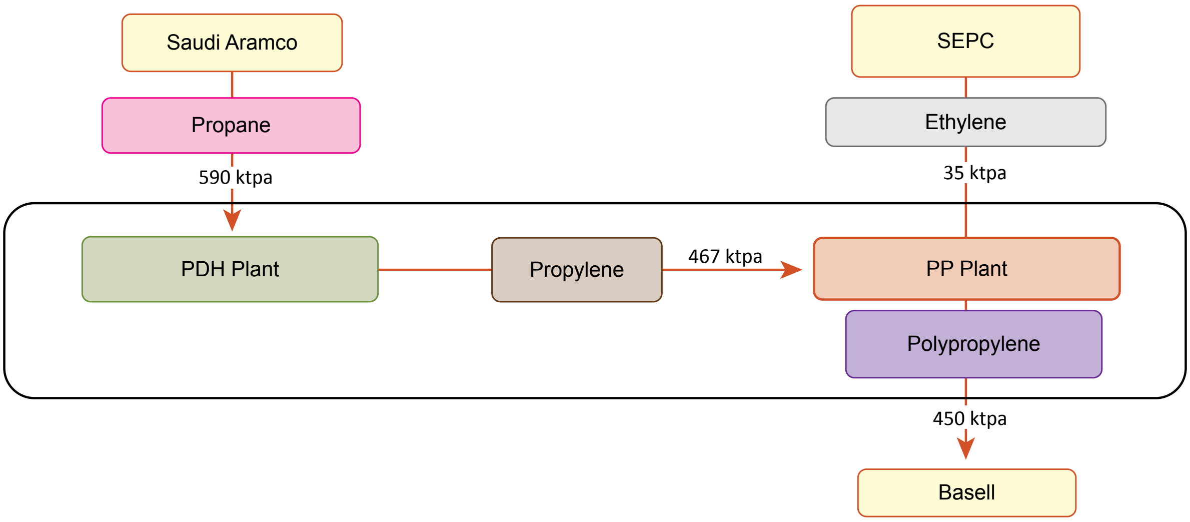
The AL WAHA joint venture project was formed to develop, finance, construct, commission, own, manage and operate two integrated petrochemical plants (as well as the associated utilities and support facilities) located in Jubail Industrial City in the Eastern Province of Saudi Arabia. It commenced commercial operations on 1 April 2011G.

As shown in Exhibit 4.7, the first of the plants is a 467,000 tonnes per annum propane dehydrogenation plant (the "PDH Plant") which converts propane to propylene whereas the second plant is a 450,000 tonnes per annum polypropylene plant (the "PP Plant") which converts the propylene (produced from the PDH Plant) to polypropylene. The PP Plant is designed to produce homopolymers ('homo") and both random ("raco") and impact ("heco") co-polymers. Although the PDH Plant and the PP Plant are designed to operate as an integrated unit, either is capable of operating independently if necessary. The PDH Plant and the PP Plant together produce 2145 metric tonnes of chemical waste per year; 2123 metric tonnes are disposed of using an approved disposal company certified by the Royal Commission and 22 metric tonnes are sold to a company certified by the Royal Commission.

The PDH Plant and the PP Plant have already reached the design and performance criteria. From 1 April to 30 June 2011G, the PDH Plant produced just over 105,000 tonnes of polypropylene and the PP Plant produced just under 92,000 tonnes of propylene.

Polypropylene is a light weight plastic and is used to produce textile fibres, outdoor furniture, crates, house wares and automotives parts and other products. The products are being sold both internationally and within the region.

Exhibit 4.7: Schematic of the AL WAHA Project



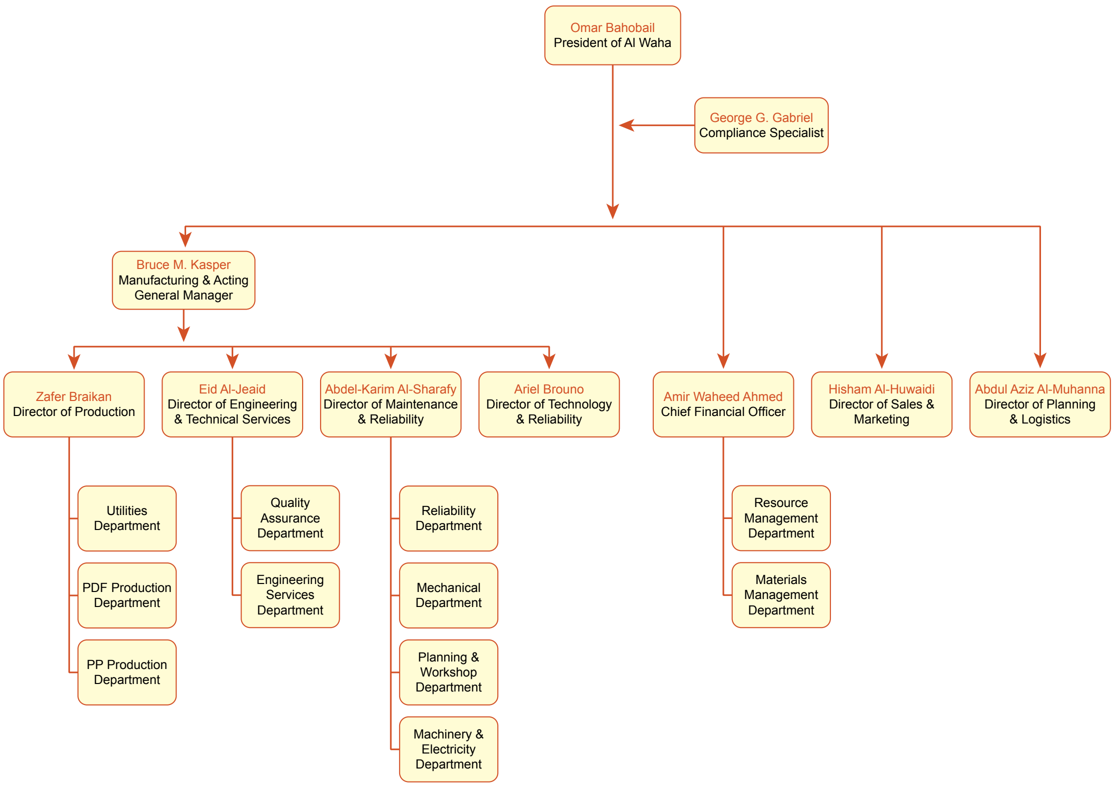
Source: Sahara

AL WAHA Organisational Structure

As set out in Exhibit 4.8, AL WAHA has developed an organisational structure that comprises the following departments:

- Manufacturing;
- Finance;
- Planning & Logistics;
- Sales & Marketing; and
- Compliance & Control.

Exhibit 4.8: AL WAHA Organisational Structure as at 31 August 2011G



Source: Sahara

Project Technology

The PDH Plant, which converts propane to propylene, utilises UOP's Oleflex™ technology. The catalyst used in the Oleflex process is proprietary and supplied only by UOP under a supply arrangement.

The PP Plant, which converts the propylene (produced from the PDH Plant) to polypropylene, utilises Spherizone technology licensed from LyondellBasell. An advantage of using the Spherizone technology is that certain enhanced grades of polypropylene, which are needed for specific applications, cannot be produced using any other technology.

Feedstock Supply

Propane

The PDH Plant is designed to convert approximately 590,000 tonnes per annum of propane gas into 467,000 tonnes per annum of polymer grade propylene. Saudi Aramco currently supplies propane to the PDH Plant under a 20 year contract at a discounted price determined in line with the international price of propane, such pricing mechanism subject to change from 1 January 2012G by Saudi Aramco and the resultant revised discount for the remaining part of the 20 years will be determined accordingly. Management has confirmed that the quantity that Saudi Aramco is to supply each year under the agreement will be sufficient to run the integrated industrial complex at full capacity. Propane has been supplied since the start of the trial production phase in May 2009G. The price for propane in June 2011G was USD 655.59 (SAR2458.46 million) per metric tonne.

Ethylene

For the production of co-polymers, a supply of approximately 35,000 tonnes per annum of ethylene is required by the PP Plant. For this purpose, AL WAHA has entered into a long-term supply agreement with Sahara for the provision of ethylene from SEPC. The initial term of the agreement is from the date of the agreement, 30 September 2007G, until (i) the 31 December falling after the fifteenth anniversary of the cracker operations date; or (ii) the 31 December falling after the fifteenth anniversary of the PDH-PP Plant operations date or (iii) the termination of the main supply agreement entered into between Sahara and Saudi Ethylene and Polyethylene Company ("Supplier") whereby the Supplier agrees to supply and sell to Sahara 29,750 metric tonnes per contract year of ethylene. Sahara provides ethylene to AL WAHA at an approximate five percent (5%) discount below standard market prices. Sahara has correspondingly entered into a back-to-back agreement with SEPC to fulfil its requirements under this agreement with AL WAHA (see section 14.2.5.10).

Offtake

AL WAHA has entered into an Off-take Agreement with Basell Sales and Marketing Company BV ("Basell Sales and Marketing") dated 5 June 2007G under which Basell Sales and Marketing agreed to off-take all products from AL WAHA destined for sale outside the Kingdom. The agreement expires on the later of (i) 12 years from the start-up date or (ii) the date upon which Basell Sales and Marketing or one of its affiliates ceases to hold shares in AL WAHA. Following the tenth anniversary both parties (in addition to Sahara) shall discuss implementation of partial offtake of product by AL WAHA so that over the next four years, after the 12th anniversary of the start up date, half of the plant capacity is taken up by AL WAHA.

Project Costs

The total cost of the AL WAHA Project is estimated to be SAR4,409 million. The project cost estimate is shown in Exhibit 4.9. To date, Sahara has contributed SAR1,160.70 million while its joint venture partner LyondellBasell has contributed SAR386.90 million. AL WAHA has obtained Shariah-compliant external financing commitments of SAR1,037 million from a consortium of commercial financial institutions under the Islamic Facilities Agreement, a term financing commitment from SIDF in the amount of SAR400 million as well as a term financing commitment of USD250 million (SAR938 million) from PIF. Sahara and Basell Arabie Investissements S.A.S. have each extended a subordinated loan amounting to SAR295 million and SAR98.4 million respectively, pursuant to their USD75 million (SAR281 million) investment commitment under the Mudaraba Agreement and the USD30.0 million (SAR112.5 million) standby equity envisaged by the Islamic Facilities Agreement. AL WAHA has obtained all of the aforementioned financing commitments and has withdrawn and utilized it entirely in financing the project. Sahara is also providing working capital support amounting to SAR93 million in relation to the provision of shared services to AL WAHA.

Exhibit 4.9: AL WAHA Project Costs

Total Projected Costs (SAR million)	%	Cost
EPC	68.05%	3,000.62
Licence fees	3.69%	163.13
Development costs	3.71%	163.55
Pre-operating costs	10.1%	444.97
Finance costs during construction	8.53%	375.87
Initial working capital	5.92%	260.86
Total	100.00%	4,409*
Sources of Funding (SAR million)		
Equity	35.1%	1,547.60
Sahara	26.33%	1,160.70
Basell Arabie Investissements S.A.S.	8.78%	386.90
Debt	64.9%	2,861.40
Islamic Facilities Agreement	23.52%	1,037
SIDF Loan	9.07%	400
PIF Loan	21.27%	938
Subordinate loan from Sahara	6.69%	295
Subordinated loan from Basell Arabie Investissements S.A.S.	2.23%	98.4
Working capital support from Sahara	2.11%	93
Total	100.00%	4,409

Source: Sahara

** The total AL WAHA Project cost estimate is provided as at 30 September 2011G and may be subject to revision, including reduction pursuant to profits earned during the start-up production period and any other recoveries made by AL WAHA.*

Summarized Financial Statements

Summarized financial statements of AL WAHA are presented below:

Exhibit 4.10: Summarised Financial Statements of AL WAHA (SAR million)

	30 June 2011	2010G	2009G	2008G
Balance sheet				
Total assets	4,980.4	4,686.4	4,238.7	3,477.5
Total liabilities	3,418.1	3,235.0	2,779.7	2,081.3
Shareholders' equity	1,562.3	1,451.4	1,459.0	1,396.2
Income statement				
Sales	721.3	-	-	-
Murabaha income	-	-	-	-
Foreign exchange gain	-	-	0.5	-
Costs and expenses	609.5	-	0.4	(3.8)
Net income/ (loss)	111.8	-	0.1	(3.8)
Cash flow statements				
Net cash from/ (used in) operating activities	162.5	(200.1)	(153.1)	(76.1)
Net cash used in investing activities	(101.7)	(34.2)	(543.3)	(1,145.0)
Net cash from financing activities	(62.5)	(344.1)	(696.7)	(1,171.4)

Source: Sahara

Project Status

At the time of the 2009G Rights Issue, the total cost of the AL WAHA Project was expected to reach SAR3,800 million and commercial production for each of the PDH Plant and the PP Plant was expected to commence in the final quarter of 2009G. Although the proceeds from the 2009G Rights Issue were not envisaged to be applied to the AL WAHA project, an amount of SAR387.96 million was utilised comprising of cost overrun and standby equity (SAR295.18 million) and receivables (SAR92.78 million) (see section 7.2 (Use of Proceeds)).

The total cost of the AL WAHA Project is now estimated to be SAR4.409 million, representing an increase of SAR609 million, and commercial operations for each of the PDH Plant and the PP Plant commenced on 1 April 2011G.

The construction and implementation of the AL WAHA Plant has been delayed and disrupted by a number of factors, including failure in the performance and reliability of critical equipment and machinery, which, for example, required a full catalyst replacement for the PDH unit. Additionally, the project was awarded at a time where the EPC market in general was overheated which led to significant delays on the EPC contractors part; the vendors of the major equipment required for the project were also experiencing much greater demand than usual and accordingly certain equipment arrived later than anticipated, in addition to changes in the scope of the project and additional work for SEC in laying cables for AL WAHA due to unforeseen new construction. An estimated SAR281.25 million of Rights Issue proceeds are expected to be utilised for working capital in the AL WAHA Project (see section 7.1 (Use of Proceeds)).

AL WAHA has successfully achieved its performance test during March 2011, upon which it announced commencing of its commercial operations as of 1 April 2011G. It has also issued an "Initial Acceptance Certificate" for both of its plants pertaining to the engineering, procurement and construction contractors during April 2011, while the approval process for the announcement of the "Project Completion Date" is running as required under loan arrangement with the commercial banks.

EPC Contract

There has been an approximately 25-week delay incurred under the construction contracts entered into by AL WAHA with Tecnimont and Daelim. The delay is primarily due to the factors set out in the "Project Status" section above in addition to issues affecting production output as set out below for each of the PDH Plant and PP Plant (See sections "The PDH Plant" and "The PP Plant" below). The delays have resulted in estimated losses of approximately USD30.0 million (SAR112.5 million) and have inevitably impacted on the timeframe for achieving the overall project completion date, including delays in respect of the "ready for cold run" and "ready for start up" stages for each plant and delays for effecting and satisfying the performance tests in respect of the project (see "Performance Tests" below).

AL WAHA is currently in the final stage of project close out with Tecnimont and Daelim as required under the construction contracts and expects that project completion will be close to the revised agreed project cost equivalent to USD1,138.0 million (SAR4,267.5 million). As part of this stage, Al WAHA successfully reached a settlement with the engineering, procurement and construction contractors that led to savings in the total project cost by agreeing to reductions in the price of the construction contracts. AL WAHA's operational phase insurances commenced in July 2010G.

Performance Tests

Pursuant to the construction contracts entered into by AL WAHA with Tecnimont and Daelim, each of the PDH Plant and the PP Plant must satisfy a number of performance tests which include the attainment of various performance guarantees, including, among other things, product quality, output and consumption. The minimum performance levels must be achieved for IA Certification to be granted. The performance bonds of Tecnimont and Daelim were originally due to expire on 8 August 2010G but have been extended by the contractors to 31 May 2011G or until the issue of IA Certification. The final performance release tests for IA Certification for the PP Plant and the PDH Plant were successfully completed on 14 October 2010G and 23 March 2011G respectively and IA Certification was issued on 18 April 2011.

The PDH Plant

The trial run of the PDH Plant commenced on 21 April 2009G. Following the trial run, the PDH Plant was subject to various performance and balance reliability tests. The "ready for cold run" and "ready for start up" status was achieved on 28 February 2009G and 8 May 2009G respectively.

The principal items that contributed towards reduced production output in 2009G included reactor screen blockage due to high delta pressures, REC compressor failures and cooling water pipelines failure due to persistent leakage incidents. These issues are typical in new plants and were addressed during 2009G and early 2010G with modifications to improve and ensure reliable and sustainable operation.

In 2010G, the principal item that reduced production output was the premature ageing of the UOP Oleflex™ catalyst which resulted in increased deposits of coke on the catalyst thereby reducing the efficacy of the plant and yield levels of propylene. On the recommendation of UOP, a full catalyst replacement was successfully installed in August 2010G at no additional cost to AL WAHA. It is envisaged that the catalyst will have to be similarly replaced every two to three years. The total cost for replacement of the catalyst is estimated to be USD18 million (SAR67.5 million). Production output of the PDH Plant in 2010G was also affected by piping stresses leading to flange fires. These issues have been addressed to ensure normalised levels of operation. AL WAHA has initiated a "delay in start up claim" under its construction all risk insurance program. For the period up to 31 December 2010G the highest monthly production rate achieved for the PDH Plant was 29,578 million tonnes of propylene. Total propylene production was 258,180 million tonnes in 2010G (sixty−five percent (65%) of expected production volume).

The PP Plant

The trial run of the PP Plant commenced on 21 April 2009G. Following the trial run, the PP Plant was subject to various performance and balance reliability tests. The "ready for cold run" and "ready for start up" status was achieved on 28 February 2009G and 8 May 2009G respectively.

Several items affected production output in 2009G including extruder gear box failures caused by limitations on bearing design. New enhanced bearings, designed by FAG, were installed in January 2010G and a further replacement of those bearings with a new set specifically designed to avoid fatigue failure were subsequently installed. Production output of the PP Plant in 2009G was also affected by reactor lumps formation, REC compressor failures and cooling water pipelines failure due to persistent leakage incidents. These issues were addressed during 2009G and early 2010G with modification improvements to ensure normalised levels of operation.

In 2010G, there were instances of limited polypropylene production due to limited feedstock supply of propylene, mainly due to the problems faced by the PDH plant set out above, which made it difficult to start the gas phase reactor. In addition, production output has been affected by periodic instability of the HP compressor and several modification improvements have been made by Burckhardt to resolve this. For the period up to 31 December 2010G the highest monthly production rate achieved for the PP Plant was 33,819 million tonnes of polypropylene. Total polypropylene production was 259,173 million tonnes (seventy−two percent (72%) of expected budget). The performance tests for the "homo" polymer grades were successfully concluded in March 2010G.

Integrated AL WAHA Plant performance

Integrated operations of the PDH Plant and the PP Plant have been sustained for more than four months. For the period up to 31 August 2011G, the highest production was achieved in the month of March 2011G with 43.1 million tonnes of polypropylene and 40.7 million tonnes of propylene.

Financing Arrangements for AL WAHA

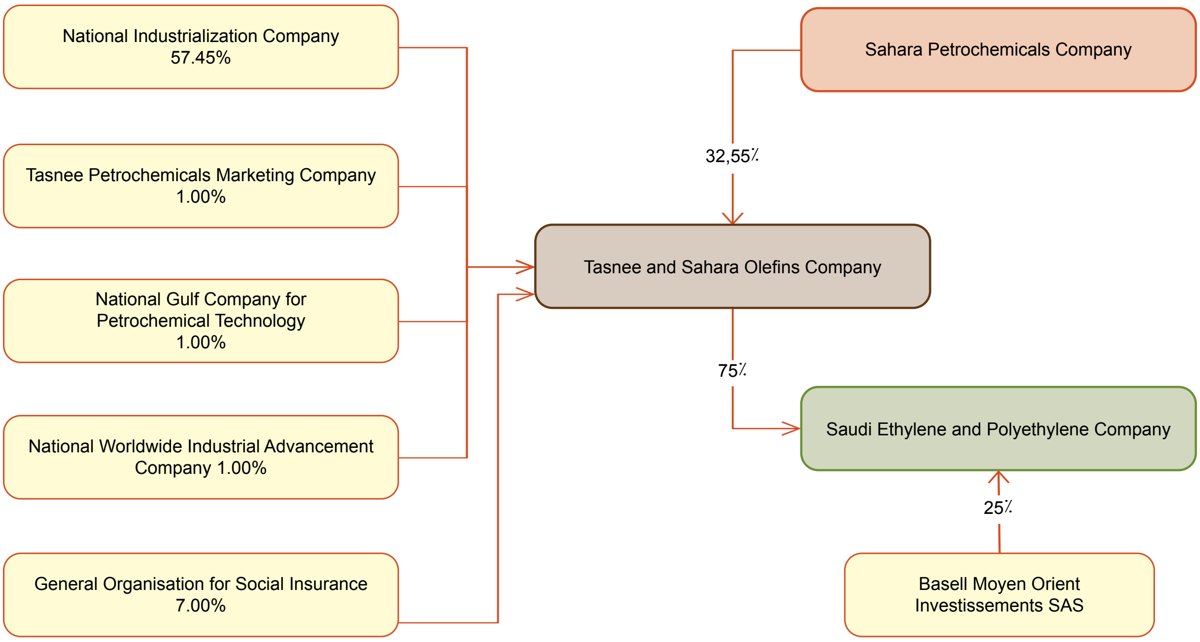
The principal financing arrangements for AL WAHA are set out in section 14 (Summary of Material Contracts) and the associated risks set out in section 2 (Risk Factors).

4.6.1.2. The SEPC Project

The Project Sponsors

The SEPC joint venture project has been developed by several sponsors. As shown in Exhibit 4.11, Sahara, together with Tasnee, Tasnee Petrochemicals Marketing Company, National Gulf Company for Petrochemical Technology, National Worldwide Industrial Advancement Company and GOSI own seventy−five percent (75%) of the equity in SEPC while the remaining twenty−five percent (25%) is owned by Basell Moyen Orient Investissements SAS. SEPC is a limited liability joint venture company with a fully paid share capital of SAR2,737.5 million and commercial registration number 2055007540 issued in Jubail on 22/4/1427H (corresponding to 20/5/2006G).

Exhibit 4.11: Shareholding structure of SEPC



Source: Sahara

TSOC is used as holding company through which Sahara holds indirect interests in SEPC, SAAC and SAMCO. The principal activities of TSOC and its subsidiaries are constructing, managing, operating, owning and investing in industrial projects, particularly in relation to the chemicals and petrochemicals industries.

The Project

The SEPC joint venture project was formed to develop, finance, construct, commission, own, manage and operate an integrated olefins petrochemicals complex (as well as the associated utilities and support facilities) located in Jubail Industrial City in the eastern region of Saudi Arabia. Commercial operations at SEPC commenced in June 2009G.

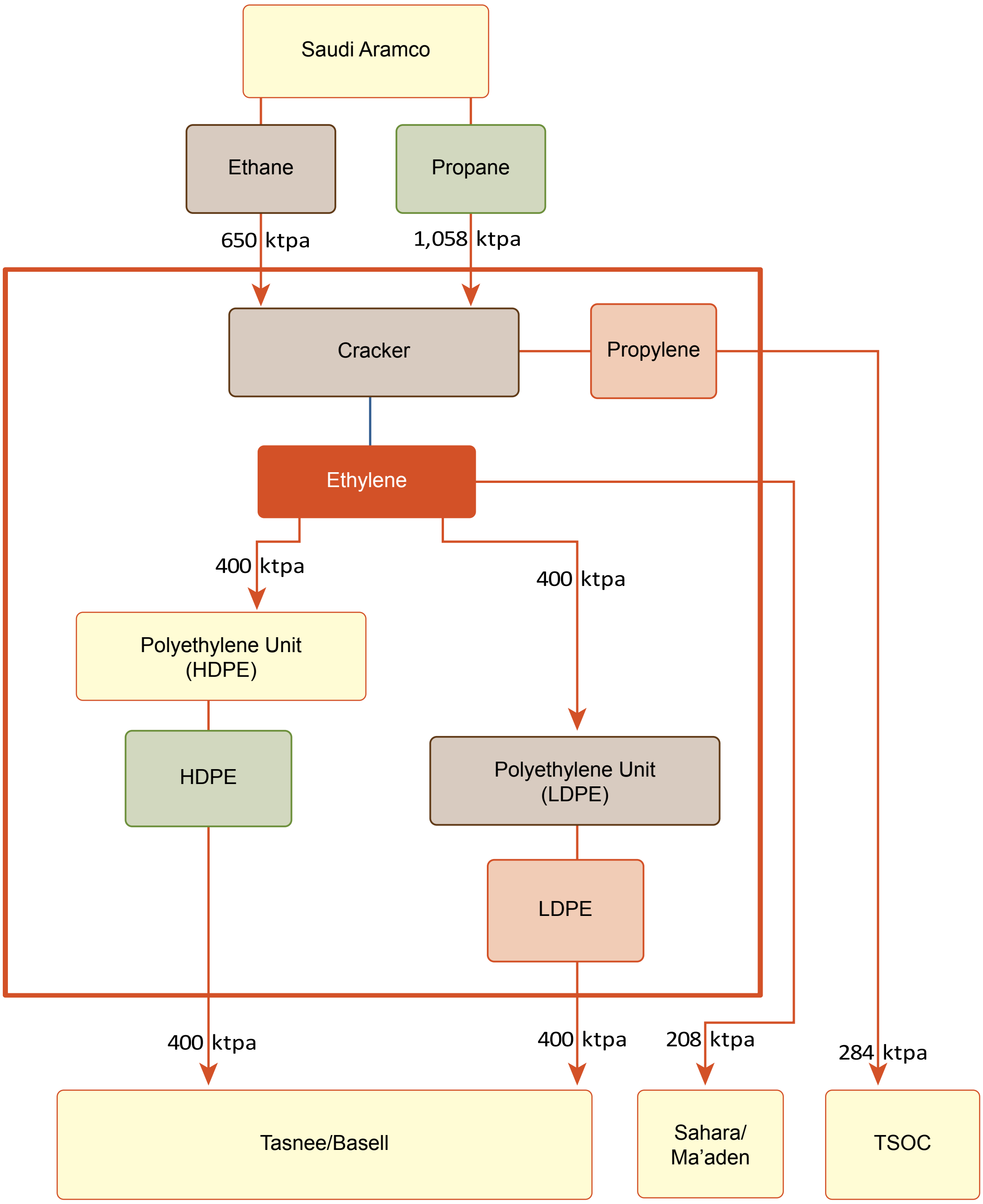
As shown in Exhibit 4.12, the first component of the integrated petrochemicals complex is the ethane cracker plant (the "Cracker") which processes a blended feedstock of propane and ethane gases to produce 1,008,000 tonnes per annum of ethylene and 284,800 tonnes per annum of propylene. As a by-product, the Cracker also produces 28,000 tonnes per annum of pyrolysis gasoline. The entire process resulted in around 2,274 square meters of liquid chemical waste and 93 metrical tonnes of solid chemical waste in 2011. This waste is taken for disposal by the Royal Commission licensed contractor.

The second component of the integrated petrochemicals complex is the polyethylene plants which utilise approximately eight percent (80%) of the ethylene produced by the Cracker as primary feedstock for the production of approximately 400,000 tonnes per annum of each of high and low-density polyethylene.

High density polyethylene is a thermoplastic that is used to produce suitcases, automotive fuel tanks, pipes and tubes, insulating sleeves, bottles, lids and toys etc.

Low density polyethylene is used to produce packaging films, trash and grocery bags, agricultural greenhouse, wire and cable insulations, squeeze bottles, toys and house wares.

Exhibit 4.12: Schematic of the SEPC Project

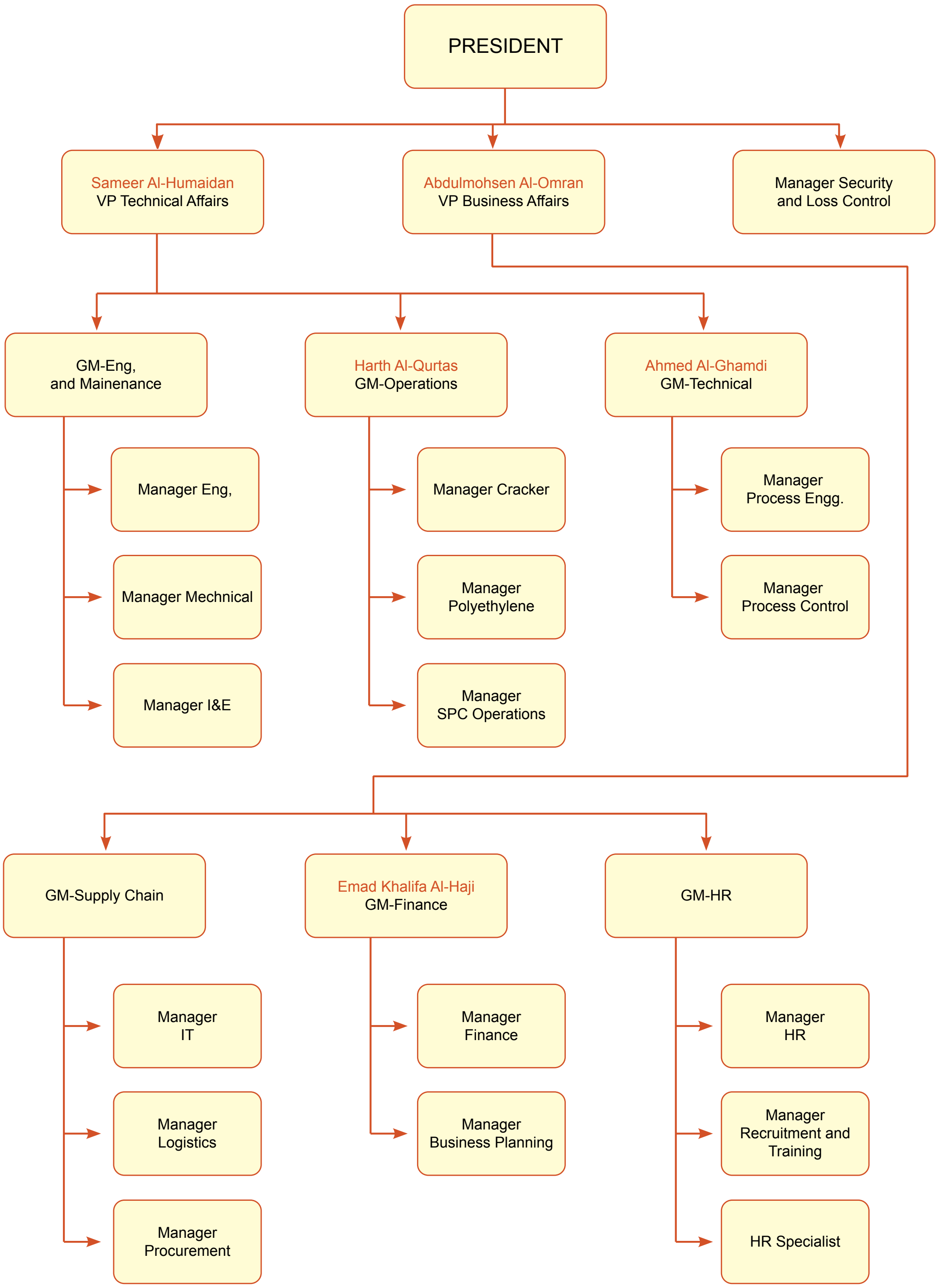


Source: Sahara

SEPC Organisational Structure

SEPC has developed an organisational structure as shown below:

Exhibit 4.13: SEPC Organisational Structure as at 31 December 2010G*



Source: Sahara

** The SEPC organisational structure is representative of the organisational structure of Tasnee, which provides its organisational structure to SEPC on a shared service basis.*

Project Technology

The Cracker, which processes a blended feedstock of propane and ethane gases to produce ethylene, propylene and pyrolysis gasoline, utilises, under a licence arrangement, Linde's proprietary gas cracking and ethylene/propylene recovery technology.

The polyethylene plants, which convert ethylene into high and low-density polyethylene, each use technology licensed from LyondellBasell. Specifically, the Hostalen ACP technology (in respect of the high-density polyethylene plant) and the Lupotech T technology (in respect of the low-density polyethylene plant).

Feedstock Supply

Saudi Aramco supplies SEPC with propane and ethane under long-term supply agreements.

Propane

The largest element of raw materials required by the SEPC Plant is propane. When it is operating at full capacity the SEPC Plant requires approximately 1,058,000 tonnes per annum of propane. The feed is taken from a pipeline owned and operated by the SABIC subsidiary, Petrokemya. Under the supply agreement, Saudi Aramco has agreed to supply propane to SEPC for a period of 20 years starting from 1 July 2008 at an approximate discount to international prices of thirty percent (30%). The quantity to be supplied by Saudi Aramco under the agreement is sufficient to run the integrated industrial complex at full capacity.

Ethane

The second feedstock is ethane. When operating at full capacity, the Cracker requires approximately 650,000 tonnes per annum of ethane which is supplied by Saudi Aramco. Pursuant to the ethane supply agreement between SEPC and Saudi Aramco dated 1 July 2008, Saudi Aramco has agreed to supply ethane to SEPC for a period of 20 years starting from 1 July 2008 at a government established price. Saudi Aramco has an extensive investment in the master gas system, through which it can source high purity ethane utilising its own gas processing facilities.

Offtake

The entire production of high and low-density polyethylene is sold pursuant to long term off-take and marketing agreements with Tasnee Petrochemicals and Basell Sales and Marketing Company for onward sales outside Saudi Arabia. The term of these long term off-take and marketing agreements is the later of (i) 10 years from the plant start-up date or (ii) the date on which all debt incurred by SEPC pursuant to arrangements entered into prior to the start-up date is repaid in full.

The remaining ethylene that is not used as primary feedstock for polyethylene production is sold under long-term sales agreements to AL WAHA (20 kilo tonnes per annum), SAMAPCO (85 kilo tonnes per annum), Sipchem (115 kilo tonnes per annum) and SPC (55.25 kilo tonnes per annum) according to international prices (except for sales to SAMAPCO, which are on a production plus basis) for their dedicated use in other proximate but unrelated production facilities, with the balance being off-taken by SABIC for onward sale to international markets.

The Plant also produces approximately 284,800 tonnes per annum of propylene, of which 100,000 tonnes per annum is sold under a long term sales agreement with SAMCO, with the balance being sold to SPC.

A small amount of pyrolysis gasoline by-product is also sold to various third parties.

Summarized Financial Statements

Summarized financial statements of TSOC (parent company of SEPC) are presented below:

Exhibit 4.14: Summarised Financial Statements of TSOC (SAR million)

	30 June 2011	2010G	2009G	2008G
Balance sheet				
Total assets	16,578.7	13,673.2	12,230.9	10,230.9
Total liabilities	9,925.6	7,340.0	8,801.6	7,340.0
Shareholders' equity	6,653.1	6,055.9	4,060.1	2,890.9
Income statement				
Revenue and murabaha income	2,955.9	4,755.5	2,255.3	15.2
Costs and expenses	(1,917.3)	(3,304.5)	(1,556.2)	(12.5)
Minority interest, net of Zakat	(263.1)	(407.9)	(212.4)	1.3
Zakat	(5.9)		-	(8.4)
Net income/ (loss)	769.6	1,043.1	486.7	(4.4)
Cash flow statements				
Net cash from/ (used in) operating activities	457.1	1,572.2	(226.4)	(267.9)
Net cash used in investing activities	(1,401.6)	(659.5)	(475.6)	(1,928.2)
Net cash from/ (used in) financing activities	1930.7	(258.9)	1,785.6	1,811.2

Source: Sahara

Summarized financial statements of SEPC are presented below:

Exhibit 4.15: Summarised Financial Statements of SEPC (SAR million)

	30 June 2011	2010G	2009G	2008G
Balance sheet				
Total assets	12,138.2	12,527.37	12,126.06	9,886.20
Total liabilities	7,647.5	8,966.92	8,858.69	7,329.46
Shareholders' equity	4,490.7	3,561.45	3,266.37	2,556.74
Income statement				
Revenue and interest income	3,061.6	4,753.51	2,253.06	-
Costs and expenses	(2,007.9)	(3,289.30)	(1,548.71)	(5.74)
Net income/ (loss)	1,053.7	1,464.21	704.35	(5.74)
Cash flow statements [6]				
Net cash from/ (used in) operating activities	-	1,919.79	(55.09)	(293.73)
Net cash used in investing activities	-	(25.64)	(267.52)	(1,924.34)
Net cash from/ (used in) financing activities	-	(1,009.20)	1,217.55	1,811.59

Source: Sahara

4.6.2. Projects Under Development

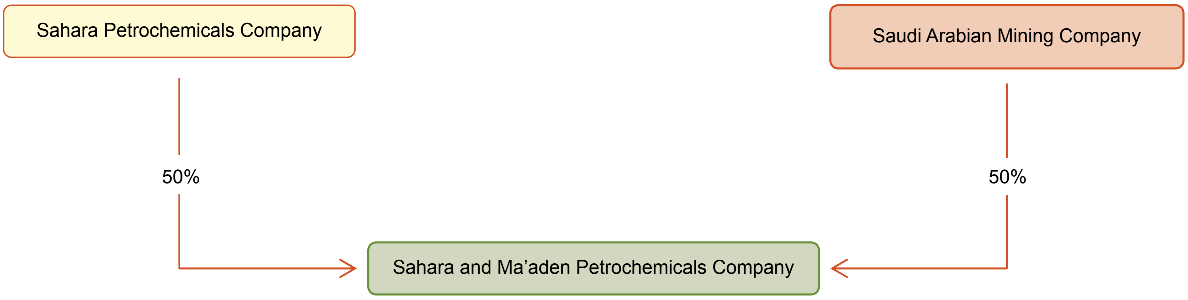
4.6.2.1. The SAMAPCO Project

The Project Sponsors

The Project is being developed by Sahara and Ma'aden who will own each fifty percent (50%) of the shares of SAMAPCO as shown in Exhibit 4.16.

6 Information for 30 June 2011G is not available.

Exhibit 4.16: Shareholding structure of SAMAPCO



Source: Sahara

The Project

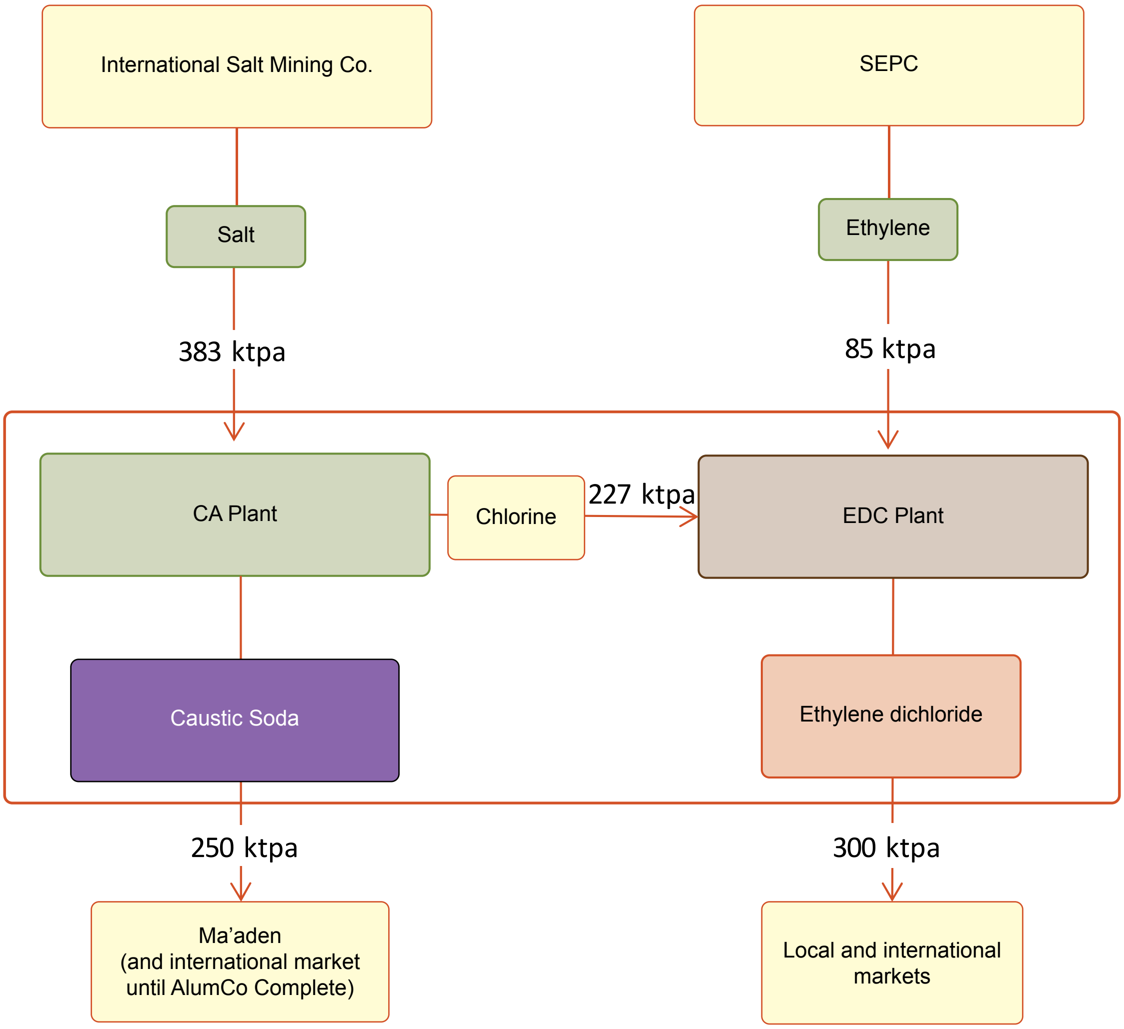
The SAMAPCO joint venture project was established to develop, finance, construct, commission, own, manage and operate an integrated chlor-alkali and ethylene dichloride complex to be (as well as the associated utilities and support facilities) located in Jubail Industrial City in the eastern region of Saudi Arabia. The establishment of SAMAPCO was recently completed and commercial operations at SAMAPCO are expected to commence in the first quarter of 2013G.

As shown in Exhibit 4.17, the first component of the integrated petrochemical complex is the chlor-alkali plant (the "CA Plant") which will electrolyse approximately 383,000 tonnes per annum of salt and water to produce approximately 227,000 tonnes per annum of chlorine and 250,000 tonnes per annum of caustic soda. The second component of the integrated petrochemical complex will be the ethylene dichloride plant (the "EDC Plant") which will utilise approximately 85,000 tonnes per annum of ethylene and the chlorine produced by the CA Plant as primary feedstock for the production of approximately 300,000 tonnes per annum of ethylene dichloride. Commercial operation of both plants is expected to commence in the first quarter of 2013G.

The SAMAPCO joint venture project is being established to provide forward-integration and down-stream expansion to Sahara, and backward-integration and feedstock source to Ma'aden in respect of its world scale alumina refinery project being constructed at Ras-Al-Khair ("AlumCo") which is expected to commence commercial operations in the second half of 2014G.

Caustic soda is used in many industries, mostly as a strong chemical base in the manufacture of pulp and paper, textiles, drinking water, soaps and detergents and as a drain cleaner. Ethylene dichloride is mainly used to produce vinyl chloride monomer, the major precursor for PVC production.

Exhibit 4.17: Schematic of the SAMAPCO Project



Source: Sahara

Project Technology

The CA Plant will utilise membrane cell technology provided by Uhde GmbH under a licence arrangement. Membrane cell technology is environmentally friendly and consumes less energy than the alternative mercury and diaphragm-cell based technologies.

The EDC Plant will utilise Vinnolit GmbH & Co. KG's ("Vinnolit") direct chlorination technology, procured from Vinnolit by Uhde GmbH for and on behalf of the sponsors. The main highlights of this new technology are the reduced investment and operating costs compared to existing technology and the further improvement of the already good yields and EDC product quality. Due to the high performance of the direct chlorination process, EDC in sales grade quality can be achieved without further purification and related steam consumption.

Feedstock Supply

Salt

Salt is the feedstock used for the chlor-alkali plant, and will be provided under a long-term supply agreement signed between Sahara, Ma'aden and the International Salt Mining Company for the supply of 465,000 tons of salt annually for ten years as of the date of said agreement, with the option to extend its term with the consent of the parties. The price of SAR80 per metric ton has been agreed upon, with an increase of SAR2 per metric ton annually commencing on the third anniversary of the date on which the commercial operation of both the caustic soda and ethylene dichloride plants is achieved.

Ethylene

The feedstocks for the production of ethylene dichloride are chlorine and ethylene. The chlorine requirement will be met fully by the CA Plant which will produce approximately 227,000 tonnes per annum of chlorine.

Approximately 85,000 tonnes per annum of ethylene will be supplied under a long-term supply agreement between SAMAPCO and SEPC along with access to a supply pipeline and storage facilities of SEPC. For this purpose, Sahara and Ma'aden have entered into an agreement with SEPC and the agreement will be novated to SAMAPCO at the end of 2011G. The initial term of the agreement shall start as of 7 Sha'ban 1428H (corresponding to 20 August 2007G) and ends on 31 December of the year representing the twentieth (20) anniversary of the date on which SAMAPCO's plant is mechanically completed and prepared for actual service.

Offtake

The CA Plant will produce up to 250,000 tonnes per annum of caustic soda. Initially the product will be sold to a third party offtaker for sales in the local and international markets. The eventual off-take for the caustic soda will be through Ma'aden, for use in AlumCo when it comes on-line in the second half of 2014G.

The EDC Plant will produce up to 300,000 tonnes per annum of ethylene dichloride. The product will be sold in both local and international markets. SAMAPCO is in the final stages of negotiation with a reputable international company for the offtake of the ethylene dichloride produced. Most of the ethylene dichloride will be exported utilising the SABIC Terminal Services Company at Jubail Industrial City port.

Project Costs

The total cost of the SAMAPCO project is estimated to be SAR2,872.5 million. The project cost estimate is shown in Exhibit 4.18. To date, Sahara has contributed SAR450 million. It is anticipated that the debt financing for the SAMAPCO project will be provided by SIDF (SAR900 million) with the balance (SAR823.5 million) being provided by way of a PIF loan and a commercial loan. Sahara applied for SIDF's funding in June 2008G and has received the feedback that SIDF will process the application on incorporation of SAMAPCO. However, the SIDF commitment to extend such monies to the SAMAPCO project expires if the relevant loan agreements are not entered into by 29/5/1432H (corresponding to 3 May 2011G). Sahara has requested an extension of SIDF's commitment to provide the relevant loans in order to enable it to comply with the terms and conditions in respect of such loans. The conditions precedent to signing the related loan agreements include the provision of the following constituent documents to the SIDF for review and approval:

- SAMAPCO certificate of commercial registration;
- SAMAPCO permanent industrial license; and
- The approval of the Royal Commission of Jubail and Yanbu for the project's construction works.

SAMAPCO's commercial registration certificate was provided by Sahara to the SIDF on 23 August 2011G. The Company expects to submit the other documents, which are currently being obtained, directly thereafter. It is expected that the loan agreements with SIDF will be signed at the end of October 2011, provided that they meet all requirements outlined in the letters of approving the loans by the SIDF No. 5374 and 5375, dated 02/12/1431H.

Initial approvals for the PIF and commercial banks loans have not yet been obtained. The Company has completed the preparation of an information memorandum to be sent to PIF and the commercial banks during the month of November 2011. The loan agreements are expected to be signed with the commercial banks in March 2012.

Exhibit 4.18: Estimated SAMAPCO Project Costs

Total Projected Costs (SAR million)	%	Cost
EPC	79%	2,269
Licence fees	3%	87
Development costs	4%	115
Pre-operating costs	2%	57
Contingency	2%	57
Finance costs during construction	8%	230
Initial working capital	2%	57.50
Total	100%	2,872.50

Total Projected Costs (SAR million)		%	Cost
Sources of Funding (SAR million)			
Equity		40%	1,149
Sahara	Estimated /actual proceeds from 2009G Rights Issue	10.92% / 5.53%	307.50 / 158.85
	Additional equity injection (short-term loan)	10.14%	291.15
	Allocation of Rights Issue Proceeds	4.33%	124.50
Ma'aden		20%	574.50
Debt		60%	1,723
SIDF loan		31.33%	900
PIF loan and commercial loan		28.67%	823.5
Total		100%	2,872.50

Source: Sahara

Project Status

At the time of the 2009G Rights Issue, the total cost of the SAMAPCO project was expected to reach SAR1,765.9 million and commercial production was expected to commence in the third quarter of 2012G. Although SAR307.50 million of the 2009G Rights Issue proceeds was planned to be invested in the SAMAPCO project, an amount of SAR158.85 million was actually applied (see section 7 (Use of Proceeds)).

The total cost of the SAMAPCO project is now estimated to be SAR2,872.50 million, representing an increase of SAR1,115.60 million, and commercial operations are expected to commence in the first quarter of 2013G. The increased estimated costs have resulted from new information based on actual bidding and negotiations which bidders based on a complete scope of work including product piping from plant site to KFIP, port storage tanks, piping from port storage tank to berth and berth facilities. The new figure includes license fees and licensor supplied equipment, estimate of costs of shared facilities with AL WAHA, costs of electric power upgrade, pre-operation expenses, PMC cost during construction, working capital and interest during the construction period. An estimated SAR415.65 million of Rights Issue proceeds are expected to be utilised for further investment in the SAMAPCO project (see section 7 (Use of Proceeds)).

The early works agreement for the SAMAPCO Project was awarded in March 2009G and the CA Plant and EDC Plant are currently under construction. In particular, the piling work and pile load test has been successfully completed and various works are currently being undertaken in respect of the civil building and piperack foundation. As of July 2011G, it is estimated that both the CA Plant and the EDC Plant are approximately twenty–five percent (25%) complete.

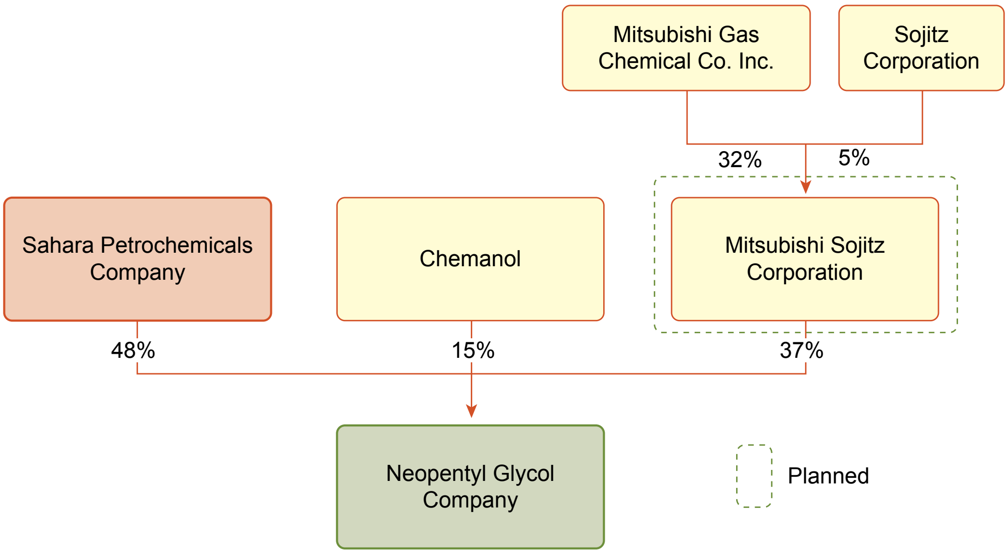
The SAMAPCO joint venture project has been formed to provide forward-integration and down-stream expansion to Sahara, and backward-integration and feedstock source to Ma'aden in respect of AlumCo which is expected to commence commercial operations in the second half of 2014G. Due to the delay in AlumCo coming on-line, Ma'aden has requested, and Sahara has agreed, to extend the expected commercial operations start period of the SAMAPCO Plant by six months to the first quarter of 2013G thereby enabling Ma'aden to more fully align the SAMAPCO and AlumCo projects.

4.6.2.2. The NPG Project

The Project Sponsors

As shown in Exhibit 4.19, NPG is expected to be established as a limited liability joint venture company between Sahara and Chemanol who will each own a forty–eight percent (48%) and fifteen percent (15%) equity stake respectively with the remaining thirty–seven percent (37%) shareholding being held by Mitsubishi Gas Chemical Co. Inc. with thirty–two percent (32%) and Sojitz Corporation with five percent (5%).

Exhibit 4.19: Shareholding structure of NPG



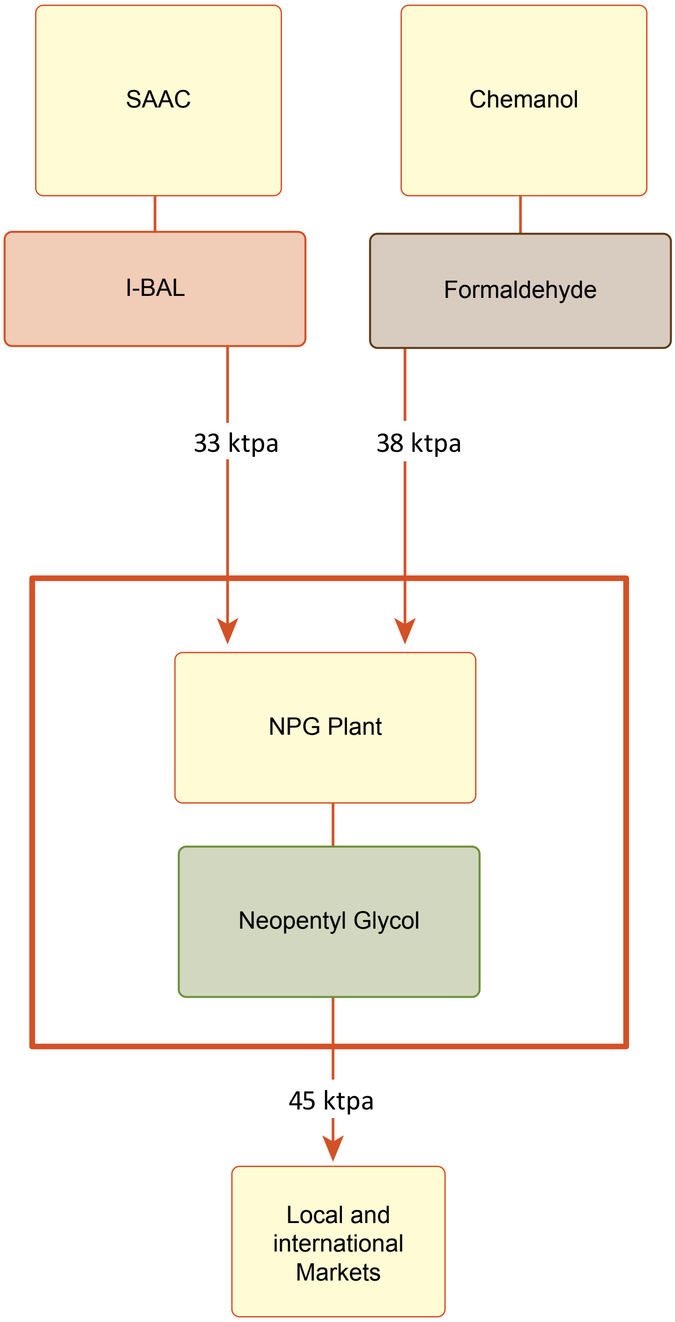
Source: Sahara

The Project

NPG will be established to develop, finance, construct, commission, own, manage and operate the NPG Plant. As shown in Exhibit 4.20, it will be supplied with up to 33,000 tonnes per annum of iso-butyraldehyde from SAAC and up to 38,000 tonnes per annum of formaldehyde from Chemanol. NPG will produce approximately 45,000 tonnes per annum of neopentyl glycol. The NPG Plant will be located in Jubail Industrial City in the eastern region of Saudi Arabia. NPG is currently at the feasibility stage and commercial operations are expected to commence in the second quarter of 2014G. The feasibility study is expected to be completed this September and will be based on a site-specific process design of the NPG Plant.

Neopentyl glycol is used as a precursor in saturated polyester and alkyd resins.

Exhibit 4.20: Schematic of the NPG Project



Source: Sahara

Project Technology

The NPG Plant will utilise MGC's proprietary technology. Using this technology, an intermediate compound, hydroxyl pivaldehyde, is formed from the aldolization of iso-butyraldehyde and formaldehyde which is then further hydrogenated to produce NPG. NPG is either flaked and sold in resin form or as ninety percent (90%) liquid in bulk or ISO containers.

Feedstock Supply

Iso-butyraldehyde

NPG will procure up to 33,000 tonnes per annum of iso-butyraldehyde under a 15-year supply agreement between NPG and SAAC.

Formaldehyde

Approximately 38,000 tonnes per annum of formaldehyde will be supplied by Chemanol to the NPG Plant under a 15-year supply agreement with Chemanol.

Offtake

The NPG Plant will produce up to 45,000 tonnes per annum of neopentyl glycol. The product will be sold in local/ GCC markets (up to twenty percent (20%)) and international markets (up to eighty percent (80%)).

Project Costs

The total cost of the NPG project is estimated to be SAR468.8 million. The project cost estimate is shown in Exhibit 4.21. The equity required for the NPG project is SAR187.52 million, which represents forty percent (40%) of the total project cost. Of the SAR187.52 million total equity, Sahara will contribute SAR90 million while its other joint venture partners will contribute in aggregate SAR97.52 million. It is anticipated that the debt financing for the NPG project will be provided by SIDF (SAR235 million) with the balance (SAR46.2 million) being provided by way of a commercial loan.

Initial approvals for loans from the SIDF and the commercial banks have not yet been obtained. Also, no financial advisor has been yet appointed to prepare an information memorandum to be sent to the SIDF and the commercial banks. A financial advisor is expected to be appointed in the first quarter of 2012G.

Exhibit 4.21: Estimated NPG Project Costs

Total Projected Costs (SAR million)		%	Cost
EPC		66.1%	309.88
Licence fees		4.3%	20.15
Development costs		6.8%	31.88
Pre-operating costs		2.1%	9.85
Contingency		4.4%	20.63
Finance costs during construction		8%	37.50
Initial working capital		8.3%	38.91
Total		100%	468.8
Sources of Funding (SAR million)			
Equity		40%	187.52
Sahara	Allocation of Rights Issue Proceeds	19.19%	90
Mitsubishi Gas Chemical Co. Inc., Sojitz Corporation and Chemanol		20.8%	97.52
Debt		60%	281.28
SIDF loan		50%	235
Commercial loan		10%	46.28
Total		100%	468.8

Source: Sahara

Project Status

NPG is currently in the feasibility phase. The pre-EPC stage started in January 2011G, and Sahara expects to complete the first phase by the second quarter of 2013G. The second phase is expected to start in the fourth quarter of 2012G and be completed in the first quarter of 2014G. The third phase is expected to commence in the first quarter of 2013G and be completed in the second quarter of 2014G.

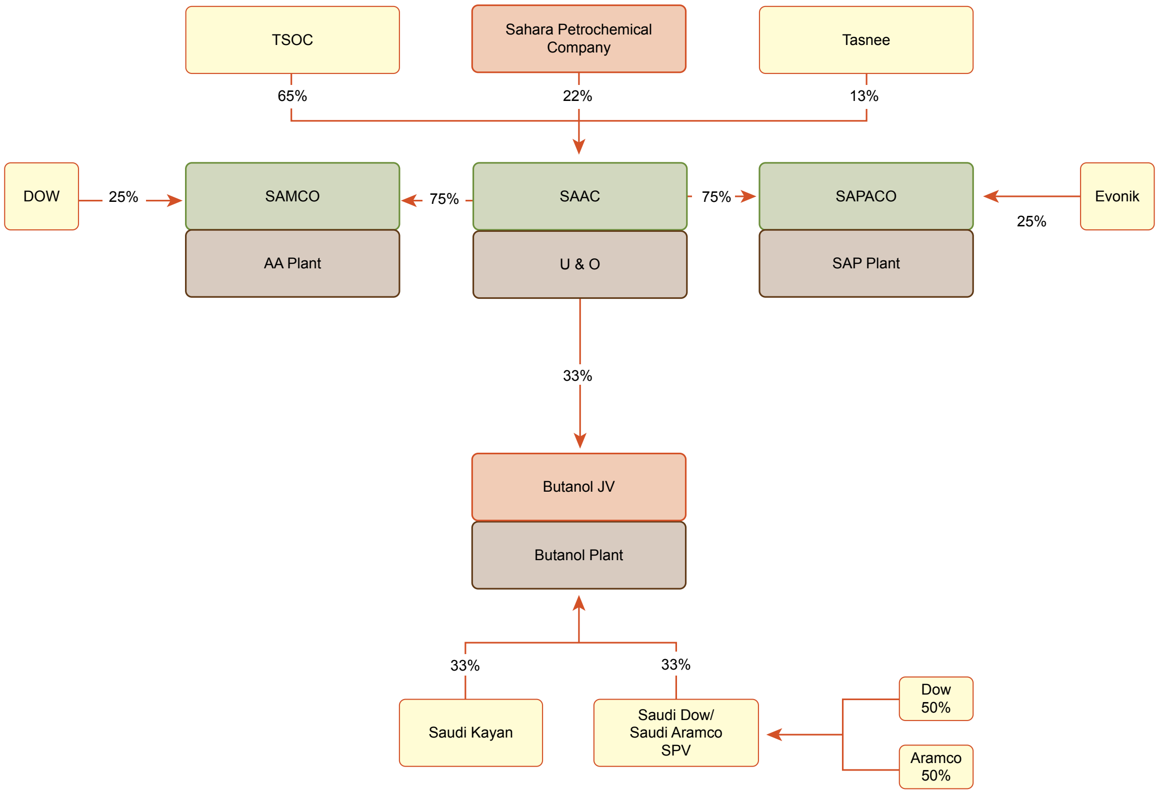
4.6.2.3. Integrated Acrylates Complex Project

The Integrated Acrylates Complex Project and the Sponsors

Sahara and Tasnee through joint ventures between themselves and other partners, as shown in Exhibit 4.22, intend to develop the Integrated Acrylates Complex which will consist of the following three plants:

- an acrylic acid and esters plant (the "AA Plant");
- a super absorbent polymer plant (the "SAP Plant"); and
- a Butanol Plant (the "Butanol Plant").

Exhibit 4.22: Shareholding structure of the Integrated Acrylates Complex



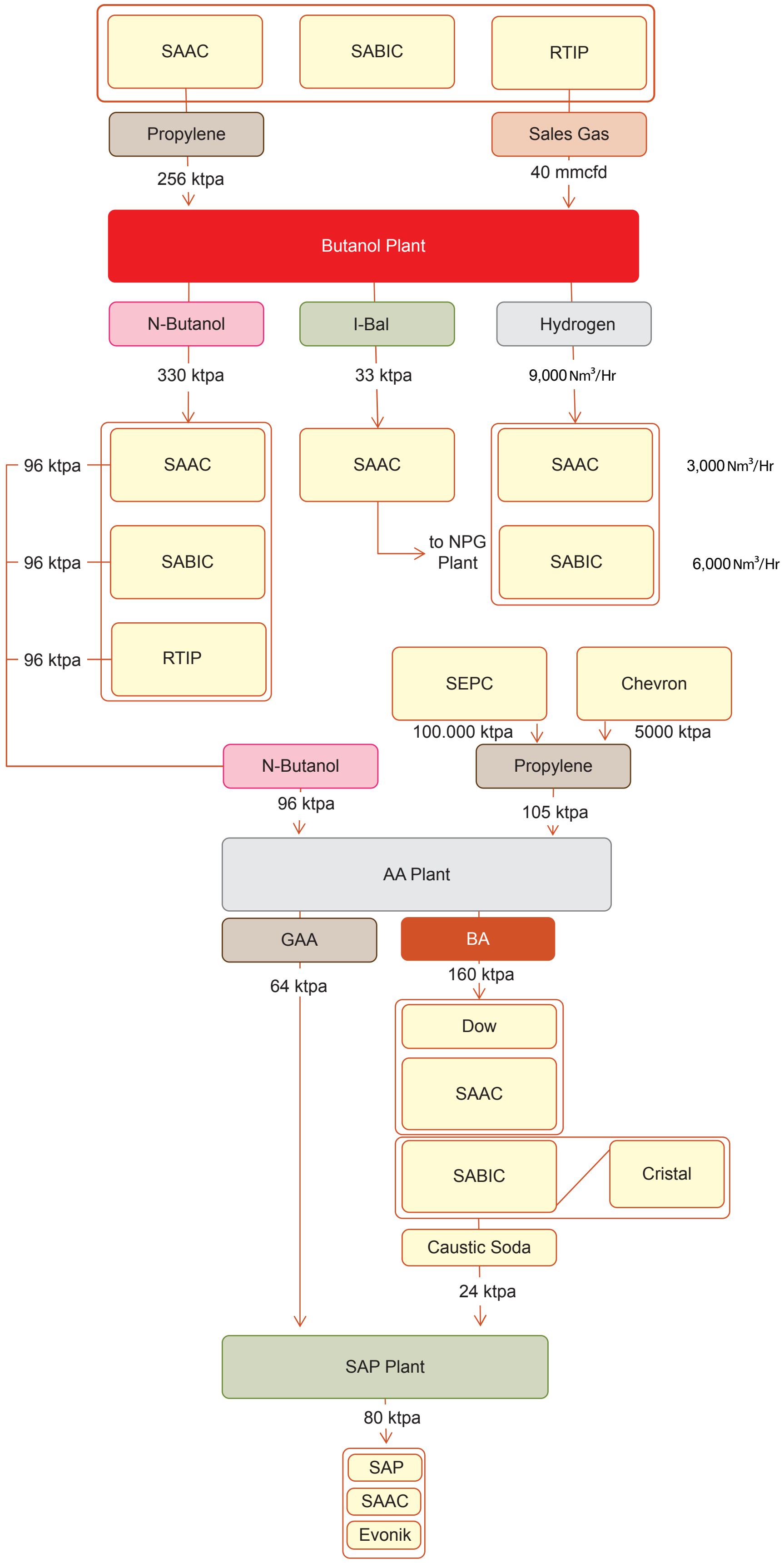
Source: Sahara

The structuring of the Integrated Acrylates Complex has been developed to match the parallel feedstock and offtake requirements of the individual plants in the complex as shown in Exhibit 4.23. The complex will also include utilities and offsite facilities including product storage and warehouse, truck-loading/transportation and port facilities (the "U&O Facilities"). The complex will be located in Jubail Industrial City in the eastern region of Saudi Arabia. There will be four joint venture project companies involved in the establishment of the Integrated Acrylates Complex.

- **SAAC**, a joint venture between Sahara, TSOC and Tasnee. SAAC will own equity stakes in each of the other Integrated Acrylates Complex joint venture project companies, specifically, a thirty–three percent (33%) equity stake in the Butanol JV and seventy–five percent (75%) equity stakes in each of SAMCO and SAPCO, and will also own and operate the U&O Facilities. The U&O Facilities project is currently at the engineering stage and is expected to be completed by the first quarter of 2013G.
- **SAMCO**, a joint venture between SAAC and Rohm & Haas (Dow). SAMCO will own, manage and operate the AA Plant. It will be supplied with up to 96,000 tonnes per annum of n-butanol from SAAC, up to 100,000 tonnes per annum of propylene from SEPC and up to 14,000 tonnes per annum of propylene from S-Chem (Chevron). SAMCO will produce acrylates and sell up to 64,000 tonnes per annum of glacial acrylic acid to SAPCO, and up to 160,000 tonnes per annum of butyl acrylate to SAAC and Rohm & Haas (Dow). Acrylates are intermediate products, which have a wide variety of applications in downstream and specialty petrochemical products, including in the production of super absorbent polymers, paints, coatings, textiles, plastic additives, adhesives etc. The AA Plant is expected to start commercial operations in the second quarter of 2013G.

- **SAPCO**, a joint venture between SAAC and Evonik. SAPCO will own, manage and operate the SAP Plant. It will be supplied with up to 64,000 tonnes per annum of glacial acrylic acid from SAMCO and 24,000 tonnes per annum of dry caustic soda from SABIC or Cristal. SAPCO will produce 80,000 tonnes per annum of super absorbent polymer for sale to Evonik and SAAC. Super absorbent polymers are used in the production of baby diapers, adult incontinence, feminine hygiene and agricultural products. The SAP Plant is expected to start commercial operations in the first quarter of 2014G.
- **Butanol JV**, a joint venture between SAAC, Saudi Kayan and RTIP. The Butanol JV will own, manage and operate the Butanol Plant. The n-butanol production capacity (expected to be approximately 330,000 tonnes per annum) will be made available in equal proportions to SAAC, Saudi Kayan and RTIP. Each of them will be responsible for procuring and supplying propylene and sales gas feedstock for the production of their share of n-butanol and offtake thereof. All iso-butyraldehyde production (expected to be approximately 33,000 tonnes per annum) and one-third of hydrogen capacity (expected to be approximately 3,000 Nm^3/Hr) will be made available to SAAC, while the remaining hydrogen capacity (expected to be approximately 6,000 Nm^3/Hr) will be made available to Saudi Kayan and each of SAAC and Saudi Kayan will have to arrange corresponding feedstock supply and product offtake accordingly. Both n-butanol and iso-butyraldehyde are important intermediates for the construction industry, especially for paints and coatings. N-butanol is also used as a solvent and feedstock for the production of butyl acrylate and acetate. The Butanol Plant is currently at the engineering stage and is expected to start commercial operations in the second quarter of 2014G. The licensor for the required technology was selected in June 2011G. Basic engineering has started by Davy and DOW and is expected to be completed by December 2011G. Management expects that the engineering construction contractor will be selected by June 2012G and that the project shall be completed 30 months later.

Exhibit 4.23: Schematic of the Integrated Acrylates Complex



Source: Sahara

Further details regarding each of the four joint venture project companies of the Integrated Acrylates Complex are set out below.

SAMCO and the AA Plant

Project Technology

Acrylic acid will be produced from propylene using Rohm & Hass (Dow)'s propylene oxidation process. The process of propylene oxidation operates in two stages, with the production of acrolein followed by that of acrylic acid. The advantages of a two-step process compared to a single-reaction-step process include higher selectivity, easy to optimize catalyst composition and reaction conditions for each step, and efficient utilisation of raw materials.

The acrylic acid produced using this process will then be converted into glacial acrylic acid using the same technology described above and butyl acrylate using a technology that will be licensed from Rohm & Hass (Dow). In the future, the joint sponsors also intend for the AA Plant to eventually produce 2-ethylhexyl acrylate from the base stock of acrylic acid using a technology that will be licensed from Mitsubishi.

Feedstock Supply

Propylene

Propylene will be supplied to the AA Plant under a long-term supply agreement between SAMCO and SEPC for a period of 15 years. Pending the formation of SAMCO, TSOC originally entered into an agreement with SEPC for the provision of 100,000 tons per annum of propylene from SEPC to the AA Plant. This agreement has been novated to SAMCO accordingly. The purchase price is calculated on the basis that it is equal to the actual cost of manufacturing the propylene by SEPC during the pricing stage, in addition to a return of 5% on some elements of the manufacturing cost (including the actual cost of the catalyst, the costs of chemicals and facilities, and the cost of fixed employment payments for operation, supervision and maintenance, direct and indirect costs, and the cost of replacement and repayment and part of the actual cost of propane gas) as stipulated in the pricing formula set out in section VI of the agreement.

The additional 5,000 tons per annum of propylene required will be provided to the AA Plant under a supply agreement between SAAC and S-Chem (Chevron), which is in the process of being negotiated, and under which there is an agreement for greater capacity than needed by SAAC for the Butanol Plant, although there is no written agreement between SAMCO and SAAC confirming this.

Butanol

SAMCO will procure approximately 96,000 tonnes per annum of n-butanol under a long-term supply agreement between SAMCO and SAAC. The n-butanol will be supplied through a connecting pipeline between the AA Plant and the Butanol Plant. The AA Plant is, however, expected to be operational 12 months ahead of the Butanol Plant and SAMCO therefore intends to source n-butanol internationally during this intervening period.

Offtake

SAMCO will sell up to 64,000 tonnes per annum of glacial acrylic acid to SAPCO under a long-term supply agreement. The glacial acrylic acid storage tanks of SAMCO will be linked to those of SAPCO through a connecting pipeline.

Approximately sixty-three percent (63%) of the butyl acrylate produced in any given year shall be offtaken by Rohm & Hass (Dow) for their captive consumption in their operations in Europe and Asia whereas SAAC shall be entitled to offtake up to twenty-five percent (25%) for sale in local/GCC markets. The balance shall be sold by Rohm & Hass (Dow) on a merchant basis to global markets.

Project Costs

The total cost of the SAMCO project is estimated to be SAR3,745 million. The project cost estimate is shown in Exhibit 4.24. Sahara's share of equity contribution in SAAC for SAMCO (directly and through TSOC) is SAR484.90 million of which SAR237.70 million (through TSOC) will be contributed from internal cash generated by TSOC (SEPC dividends). The remaining SAR247.2 million has already been contributed by Sahara through the 2009G Rights Issue proceeds. In fact, Sahara has contributed SAR276.37 million and expects to receive the over paid amount of SAR29.2 million. It is anticipated that the debt financing for the SAMCO project will be provided by SIDF (SAR600 million), the ECA (SAR487.50 million), PIF (SAR523.23 million) with the balance (SAR636.27 million) being provided by way of a commercial loan. SAMCO has been also granted a conditional approval on a loan from the SIDF and the process of arranging the rest of funding is ongoing.

Initial approvals for loans from the SIDF, ECA, PIF and the commercial banks have not yet been obtained. The Company has completed the preparation of an information memorandum, which was sent to the ECA, PIF and the commercial banks in September 2011G. Loan agreements with the SIDF, ECA, PIF and commercial banks are expected to be signed in the first quarter of 2012G.

Exhibit 4.24: Estimated SAMCO Project Costs

Total Projected Costs (SAR million)		%	Cost
EPC		69.3%	2,595.29
Licence fees		3.1%	116.10
Development costs		9.1%	340.80
Pre-operating costs		2.5%	93.62
Contingency		2.3%	86.14
Finance costs during construction		12.4%	464.37
Initial working capital		1.3%	48.68
Total		100%	3,745
Sources of Funding (SAR million)			
Equity		40%	1,498
Sahara	Estimated /actual proceeds from 2009G Rights Issue	93.4% / 7.38%	184.70 / 276.37[6]
	Internal cash generated by TSOC (SEPC dividends)	6.34%	237.70
	Allocation of Rights Issue Proceeds	0%	0
SAAC and Rohm & Hass (Dow)		17.05% 10%	638.60 374.50
Debt		60%	2,247
SIDF loan		16.02%	600
ECA		13.02%	487.50
PIF loan		16.99%	636.27
Commercial loan		13.97%	523.23
Total		100%	3,745

Source: Sahara

Project Status

At the time of the 2009G Rights Issue, the total cost of the SAMCO project was expected to reach SAR2,270.1 million and commercial production was expected to commence in the third quarter of 2012G. Although SAR184.70 million of the 2009G Rights Issue proceeds was planned to be invested in the SAMCO project an amount of SAR276.37 million was actually applied (see section 7 (Use of Proceeds)).

The total cost of the SAMCO project is now estimated to be SAR3,745 million, representing an increase of SAR1,474.90 million. The original estimates of investment were based on feasibility studies done by consultants, whereas the revised estimates are based on complete site-specific engineering and firm lump-sum EPC contract which has now been agreed. Commercial operations are expected to commence in the second quarter of 2013G.

The pre-EPC stage of the SAMCO project started in February 2009G. Sahara expects to complete the first stage by the beginning of the fourth quarter of 2011G. The second and third phases commenced in October 2010G and will be completed in the first quarter of 2013G. The AA Plant is expected to start commercial operations in the second quarter of 2013G. The early works agreement for the SAMCO Project was awarded on 14 October 2010G.

7 *Sahara has contributed SAR276.37 million and expects to receive the over paid amount of SAR29.20 million by way of an adjustment on its equity contribution on other SAAC projects (SAPCO and U&O).*

SAPCO and the SAP Plant

Project Technology

The SAP Plant will utilise SAP production technology licensed to it by Evonik, who is SAAC's joint venture partner and licensor of the proprietary technology used in SAP production. This technology is based on Evonik production technology, its patents and technical improvements. The SAP Plant is expected to be the largest producer at one location of 80 kilo tonnes per annum of super absorbent polymers globally. The SAP Plant is also expected to produce new degrees of premium super absorbent polymers as required by one of the world manufacturers of diapers (Procter & Gamble).

Feedstock Supply

Glacial acrylic acid

SAPCO will procure approximately 64,000 tonnes per annum of glacial acrylic acid under a long-term supply agreement between SAPCO and SAMCO. It is anticipated that SAPCO will begin receiving glacial acrylic acid in the second quarter of 2013G The glacial acrylic acid storage tanks of SAMCO will be linked to those of SAPCO through a connecting pipeline.

Caustic soda

Approximately 24,000 tonnes per annum of dry caustic soda will be procured by SAAC from SABIC or Cristal.

Offtake

The primary purchaser of the approximately 80,000 tonnes per annum of super absorbent polymer to be produced by the SAP Plant will be a marketing company set up by SAAC and Evonik. It will sell the SAP Plant's product in the international markets, leveraging Evonik's existing presence and experience in the international super absorbent polymer market.

Project Costs

The total cost of the SAPCO project is estimated to be SAR1,441.1 million. The project cost estimate is shown in Exhibit 4.25. Sahara's share of equity contribution in SAAC for SAMCO (directly and through TSOC) is SAR186.58 million of which SAR91.47 million (through TSOC) will be contributed from internal cash generated by TSOC (SEPC dividends). The remaining SAR95.11 million is expected to be contributed by Sahara through the Rights Issue proceeds. It is anticipated that the debt financing for the SAPCO project will be provided by SIDF (SAR600 million) and PIF (SAR132.33 million) with the remaining balance (SAR132.335 million) being provided by way of a commercial loan.

Initial approvals for loans from SIDF, ECA, PIF and the commercial banks have not yet been obtained. The Company completed preparation of an information memorandum which was sent to SIDF, ECA, PIF and the commercial banks in September 2011G. The loan agreements are expected to be signed with SIDF, ECA, PIF and the commercial banks in the first quarter of 2012G.

Exhibit 4.25: Estimated SAPCO Project Costs

Total Projected Costs (SAR million)	%	Cost
EPC	65.6%	945.36
Licence fees	5.8%	83.58
Development costs	4.5%	64.85
Pre-operating costs	3.3%	47.56
Contingency	2.3%	33.15
Finance costs during construction	9.9%	142.67
Initial working capital	8.6%	123.93
Total	100%	1,441.10
Sources of Funding (SAR million)		
Equity	40%	576.44

Total Projected Costs (SAR million)		%	Cost
Sahara	Estimated proceeds from 2009G Rights Issue	4.62%	68
	Actual proceeds from 2009G Rights Issue	0%	0
	Internal cash generated by TSOC (SEPC dividends)	6.35%	91.47
	Allocation of Rights Issue Proceeds	6.60%	95.11
SAAC		17.05%	245.75
Evonik		10%	144.11
Debt		60%	864.66
SIDF loan		41.64%	600
PIF loan		9.18%	132.33
Commercial loan		9.18%	132.33
Total		100%	1,441.10

Source: Sahara

Project Status

At the time of the 2009G Rights Issue, the total cost of the SAPCO project was expected to reach SAR835.5 million and commercial production was expected to commence in the third quarter of 2012G. Although SAR68 million of the 2009G Rights Issue proceeds was planned to be invested in the SAPCO project no proceeds were actually applied (see section 7 (Use of Proceeds)).

The total cost of the SAPCO project is now estimated to be SAR1,441.10 million, representing an increase of SAR605.60 million (due to the reasons set out below regarding doubling the capacity of the SAP Plant), and commercial operations are expected to commence in the first quarter of 2014G. An estimated SAR95.11 million of Rights Issue proceeds are expected to be utilised for further investment in the SAPCO project (see section 7 (Use of Proceeds)).

In March 2010G, the Ministry of Petroleum suggested that SAAC and Evonik double the capacity of the SAP Plant from 40,000 tonnes per annum to 80,000 tonnes per annum of super absorbent polymer. The change to specification of the SAP Plant resulted in increased project costs of SAR635.60 million and extended the expected commercial operations start date to the first quarter of 2014G.

Pre-EPC activities for the SAPCO project started in March 2010G. Sahara expects to complete the first phase by the third quarter of 2012G. The second phase started in May 2011G and the third phase started in July 2011G. The second and third phases are expected to be completed in the third quarter of 2013G. The project is expected to enter the commercial operation stage in the first quarter of 2014G.

Butanol JV & Butanol Plant

Project Technology

Butanol will be produced from the hydroformylation of propylene using Davy/Dow Oxo process technology. The oxo process is the dominant route for the production of butanol globally.

Feedstock Supply

Propylene

SAAC's 86,000 tonnes per annum share of propylene will be procured from S-Chem (Chevron) under a 20-year supply agreement by utilising the existing propylene supply grid in Jubail Industrial City. Pricing will be based on a formula which represents a discount from the sum of (i) 50% of the European market pricing; and (ii) 50% of the Southeast-Asian market pricing. Indeed, the supply agreement with S-Chem (Chevron) provides a supply of 100,000 tonnes per annum of propylene, out of which up to 14,000 tonnes per annum will be available to be utilised in the AA Plant, leaving up to 86,000 tonnes per annum for usage in the Butanol Plant.

Saudi Kayan and RTIP will be sourcing their own propylene (each procuring approximately 86,000 tonnes per annum) for tolling through the Butanol Plant.

Sales Gas

SAAC's share of sales gas (approximately 21 mmcfd) is being secured through a gas allocation from the Ministry of Petroleum and Mineral Resources which management expects to receive by the third quarter of 2012. Pricing for the sales gas will be the same as the current gas pricing policy of Saudi Aramco. The methane will be available at the Butanol Plant's battery limit, being routed through the existing supply grid in Jubail Industrial City.

Saudi Kayan and RTIP will be sourcing their own sales gas (each procuring approximately 10 mmcfd).

Offtake

The n-butanol production capacity (expected to be approximately 330,000 tonnes per annum) will be made available in equal proportions (110,000 tonnes per annum each) to SAAC, Saudi Kayan and RTIP.

SAMCO will offtake approximately 110,000 tonnes per annum of n-butanol of which 96,000 tonnes per annum will be utilised in the AA Plant under a long-term supply agreement between SAMCO and SAAC. The n-butanol will be supplied through a connecting pipeline between the Butanol Plant and the AA Plant. The remaining balance of n-butanol shall be sold to local and international markets.

Butanol JV also intends to sell incremental n-butanol volume through a marketing agreement with Saudi Kayan. This is expected to account for approximately fourteen percent (14%) of total n-butanol sales volume.

All iso-butyraldehyde production (expected to be approximately 33,000 tonnes per annum) and one-third of the hydrogen capacity (expected to be approximately 3.00 Nm^3/Hr) will be off-taken by SAAC under a long-term supply agreement. Both products will be utilised in the NPG Plant.

The remaining hydrogen capacity (expected to be approximately 6,000 Nm^3/Hr) will be made available to Saudi Kayan.

Project Costs

The total cost of the Butanol project is estimated to be SAR1,648.50 million. The project cost estimate is shown in Exhibit 4.26.

The equity required for the Butanol project is SAR1,048.50 million, which represents sixty–four percent (64%) of the total project cost.

Sahara's share of equity contribution in SAAC for Butanol (directly and through TSOC) is SAR151.80 million of which SAR74.44 million (through TSOC) will be contributed from internal cash generated by TSOC (SEPC dividends). The remaining SAR77.36 million is expected to be contributed by Sahara through the Rights Issue proceeds.

It is anticipated that the debt financing for the Butanol project will be provided by SIDF (SAR600 million).

Initial approvals for the loans from SIDF have not yet been obtained.

Exhibit 4.26: Estimated Butanol Project Costs

Total Projected Costs (SAR million)	%	Cost
EPC	28.8%	474.77
Licence fees	4.1%	68.31
Development costs	0.5%	8.55
Pre-operating costs	1.8%	29.03
Contingency	1.5%	23.90
Finance costs during construction	3.1%	51.00
Initial working capital	3.9%	64.90
Contribution by Saudi Kayan and Saudi Dow/Saudi Aramco SPV	56.3%	928.04
Total	100%	1,648.50
Sources of Funding (SAR million)		
Equity	64%	1,048.50

Total Projected Costs (SAR million)		%	Cost
Sahara	Allocation of Rights Issue Proceeds	4.69%	77.36
	Internal cash generated by TSOC (SEPC dividends)	4.51%	74.44
SAAC, Saudi Kayan and RTIP		54.40%	896.70
Debt		36%	600
SIDF loan		36.40%	600
Total		100%	1,648.50

Source: Sahara

Project Status

Pre-EPC activities in the Butanol project started in June 2011G. Sahara expects to complete the first phase by the third quarter of 2013G. The second phase is expected to begin in the first quarter of 2013G and to be completed in the third quarter of 2014G. The third phase is also expected to begin in the first quarter of 2013G and to be completed in the third quarter of 2014G.

SAAC and the U&O Facilities

The Integrated Acrylates Complex will share the U&O Facilities. The utilities will include the provision of electricity, steam, plant/instrument air, flare gas, water and nitrogen. While steam and plant/instrument air will be generated on-site, the remaining utilities will be sourced from both the existing Tasnee utility infrastructure, and the local utilities grid in Jubail Industrial City. The offsite facilities will include product storage and warehouse, truck-loading/transportation and port facilities.

SAAC will procure electricity from SEC and caustic soda from SABIC or Cristal. The caustic soda will be liquefied to fifty percent (50%) aqueous solution before being supplied to the SAP Plant, while the electricity will be routed through the Integrated Acrylates Complex substation, through step-down transformers, before being supplied to each plant's battery limit.

These utilities will then be provided to each plant within the Integrated Acrylates Complex on a cost-plus basis according to its requirements.

SAAC will also operate storage tanks for n-butanol, butyl acrylate and glacial acrylic acid, in addition to providing iso-tanks for glacial acrylic acid logistics. Each plant within the Integrated Acrylates Complex will pay SAAC a capacity charge for making the off-site facilities available, in addition to reimbursing SAAC's variable costs on the basis of usage.

Additionally, each plant will pay Tasnee an annual shared services fee, in order to compensate Tasnee for common expenses incurred in respect of the Integrated Acrylates Complex by Tasnee on account of being located in Tasnee's existing complex.

The infrastructure for the U&O Facilities is currently at the engineering stage and is expected to be completed by the first quarter of 2013G.

U&O Facilities Costs

The total cost of the U&O Facilities is estimated to be SAR1,871.20 million. The project cost estimate is shown in Exhibit 4.27. The equity required for the U&O Facilities is SAR748.48 million, which represents forty percent (40%) of the total project cost. Of the SAR748.48 million total equity, Sahara will contribute SAR323.03 million while its other joint venture partners will contribute in aggregate SAR425.45 million. It is anticipated that the debt financing for the U&O project will be provided by SIDF (SAR600 million) with the remaining balance (SAR522.72 million) being provided by way of a commercial loan, an ECA loan and a PIF loan.

Initial approvals for the loans from SIDF, the commercial banks, ECA and PIF have not yet been obtained. The Company completed the preparation of an information memorandum which was sent to the commercial banks, ECA and PIF in September 2011G. The loan agreements with the commercial banks, ECA and PIF are expected to be signed in the first quarter of 2012G.

Exhibit 4.27: Estimated U&O Facilities Costs

Total Projected Costs (SAR million)		%	Cost
EPC		69%	1,291.13
Development costs		15%	280.68
Contingency		4.2%	78.59
Finance costs during construction		10.3%	192.73
Initial working capital		1.5%	28.07
Total		100%	1,871.20
Sources of Funding (SAR million)			
Equity		40%	748.48
Sahara	Allocation of Rights Issue Proceeds	8.80%	164.67
	Internal cash generated by TSOC (SEPC dividends)	8.46%	158.36
SAAC		22.73%	425.45
Debt		60%	1,122.72
SIDF loan		32.06%	600
ECA loan		14.03%	262.50
Commercial loan & PIF loan		13.91%	260.22
Total		100%	1,871.20

Source: Sahara

Pre-EPC activities in the U&O project started in March 2009G. Sahara expects to complete these activities in December 2011G. The second phase started in June 2010G and is expected to be completed in the second quarter of 2013G. The third phase started in October 2010G and is expected to be completed in the second quarter of 2013G.

4.7. Shared Services

4.7.1. Electricity and water

Marafiq will supply both electricity and water to all the industries located in Jubail Industrial City. Although Marafiq has now assumed responsibility for water related services, the supply of electric power still remains the responsibility of Saudi Electricity Company for the time being. It is anticipated that Marafiq will also take on this responsibility following the completion of its own power generation facilities which are presently under development.

4.7.2. Sea Water Cooling and Potable Water

Marafiq supplies the cooling sea water to AL WAHA through a new seawater channel. SAMAPCO and NPG will share the sea water cooling scheme with AL WAHA. The cooling system consists of two loop systems, the first being a de-mineralised water loop which will cool the plants through heat exchanged with a sea water loop. The sea water loop is itself cooled through a sea water cooling system by utilising the cooling towers. This configuration will reduce the overall consumption of sea water.

Cooling sea water is supplied to SEPC by Marafiq through the existing sea water system. Furthermore, a cooling tower was installed to cater for the additional cooling water requirements of SEPC.

4.7.3. Waste Water

Waste water, including oily and chemical drains, from the integrated industrial complexes will be treated first before being sent for further treatment in the Royal Commission's central waste water treatment facility. The waste water composition discharged from the separator will be in accordance with Royal Commission's requirements. To handle any shutdowns in the Marafiq waste water treatment facilities, SAMAPCO, SAMCO, AL WAHA and SEPC will have a waste water holding basin capable of holding up to 72 hours of waste water from the integrated industrial complexes.

Neutralized water resulting from the CA Plant/U&O Facilities area will be free from any oily organic content and will be discharged to sea water return channel as a variance stream in accordance with Royal Commission's Environmental Regulations.

The waste water treatment scheme must comply with the requirements of the Royal Commission's Environmental Regulation 2004G ("RCER 2004G").

4.7.4. Steam

The steam system has been designed to supply high pressure and low pressure steam for use within the two Joint Ventures as well as the New Projects. Furthermore, the respective capacities have been designed to meet the requirements of each project in various modes of operation. In the event that the propane dehydrogenation plant at AL WAHA operates on a stand-alone basis (i.e., without the polypropylene plant), an auxiliary boiler will be available to provide steam for the polypropylene plant's requirements.

4.7.5. Nitrogen

The National Industrial Gases Company supplies nitrogen gas produced by its plant in Jubail under a 15-year long-term agreement, commencing on 1 May 2007G between Sahara and the National Industrial Gases Company. Communication between both parties takes place on a monthly basis with regard to the requirements of Sahara for the nitrogen supplied on hourly flow rate, which ranges from a maximum of 5000 cubic meters per hour and a minimum of 200 cubic meters per hour.

4.7.6. Location

AL WAHA, SEPC, SAMAPCO, NPG, the U&O Facilities, SAMCO, SAPCO and Butanol are located in Jubail Industrial City, which is the Kingdom's largest dedicated industrial area and is home to a large number of petrochemicals and other integrated industrial complexes. Industries on the site also have access to well-developed port facilities in both the King Fahd Industrial Port in Jubail or the King Abdulaziz Port in Dammam. As well as being used to export product, the King Fahd port is also used to import major equipment during the construction of new plants in the industrial area.

4.7.7. Water Desalination and Distribution

The Saline Water Conversion Corporation pumps approximately 136,000 cubic meters/day of desalinated water to cover most of Jubail's consumption. The Royal Commission desalination plants provide supplementary quantities to meet daily requirements in the industrial city. Actual consumption levels are presently approximately 900 thousand cubic metres per day pumped through a 782 kilometre network, feeding both the residential and the industrial areas.

4.7.8. Environmental

The site on which the projects are being constructed is flat with a number of other major industrial establishments already in the area, most of them being petrochemical plants. The limits for the emission of allowable pollutants in Saudi Arabia are established by the Saudi Meteorology and Environmental Protection Administration although the actual limits for industries in Jubail and the issue of the operating permits are the responsibility of the Royal Commission. The environmental regulations established by the Royal Commission are generally consistent with those of the World Bank and US Environmental Protection Agency ('EPA').

4.7.9. Air Emissions

The Royal Commission has set ambient air quality standards. The standards apply to both ambient air quality and for the specific maximum levels of emissions into the atmosphere. In addition to the normal emissions of the plant, there are further limits related to 'fugitive emissions' or emissions of hydrocarbons that are not expected in the normal course of operation but can occur during unplanned shutdowns for example, through the flare system. The Royal Commission guidelines require that monitoring equipment be installed as well as the establishment of recording systems within the Company's procedures.

Jacobs Consultancy have noted that polyolefin plants generally are among the most environmentally clean petrochemical processes and are relatively small sources of pollution compared to other types of chemical processes. Furthermore, management expects that the SAMAPCO, NPG, SAAC and SAMCO plant designs will be state-of-the-art and will comply with the requirements of RCER 2004G or RCER 2009G (as the case may be) in respect of ambient air quality and fugitive emissions.

4.7.10. Waste Water Effluents

The treatment of waste water prior to its return to the environment is ultimately the responsibility of the Royal Commission but the operators of facilities are required to pre-treat water effluents prior to return to the Royal

Commission. The Royal Commission sets certain limits in respect of the waste water returned by operators as well as requiring that each operator has at least 3 days of storage for its own industrial waste water output. The principal waste water generated by the plant will be process water, storm water, fire water and sea water from the cooling system.

Process water from the respective New Project or Joint Venture's process area will be pre-treated in the process units themselves prior to storage in advance of return to the Royal Commission. Storm and fire water is water that will be collected after having fallen on the ground area of the plant, which may have become contaminated with pollutants that would have collected on the ground of the plant, particularly if the time between rains is lengthy as it is in the Jubail Industrial City region.

Sea water used in the cooling system will not come into direct contact with any hydrocarbon streams and will, subject to meeting temperature differential limits with the prevailing Gulf sea water temperature, be discharged directly back to the sea through the sea water channel constructed by the Royal Commission.

Management plans to ensure that the waste water treatment scheme complies fully with the requirements of Royal Commission's Environmental Regulations 2010G.

4.7.11. Solid and hazardous wastes

The Royal Commission has detailed guidelines for the handling of hazardous waste materials including the required record keeping procedures. Non-hazardous waste is regularly collected and disposed of by the Royal Commission.

AL WAHA's waste material will consist of spent catalysts, alumina, sorbents and molecular sieves, additive and chemical bags and drums while SAMAPCO's waste material will mainly consist of sludge from primary brine treatment, spent resin, used membranes, gaskets and empty chemical bags and drums. Hazardous wastes will be handled in accordance with the Royal Commission's guidelines and be sent to approved disposal sites or recycling centres.

4.7.12. Noise

Royal Commission standards require that the noise level at the fence line of the site should not exceed 75 decibels more than ten percent (10%) of the time. It should be noted that the Royal Commission limit is set for a dedicated industrial area. AL WAHA, SEPC SAMAPCO, NPG and SAMCO integrated industrial complexes will comply with RCER 2004G or with RCER 2009G (if applicable).

4.7.13. Insurance

A comprehensive insurance programme is in place to cover the project during the construction phase. These include:

- *Marine*: covers all risks of physical loss or damage to all property of every kind and description during land, sea or air transit anywhere in the world until unloading at the project site in Jubail Industrial City.
- *Construction*: covers all risks of physical loss or damage to all property of every description forming part of the project.
- *Delay in Start-Up*: covers debt service charges and fixed costs payable in the event of a delay to the start-up date of the project arising due to an incident covered by, and occurring during the period of, the Construction or Marine Cargo policies.
- *Third Party Liability*: indemnifies the insured parties in respect of their legal liability to third parties for death or bodily injury and/or loss or damage to their property arising out of the construction of the plant.

Total estimated value of insurance coverage for Sahara and its subsidiaries amounts to SAR8,331.70 million as of 19 September 2011G.

A new insurance programme will be arranged by the New Projects and Joint Ventures when the projects are completed and operational.

The EPC Contractors (which are Tecnimont and Daelim for AL WAHA, Samsung and Tecnimont for SEPC) are contractually obliged to procure insurances for General Third Party Liability (primary), Workman's Compensation / Employers' Liability, Motor Vehicle and Plant & Equipment including aircraft or watercraft and liabilities arising out of the use thereof.

4.7.14. Trademarks, Permits, Licences and Consents

AL WAHA holds title to the trademark of its logo. The logo is registered under registration number 958/45 and registration class 1 dated 6/5/1428H. It will expire on 5/5/1438H. Sahara has applied to the Trademarks section of the Ministry of Commerce and Industry for the registration of the Sahara logo and has obtained the approval of the

Ministry of Commerce and Industry on publishing the application for registering the trademark and the logo in the official gazette (Um al-Qurra) on 02/06/1428H (corresponding to 17 June 2007G). On 25/08/1432H (corresponding to 25 August 2011G), a new request was submitted to the Ministry of Commerce and Industry to make some adjustments to the Sahara logo, in accordance with the instructions of the Company's management.

Sahara has obtained the industrial licences from the Ministry of Commerce and Industry for AL WAHA and Tasnee has received the same for SEPC. The lease for the sites from the Royal Commission of Jubail and Yanbu and a no objection on the supply of required utilities from Saudi Electricity Company / Marafiq has been received. Sahara has leased a total of 766,959 square meters of land from the Royal Commission, for a rent of SAR766,959 p.a., of which only 403,650 square meters of land is required for AL WAHA and hence Sahara has entered into a sub-lease agreement with AL WAHA for 403,650 square meters for an annual rent of SAR403,650. This enables Sahara to develop certain of the New Projects on the remaining area of the site. Land will be granted to such New Projects through sub-leases from Sahara on the terms similar to those of the sub-lease agreement between Sahara and AL WAHA.

The joint venture project companies are required to have appropriate industrial licences in order for them to engage in the activities permitted under their respective constitutional documents. The following licences are currently in place:

Exhibit 4.28: Licences and Certificates

Entity	Licence/Certificate	Date	Licence Expiry Date	Location	Purpose
Sahara	Industrial Licence No. (515/ص)	16-03-1420H (corresponding to 30 June 1999G)	N/A	Jubail	450,000 tonnes of polypropylene
AL WAHA	SAGIA Industrial Licence No. 121030061745	29-06-1427H (corresponding to 26 July 2006G)	29-06-1433H (corresponding to 21 May 2012G)	Jubail	460,000 tonnes of propylene 450,000 tonnes of polypropylene
SAMAPCO	Industrial Licence No. (ت14320719ص03389)	18-07-1432H (corresponding to 20 June 2011G)	18-07-1433H (corresponding to 08 June 2012G)	Jubail	Ethylene dichloride and caustic soda
SEPC	SAGIA Industrial Licence No. 2/507	26-03-1427H (corresponding to 25 April 2006G)	24-03-1433H (corresponding to 16 February 2012G)	Jubail	1,000,000 tonnes of ethylene 285,000 tonnes of propylene
	SAGIA Industrial Licence No. 2/508	26-03-1427H (corresponding to 25 April 2006G)	24-03-1433H (corresponding to 16 February 2012G)	Jubail	400,000 tonnes of low density polyethylene 400,000 of high density polyethylene

Source: Sahara

Outstanding permits, licences and consents, such as SAGIA and other industrial licences, commercial registrations and environmental licences will be procured during the further development of the projects.

Sahara operates as a holding company; it does not produce or sell any products directly and all products are being produced by the offtakers and under their trade names. Accordingly, Sahara and the Sahara group do not rely heavily on their own trademarks.

4.8. Employees and Saudization

As at 31 August 2011G, Sahara had a total of 170 employees. In line with the Company's policy to develop a skilled Saudi workforce, 85.9% of Sahara's employees were Saudis.

Exhibit 4.29: Breakdown of employees at Sahara by department as at 31 August 2011G

Department	Number of employees		
	2009G	2010G	2011G
Office of the Managing Director	2	2	2
Office of the Executive President	9	10	8
Finance	11	12	5
General Services	11	9	8
Human Resources & Development	12	11	11
Public Relations	4	5	5
Supply Management	10	14	10
Training	4	4	4
Industrial Security, Safety & Environment	68	76	74
IT	11	9	8
Maintenance	58	61	12
Reliability	9	8	1
Technical Services and Engineering[8]	15	16	7
Planning & Development	2	2	2
Projects	12	13	13

Source: Sahara

Out of the total 170 employees of Sahara, 146 were Saudis, resulting in a Saudization level of 85.9%.

Exhibit 4.30: Breakdown of employees at Sahara by nationality as at 31 August 2011G

Nationality	2009G	2010G	2011G
Saudi	195	210	146*
Non-Saudi	41	42	24
Total	258	252	170

Source: Sahara

* *The decline in the number of employees in the Company in 2011G is due to the reorganization of certain divisions within the internal organisational structure of the Company referred to in paragraph 4.5 above.*

The Saudization level at AL WAHA was 67.7% as at 31 August 2011G. The Saudization level at SEPC was 62.2% as at 31 August 2011G. As there are no employees directly employed by any of TSOC, SAAC or SAMCO, the Saudization requirements are not applicable to those entities.

Exhibit 4.31: Breakdown of employees at AL WAHA and SEPC by nationality

Nationality	AL WAHA (31 August 2011G)			SEPC (31August 2011G)		
	2009G	2010G	2011G	2009G	2010G	2011G
Saudi	83	77	145	256	181	293
Non-Saudi	55	42	69	233	190	178
Total	138	119	214	489	371	471

Source: Sahara

8 *This Division is currently being re-organised as part of the internal reorganisation of Sahara's internal structure, which is expected to be completed by November 2011G (see paragraph 4.5.9 above for more information).*

4.9. Related Party Transactions

Other than the transactions described below, there is no, and there is not currently proposed, any transaction or series of similar transactions to which Sahara is or will be a party in which any director, executive officer, holder of five percent or more of any of the Company's Shares or any member of their immediate family had or will have a direct or indirect material interest.

The transactions described below were approved by the procurement department as a result of the normal bidding procedure used for the approval of all significant agreements. These transactions were presented to the Company's General Assembly in accordance with Sahara's internal regulations applied with respect to such agreements. All future related party transactions will be referred to the Audit Committee for their review and approval.

During the last three years, the Company and AL WAHA have transacted with the following parties:

Exhibit 4.32: Related Parties

Party	Relationship
Zamil Group of Companies	Affiliate (significant shareholder)
Rakan Trading	Affiliate
SEPC	Affiliate (indirect ownership stake[3])
Bassell	Affiliate (joint venture partner)

Source: Sahara

The significant transactions and related amounts are as follows:

Exhibit 4.33: Related Party Transactions

Description (SAR '000)	2010G	2009G	2008G
Services received by Sahara	88,800 (Rakan Trading)	-	5,889 (Zamil Group of Companies)
Purchases of raw materials by AL WAHA from SEPC	80,800	52,000	-
Sale of testing products by AL WAHA to Bassell	1,047	117,300	-
Rental of premises by Sahara from Zamil Group Real Estate Ltd	-	1,400	-

Source: Sahara

Rakan Trading is owned by Mohammed A. Al-Sulaim (forty percent (40%)), Saleh M. Al-Sulaim (thirty percent (30%)) and Mohammed K. Al-Sulaim (thirty percent (30%)). Services provided by Rakan Trading included civil works for facilities and other non-plant building, power cable installation, fabrication shop services and building a new fabrication and welding shop.

The services provided by Zamil include the provision of air conditioning services, travel services and accommodation and real estate services.

5. COMPETITIVE ADVANTAGES

The management of Sahara believes that the following factors constitute key strengths and competitive advantages of Sahara, the Existing Projects and the New Projects.

5.1. Feedstock Agreements

AL WAHA and SEPC have entered into long-term supply agreements with Saudi Aramco (the Kingdom's state oil company) for the supply of propane and ethane feedstock. The Company has been able to enter into these agreements and subsequently novate them to each of the project companies as a result of the Saudi Arabian government's policy of promoting the development of the domestic petrochemical industry.

5.2. Lower Cash Cost of Production

AL WAHA and SEPC have been successful in securing agreements with Saudi Aramco whereby long term supply of propane and ethane feedstock will be provided for these projects at a price significantly lower than international prices.

Saudi Aramco supplies propane to AL WAHA's PDH Plant under a 20-year long term agreement commencing on 1 July 2008G at discounted rates in line with the propane international prices. This pricing mechanism is subject to change as of 01 January 2012G by Saudi Aramco and the reduced price for the remaining term of the twenty years will be calculated accordingly. The propane price in June 2011G amounted to US$655.59 (SAR2,458.46) per metric ton.

Saudi Aramco also supplies propane to SEPC under a 20-year long-term agreement, commencing on 1 July 2008G, with a reduction of about 30% less than global rates. The amount of propane supplied by Saudi Aramco is sufficient to run the SEPC integrated industrial complex at its maximum production rate. Saudi Aramco also supplies SEPC with 650,000 tons of ethane annually, under a 20-year long-term supply agreement. Ethane is supplied at a rate specified by the State.

The issues set forth above, coupled with the lower cost of utilities and labour, are expected to result in significantly lower cash costs of production for AL WAHA and SEPC compared to their international competitors.

5.3. Integrated Petrochemical Complexes

Most of the propylene to be used as feedstock by SAMCO and the ethylene required by SAMAPCO, will be sourced as a primary feedstock from the SEPC cracker as well as few quantities of the same feedstock to AL WAHA, assuming that AL WAHA does not need to outsource propylene as it locally produces it at its own industrial facilities. These projects therefore benefit from having complete production lines which will help them sustain their operating levels and financial performance.

In the development of the New Projects, the Company is focusing on further aspects of the "petrochemical value chain". In doing so, Sahara is focusing on realizing reliability of production and economies of scale. This approach should provide the New Projects advantages over competitors who rely completely or very significantly on external resources for more costly feedstock supply.

5.4. Technical Joint Venture Partners

LyondellBasell indirectly owns twenty–five percent (25%) of both AL WAHA and SEPC while Rohm & Haas (Dow) own, and Ma'aden is expected to own, twenty–five percent (25%) and fifty percent (50%) of SAMCO and SAMAPCO respectively.

LyondellBasell is one of the prominent manufacturers and marketers of polyolefins (polypropylene and polyethylene) and advanced polyolefins. It is also one of the prominent developers and licensors of technologies for the production of polyolefins. LyondellBasell has 59 manufacturing sites in 18 countries on five continents, and participates in 16 significant manufacturing joint ventures. The group has a global sales, distribution and marketing network that serves customers in a variety of markets in more than 100 countries. Furthermore, LyondellBasell has approximately 9,600 patents worldwide.

LyondellBasell's proprietary know-how and its assistance and advice on the operation and maintenance of the plants, procurement of equipment and software and training of personnel is expected to be beneficial to the overall development and success of AL WAHA and SEPC.

Similarly, Rohm & Haas (Dow) is a creator and developer of innovative technologies and solutions for the specialty materials industry. The Company's technologies are found in a wide range of industries including: building and construction, electronics and electronic devices, household goods and personal care, packaging and paper, transportation, pharmaceutical and medical, water, food and food related, and industrial process.

Ma'aden operates in the mining industry in Saudi Arabia and has developed a number of projects in the mining industry for the production of gold, aluminium and fertilizers.

5.5. Technology with a Proven Commercial Track Record

Efficient and cost effective technologies have been selected by Sahara and verified by its independent technical consultants for both AL WAHA and SEPC. In respect of AL WAHA, the joint venture partner, Basell Arabie Investissements S.A.S., a subsidiary of LyondellBasell, is one of the prominent polypropylene technology (Spherizone) providers, which is the technology used by the PP Plant. An advantage of using the Spherizone technology is that certain enhanced grades of polypropylene, which are needed for specific applications, cannot be produced using any other technology. The PDH Plant utilises UOP's Oleflex™ technology. At present there are 9 Oleflex™ units in operation worldwide, which is more than twice the number of operating units of the nearest competitor. Similarly, Basell Moyen Orient Investissements SAS, a subsidiary of LyondellBasell provides SEPC with the technology required to produce polyethylene.

5.6. Strong Partners

Sahara participates in the formation of limited liability companies as joint ventures with experienced domestic and international partners who operate within the petrochemicals industry using some of the latest technologies to produce and market various petrochemical products. These joint venture partners are committed to bringing and applying their strategies and strengths to the relevant project company.

5.7. Experienced Management

Sahara, AL WAHA and SEPC are managed by skilled and experienced management teams comprising of local and international staff with strengths and depth across the organization. Key personnel are drawn from diverse professional backgrounds and combine expertise, global experience and local market and petrochemicals plant building knowledge. Members of the management teams have extensive petrochemicals industry experience and long-standing industry relationships that will continue to drive growth and ensure Sahara's continued success.

5.8. Growing Market

Sahara's Existing Projects and New Projects will manufacture a number of different petrochemical products including: polypropylene, high density polyethylene, low density polyethylene, caustic soda, ethylene dichloride, neopentyl glycol, commodity acrylates, superabsorbent polymers and n-butanol.

Global demand for polypropylene stood at around 46.3 million tons in 2010G[9], with an average annual growth rate of 2.9% over the past five years. Historically, polypropylene has witnessed above annual growth rates ranging from 8-10% per annum prior to the economic downturn starting in 2008G due to its versatile properties and relative low cost position compared with other polymers.

Worldwide demand for caustic soda in 2011G is expected to be approximately 64 million metric tons, which represents an increase of about six percent (6%) since the prior year. Caustic soda is used in many industries, mostly as a strong chemical base in the manufacture of pulp and paper, textiles, drinking water, soaps, detergents and as a drain cleaner.[10]

Demand for ethylene dichloride, which is driven primarily by demand for PVC, increased by more than 1.5 million metric tons in 2010G to 57.9 million metric tons versus 2009G.[11]

World consumption of neopentyl polyhydric alcohols is forecast to grow at an average annual rate of 2.5% during 2008G-2013G.[12]

Butyl acrylates and 2-ethylhexyl acrylates together accounted for 4.80%[13] of the global acrylates demand in 2010G while global demand for superabsorbent polymers grew from 851 KT in 1999G to 1,508KT in 2010G.[14]

The regional distribution of demand for n butanol has come to be increasingly dominated by Asia, which currently accounts for around forty–three percent (43%) of consumption, up from thirty–five percent (35%) in 2000G. With strong growth expected to continue into the foreseeable future, driven by its higher level of growth in GDP and manufacturing activity, Jacobs suggest that the region will account for over half of global demand by 2025G. In North America and Western Europe, growth rates are forecast at a little below GDP, or around 2.1% to 2.2% per annum over the long term, and thus will see a declining share of the global market as Asia's position strengthens.[15]

9 Jacobs Consultancy, June 2011G
10 Chemical Market Associates, Inc. September 2011G
11 Chemical Market Associates, Inc. September 2011G
12 Mitsubishi Gas Chemical Company, February 2011G
13 Source: Chemical Market Resources, Inc., September 2011G
14 Source: Chemical Market Resources, Inc., September 2011G
15 Jacobs Consultancy, March 2011G

5.9. High Barriers to Entry

The petrochemicals industry is very capital intensive and requires a significant initial capital outlay. Moreover, Sahara has formed strategic partnerships with a number of technical and manufacturing counterparts including, for example, LyondellBasell and Rohm & Haas (Dow). LyondellBasell is a leading manufacturer and marketer of polypropylene and polyethylene and Rohm & Haas (Dow) is a leading manufacturer of acrylic acid and its derivatives. This allows Sahara to have access to LyondellBasell and Rohm & Haas (Dow)'s global network of representative and sales offices alongside having access to their technical knowledge and know-how.

5.10. Marketing and Off-take Agreements

Under the marketing and off-take agreement with AL WAHA, LyondellBasell will market the majority of AL WAHA's production, up to the full capacity of the plant of 450,000 tonnes per annum. A portion of the volumes may be sold by AL WAHA in the Kingdom with the technical support of LyondellBasell.

Similar marketing and off-take agreements have been reached with SEPC whereby LyondellBasell and Tasnee Petrochemicals (or affiliates thereof) will market all of SEPC's production of high and low density polyethylene. LyondellBasell is one of the prominent manufacturers and marketers of polyolefins and has a global network of joint ventures, representative and sales offices and agents active in over 100 countries while Tasnee Petrochemicals is an experienced marketer of polymers as a result of its existing marketing agreement with Saudi Polyolefins Company for the marketing of polypropylene.

5.11. Geographical Location and Proximity to Markets

The integrated industrial complexes of the Existing Projects and the New Projects will be established in Jubail Industrial City. The area is owned by the government of Saudi Arabia and managed by The Royal Commission of Jubail and Yanbu, which provides services and facilities that specifically cater to the needs of petrochemical and other plants present in the city. These include the following:

- provision of electricity through a 1,716 kilometre network of high, medium and low voltage lines;
- water desalination and distribution facilities;
- sea water cooling network that comprises of 12 kilometres of open canals and 85 kilometres of pipes of variable diameters. These pipes have been designed to allow maintenance work to be carried out without the need for plant shut downs; and
- waste water treatment facilities.

In addition to providing the above significant infrastructural advantages, this location also provides geographical proximity to feedstock as well as strategic position between main export markets to the East and West. Exports are further facilitated by easy access to industrial port facilities and dedicated shipping routes.

5.12. Human Resource Development and Incentives

In order to enhance the skill set of their employees and to prepare new recruits for the future, AL WAHA and SEPC have entered into an agreement with LyondellBasell to assist in the training of their key personnel. The New Projects are also expected to enter into similar arrangements with their respective technology providers.

6. MANAGEMENT AND CORPORATE GOVERNANCE

6.1. Board of Directors and Senior Management of Sahara

6.1.1. Board of Directors of Sahara

Without prejudice to the powers conferred on the Ordinary General Assembly, the Board of Directors of Sahara (the "Board of Directors" or the "Board") is vested with full powers to manage the business of the Company and to take decisions with respect to the participation of the Company in other companies. The Board may, within the limits of its jurisdiction, authorize and delegate one or more of its members or a third party to undertake a specific function or functions.

The Company is managed and its operations are overseen by a Board of Directors comprising eleven (11) directors (each, a "Director", together, the "Directors") which was appointed by the Company's Annual General Assembly held on 9/4/1430H (corresponding to 5/4/2009G) for a three (3) year term renewable for three years thereafter. The current appointment term of the Board expires on 26/6/2012G. The Board of Directors shall meet following invitations from the Chairman pursuant to the Company's By-Laws.

H.E. Engineer Abdulaziz A. Al-Zamil is the current Chairman of the Board (the "Chairman"). Furthermore, the Board has constituted an Executive Committee comprising of the Chairman, the Managing Director and the Executive President (the "Executive Committee") as well as an Audit Committee (the "Audit Committee") and Remuneration and Nomination Committee (the "Remuneration and Nomination Committee") according to the corporate governance rules issued by the Capital Market Authority to assist the Board in managing the affairs of Sahara.

Members of the Board of Directors are shown below:

Exhibit 6.1: Board of Directors of Sahara and their shareholding in Sahara as at 26 September 2011G

Name	Title	Number of Shares owned directly	Number of Shares owned by relatives and affiliated entities	Total Number of shares
H.E. Engineer Abdulaziz Abdullah Al-Zamil	Chairman	1,101,000	1,573,928	2,647,928
Eng. Esam Fouad Himdy	Managing Director	40,000	-	40,000
Dr. Abdulrahman Abdullah Al-Zamil	Member	1,501,000	1,573,928	3,074,928
Satam A. Al-Harbi	Member	–	11,701,200	11,701,200
Jabr Abdulrahman Al-Jabr	Member	–	14,082,883	14,082,883
Rashid Saif Al-Ghurair	Member	–	7,813,128	7,813,128
Sultan Khalid Bin Mahfouz	Member	6,821,535	–	6,821,535
Khaled A.Al-Abdullatif	Member	200,000	5,850,600	6,050,600
Saeed Omer Qasim Al Esayi	Member	11,155,748	1,209,100	12,364,848
Abdulrahman Hayel Saeed	Member	–	8,688,141	8,688,141
Tariq Mutlaq Al-Mutlaq	Member	–	1,664,248	1,664,248

Source: Sahara

Exhibit 6.2: Shareholdings of the entities represented by the Directors as of 31 December 2010G

Represented entity	Name of Representative	Title	Status	Direct Ownership (%)	Indirect Ownership (%)	Total Ownership (%)
Zamil Holding Company Group	H.E. Engineer Abdulaziz Abdullah Al-Zamil	Chairman	Non-Executive	7.9123	–	7.9123
Zamil Holding Company Group	Dr. Abdulrahman Abdullah Al-Zamil	Member	Non-Executive	7.9123	–	7.9123
General Organization for Social Insurance	Satam A. Al-Harbi	Member	Independent	4.0000	–	4.0000
General Retirement Organization	Jabr Abdulrahman Al-Jabr	Member	Independent	4.0000	–	4.0000
Al-Jazeera Petrochemical Company LLC	Rashid Saif Al-Ghurair	Member	Independent	2.8843	–	2.8843
Sultan Khalid Bin Mahfouz	Sultan Khalid Bin Mahfouz	Member	Independent	2.3319	–	2.3319
Ministry of Islamic Affairs	Khaled A.Al-Abdullatif	Member	Independent	3.1964	–	3.1964
Saeed Omer Qasim Al Esayi	Saeed Omer Qasim Al Esayi	Member	Independent	3.5923	–	3.5923
Frimex Investment LLC	Abdulrahman Hayel Saeed	Member	Independent	3.0033	–	3.0033
Al-Mutlaq Group	Tariq Mutlaq Al-Mutlaq	Member	Non-Executive	0.5622	–	0.5622

Source: Sahara

Profiles of the Board of Directors are given below:

Exhibit 6.3: Profiles of the Directors

H.E. Engineer Abdulaziz Abdullah Al-Zamil, 65	Chairman
Education	Engineer Al-Zamil received his Masters degree in Industrial Engineering from University of Southern California, U.S.A. in 1968 and a Bachelors degree in Industrial Engineering from the same university in 1967.
Work Experience	Engineer Al-Zamil has served as Chairman of Sahara since 2004G. Prior to that, he was the Saudi Arabian Minister of Industry and Electricity from 1983G to 1995G, Vice Chairman of Saudi Basic Industries Corporation from 1976G to 1983G and Deputy Director General of Saudi Consulting House from 1968G to 1976G.
Other Positions	Engineer Al-Zamil is also the Chairman of Al-Inma Bank (May 2008G – present), Chairman of the Board of Industrial Sector within Zamil Holding Company Group (1996G – present) and Chairman of Saudi International Petrochemical Company (1999G – present).
ID No.	Saudi ID No. 1038093611
Address	P.O. Box 251, Riyadh 11411, Saudi Arabia

Eng. Esam Fouad Himdy, 53	Managing Director
Education	Engineer Himdy graduated with a B.Sc. degree in Chemical Engineering from King Fahd University of Petroleum and Minerals in Saudi Arabia in 1978G.
Work Experience	Engineer Himdy was appointed as Managing Director of Sahara in 2009G. He has 30 years of experience in Saudi Arabian petrochemical industry. He was responsible for the planning, development and formation of Sahara from 2001G to 2004G and subsequently became Executive President of Sahara from 2004G to 2009G. Prior to that, he served as the President of the Butene Diol Project at Saudi International Petrochemical Company from 2000G to 2001G and President of Gulf Stabilizers Industries Company from 1998G to 2000G. Before that, he worked at Al-Jubail Petrochemical Company from 1978G to 1998G starting as a Finishing Contact Engineer (1978G – 1982G) followed by positions of Operations Superintendent (1982G – 1984G), Operations Manager (1984G – 1988G), Maintenance Manager (1988G – 1989G), Director of Manufacturing Division (1989G – 1994G) and Director of Technical Division (1994G – 1998G).
ID No.	Saudi ID No. 1019192770
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Dr. Abdulrahman Abdullah Al Zamil, 64	Director
Education	Dr. Al-Zamil was awarded a PhD in International Relations from University of Southern California in U.S.A. in 1972G and a Bachelor of Law from University of Cairo in Egypt in 1964G.
Work Experience	Since 1996G, Dr. Al-Zamil has served as Chairman of Al-Zamil Group Holding Company. From 1980G to 1995G, he served as Chairman of Al-Zamil Industrial Investment Company. Prior to that, he was Saudi Arabia's Deputy Minister of Commerce from 1977G to 1980G, Deputy Mayor of the General Organization of Electricity from 1973G to 1977G.
Other Positions	Dr. Al-Zamil is the Director of (i) Saudi National Company for Maritime Transport and (ii) General Organization for Technical Education and Vocational Training. He is also the President of Saudi Export Development Center (since 2000G) and member of (i) the Saudi Consultative Assembly (Majlis Al-Shora), (ii) Saudi Committee for World Trade Development, (iii) Islamic Organization Consulting Committee for Investment Provision and Export Credit and (iv) Consulting Committee at the Ministry of Labour.
ID No.	Saudi ID No. 1004801872
Address	P.O. Box 251, Riyadh 11411, Saudi Arabia

Satam A. Al-Harbi, 33	Director
Education	Mr. Al-Harbi graduated with a B.A. in Law from King Saud University 2001G and received an M.D. in Law from Case Western Reserve University, USA in 2006G.
Work Experience	He was appointed as Acting General Manager Public administration for follow-up at General Organization for Social Insurance in Saudi Arabia in May 2009G. Prior to that he worked as a legal advisor in the same organisation for 4 years from 2005G to 2009G. Prior to that he served in the organisation's Legal Research team since 2001G.

Satam A. Al-Harbi, 33	Director
ID No.	Saudi ID No. 1009549567
Address	P.O. Box 2963, Riyadh 11461, Saudi Arabia

Jabr Abdul Rahman Al-Jabr, 46	Director
Education	Mr. Al-Jabr graduated with a B.A. degree in Informatics from King Abdulaziz University in Saudi Arabia in 1986G.
Work Experience	Since 2005G, Mr. Al-Jabr has served as senior legal consultant at the Saudi Public Pension Agency. Prior to that he worked at the Saudi Public Pension Agency as a legal consultant from 1990G to 2005G and as a legal advisor from 1986G to 1990G.
ID No.	Saudi ID No. 1005335987
Address	P.O. Box 18346, Riyadh 11168, Saudi Arabia

Rashid Saif Al-Ghurair, 34	Director
Education	Mr. Al-Ghurair graduated with a B.A. degree in Information Systems Management from Boston University in U.S.A. in 1998G.
Work Experience	Mr. Al-Ghurair has served as Managing Director of Al-Jazeera Petrochemical Company LLC since 2004G and as Director of Al-Ghurair Group since 1999G.
Other Positions	Mr. Al-Ghurair is also the Director of Dubai Polyfilm Company in U.A.E (1999G – present).
ID No.	Emirates ID No. E 1812221
Address	P.O. Box 1, Dubai, U.A.E

Sultan Khalid Bin Mahfouz, 38	Director
Education	Mr. Bin Mahfouz graduated with a B.A. degree in Informatics from King Abdulaziz University in Saudi Arabia in 1996G.
Work Experience	Mr. Bin Mahfouz has served as Vice Chairman of Al-Murjan Group since 1997G.
Other Positions	Mr. Bin Mahfouz is also the Director of Gulf Hygiene Industries, Al-Zamil Industrial Investment Company (1998G – present) and the Red Sea Insurance Company.
ID No.	Saudi ID No. 1000215754
Address	P.O. Box 52558, Jeddah 21573, Saudi Arabia

Khalid A. Al-Abdullatif, 48	Director
Education	Mr. Khalid Al-Abdullatif completed his B.A. in Islamic Economics from the King Abdulaziz University in 1985G. He subsequently received his Master's degree in Economics from the University of Western Illinois, USA in 1992G.
Work Experience	Mr. Khalid Al-Abdullatif served as Economic Specialist in the Public Investments Fund between 1985G and 1993G. Between 1993G and 1999G, he served as Director of the Commission of Economy and Finance at the Shura Council. Since 1999G, he has been the Director-General of Investment at the Ministry of Islamic Affairs and Awqaf.
ID No.	Saudi ID No. 1013867153

Khalid A. Al-Abdullatif, 48	Director
Address	Ministry of Islamic Affairs, Directorate General for Investment, Old Airport Road, Riyadh, Kingdom of Saudi Arabia

Saeed Omar Qasim Al-Esayi, 45	Director
Education	Mr. Al-Esayi graduated with a Bachelors degree in Industrial Engineering from University of Miami in U.S.A. in 1980G.
Work Experience	Mr. Al-Esayi has served as General Manager of Al-Esayi Motors since 1993G and as General Manger of Motor Vehicle Periodic Inspection since 1980G.
ID No.	Saudi ID No. 1001975679
Address	P.O. Box 1342, Jeddah 21431, Saudi Arabia

Abdulrahman Hayel Saeed, 62	Director
Education	Mr. Saeed graduated with a B.A. in Economics & Political Science, from American University in Cairo, Egypt in 1968G.
Work Experience	Mr. Saeed has served as Chairman of Fermix Commercial Company since 1984G and as a member of the Board of Directors of Hayel Saeed Anum and Company since 1968G.
Other Positions	In Saudi Arabia, Mr. Saeed has been on the Boards of Omar Kassem Al-Esayi Marketing Company since April 1984G, National Biscuits and Confectionery Company since December 1987G, United Carton Industries Company since September 1988G, National Food Industries Company July 1989G, Al-Tawfiq Company for Plastic and Woven Bags Industries since December 1991G, United Feed Company since June 1985G, United Warehouse Company since July 2006G and Swicorp Joussour Company since July 2007G. In Egypt, he has been on the Board of Egyptian Propylene and Polypropylene Company since November 2004G.
ID No.	Emirates ID No. E 1306852
Address	P.O. Box 4379, Dubai, U.A.E

Tariq Mutlaq Al Mutlaq, 46	Director
Education	Mr. Al-Mutlaq graduated with a Bachelors degree in International Business Administration from the American University of Washington in U.S.A. in 1986G.
Work Experience	Mr. Al-Mutlaq has served Al-Mutlaq Group as Vice President of Investments since 2002G. Before that, he was the Regional General Manager of NAPCO Group of Companies from 1996G to 2002G while also being responsible for the business development of its Al-Mutlaq Group's real estate arm during that period. Prior to that, Mr. Al-Mutlaq served as General Manager of Al-Mutlaq Furniture from 1994G to 1996G.
Other Positions	Mr. Al-Mutlaq has been on the Boards of Al-Mutlaq Group since 2002G, NAPCO Group of Companies since 2000G, National Instalments Company since 2002G, National Finance House since 2007G and Arabian Insurance Company since 2007G. He is also the Chairman of Sorouh International for Real Estate Development since 2006G and the President of Al-Mutlaq Real Estate Investment since 2006G.
ID No.	Saudi ID No. 1022215147
Address	P.O. Box 231, Riyadh 1143, Saudi Arabia

Hammad Al-Shammary, 53	Secretary of the Board of Directors
Education	Received extended training following completion of high school with Exxon Mobil in the United States from 1981G until 1984G.
Work Experience	Before joining Sahara in 2004G, Mr. Hammad Al-Shammary worked as a General Manager of Gulf Stabilizers Industries from 2000G until 2004G. Prior to that, Mr. Al-Shammary worked for 16 years at Jubail Petrochemical Company (Kemya), during which time he held numerous positions, including Administration Manager (1999G-2000G), Projects Coordination Manager (1999G), Maintenance Manager (1997G-1998G), Operations Manager (1993G-1997G), Risk Management Manager (1991G-1993G), Laboratory Operation Manager (1988G-1991G, and as a supervisor (1984G-1988G).
Other Positions	Mr. Hammad Al-Shammary is a member of SAMAPCO Board of Directors.
ID No.	1015349846
Address	P.O. Box 11166 Jubail 31961, Kingdom of Saudi Arabia

Source: Sahara

6.1.2. Senior Management of Sahara

The Company's senior management team (the "Senior Management") consists of a combination of experienced Saudi and other nationals, combining local and international academic qualifications and working experience of the petrochemicals industry to successfully operate and compete locally and internationally.

The Company's overall leadership and vision is entrusted to both its Managing Director, Mr. Esam Himdy, and Executive President, Mr. Saleh Bahamdan. Mr. Himdy's role is to ensure that the performance of the Company is in-line with the objectives of the shareholders while Mr. Bahamdan is responsible for running the Company on a day-to-day basis.

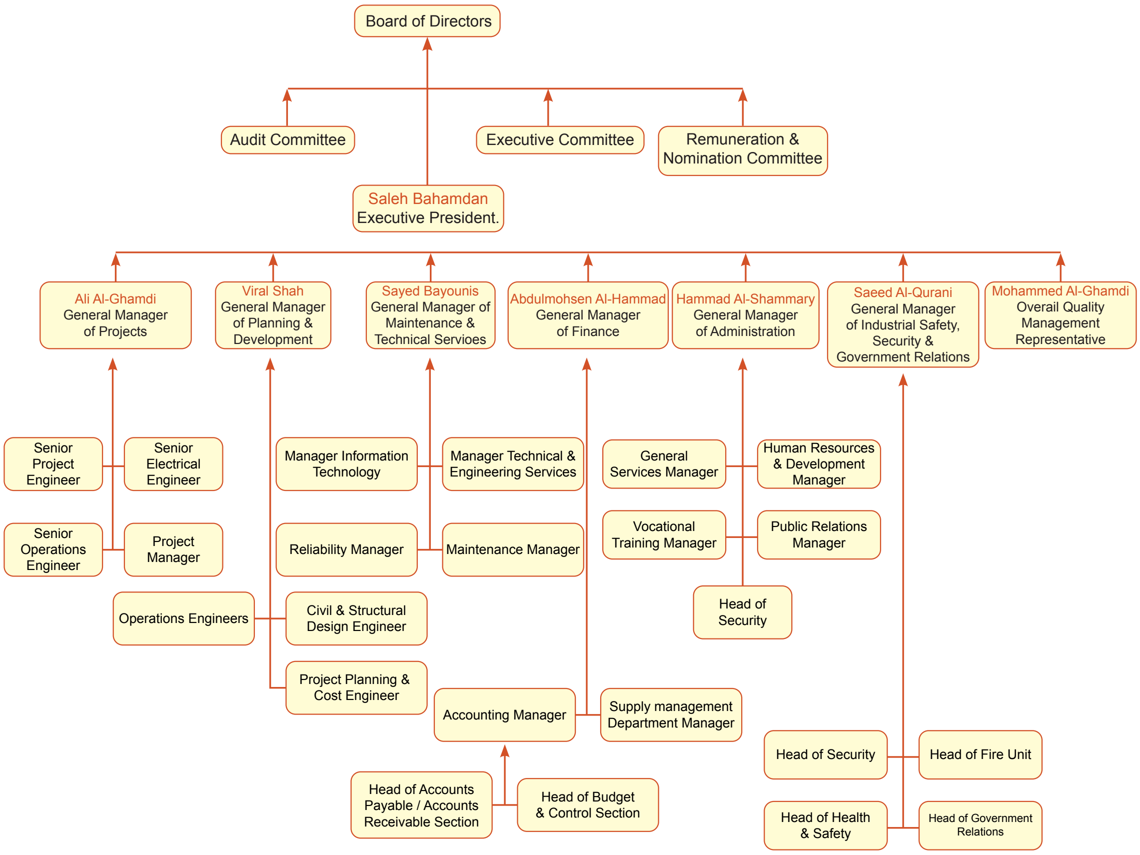
The members of the senior management team and their ownership in Sahara are shown below.

Exhibit 6.4: Senior Management of Sahara and their shareholding in Sahara as at 31 December 2010G

Name	Title	Number of Shares owned directly	Number of Shares owned by relatives and affiliated entities	Percentage of Sahara's share capital	Nationality
Saleh Bahamdan	Executive President	16,000	–	0.0054	Saudi
Viral Shah	GM, Planning and Development	8,892	–	0.003	Indian
Hammad Al-Shammary	GM, Administration	–	–	–	Saudi
Rushdi Al-Dulaijan	GM, Finance	–	–	–	Saudi
Ali Al-Ghamdi	GM, Projects	10,239	–	0.0034	Saudi

Source: Sahara

Exhibit 6.5: Sahara's Organisational Structure as at 31 August 2011G



Profiles of the senior management of Sahara are given below:

Exhibit 6.6: Profiles of the senior management of Sahara

Saleh Bahamdan, 58	**Executive President**
Education	Mr. Bahamdan received his M.Sc. in Electrical Engineering from California State University, U.S.A in 1983G, and a B.Sc. in Electrical Engineering from the University of Evansville, Indiana, U.S.A in 1980G.
Work Experience	Mr. Bahamdan was appointed as Executive President of Sahara in 2009G. From 2006G till 2009G, he was the President of AL WAHA Petrochemical Co. During the period from 2005G to 2006G he had been working as VP Technical & Planning at Sahara Petrochemicals Co. Mr. Bahamdan had also been working as Engineering & Project Management Manager with SABIC during the period from 2001G to 2005G. He had been working for Al-Jubail Petrochemical (KEMYA) as Process Control Manager from 1997G to 2000G and in the Instrument & Electrical Engineering function from 1983G to 1997G.
ID No.	Saudi ID No. 1010621033
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Viral Shah, 49	**General Manager, Planning and Development**
Education	Mr. Shah graduated with a B.Sc. degree in Chemical Engineering from Gujarat University in India in 1984G, Post Graduate Diploma in Marketing and Sales in 1985G, Bachelors of Law degree in 1987G and an MBA from S. Gujarat University in 1993G.
Work Experience	Mr. Shah has 26 years of experience in the development and operation of petrochemicals and fertilizer projects. Prior to joining Sahara in 2004G, Mr. Shah was Lead Process Engineer at Al-Zamil Group of Companies from 2002G to 2004G and Lead Process Engineer at Saudi European Petrochemical Company from 1996G to 2001G and Senior Manager at Reliance Industries in India from 1990G to 1996G.
ID No.	Saudi ID No. 2119770481
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Hammad Al-Shammary, 52	**General Manager, Administration**
Education	After graduating from high school, Mr. Al-Shammary attended a training course from 1981G to 1984G at Exxon Mobil in U.S.A.
Work Experience	Prior to joining Sahara in 2004G, Mr. Al-Shammary was General Manager of Gulf Stabilizers Industries from 2000G to 2004G. Before that, he worked for 16 years at Al-Jubail Petrochemical Company (Kemya) in different capacities that included the following: General Department Manager (1999G – 2000G), Project Operations Coordination Manager (1999G), Maintenance Manager (1997G – 1998G), Operations Manager (1993G – 1997G), Risk Management Manager (1991G – 1993G), Laboratory Operations Manger (1988G – 1991G) and Superintendent (1984G – 1988G).
ID No.	Saudi ID No. 1015349846
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Rushdi Khaled Al-Dulaijan, 41	Finance Manager
Education	Mr. Al-Dulaijan graduated with a B.S. degree in Accounting from King Fahd University of Petroleum and Minerals in Saudi Arabia in 1995G.
Work Experience	Mr. Al-Dulaijan has 16 years of experience in finance and accounting. Prior to joining Sahara in 2011G, Mr. Al-Dulaijan was Finance Regulations Manager at Saudi Electricity Company from 2004G to 2011G. Before that he held numerous positions at the same company from 1995G to 2004G.
ID No.	Saudi ID No. 1006111684
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Ali Al-Ghamdi, 56	General Manager, Projects
Education	Mr. Al-Ghamdi graduated with a B.S. degree in Chemical Engineering from King Fahd University of Petroleum and Minerals in Saudi Arabia in 1977G.
Work Experience	Mr. Al-Ghamdi has 33 years of experience in the petrochemicals industry. Prior to joining Sahara in 2008G, Mr. Al-Ghamdi worked at Al-Zamil Group Holding Company as General Manager, Corporate Business Development from 2005G to 2008G. Before that he worked with Saudi Methanol Company from 1977G to 2004G. He started as a Chemical Engineer (1977G – 1980G) and then held positions of Supervisor of Process and Utility functions (1980G – 1986G), Operations Superintendent (1986G – 1989G), Project Manager (1989G – 1992G), General Manager, Technical Affairs (1992G – 1998G) and Vice President, Finance and Administration (1998G – 2004G).
ID No.	Saudi ID No. 1010954921
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Source: Sahara

6.1.3. Declarations in respect of the Directors and Senior Management

The Chairman, Directors, Executive President, General Manager, Finance, Board of Directors' Secretary and the Senior Management team declare that:

- they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- they, except as disclosed in Exhibits 1.1 and 1.4 of this prospectus, did not themselves, nor did any of their relatives or affiliated entities, have direct or indirect interests in the shares or debt instruments of the Company;
- they did not themselves, nor did any of their relatives or affiliated entities, have any material interest in any current or prospective contract or arrangement in effect or contemplated at the time of the Prospectus, which is significant in relation to the business of the Company; and
- According to the Company's bylaws, which stipulate that the provisions of the Saudi Companies Regulations apply for matters that are not set out in the Company's bylaws, a member of the Board of Directors shall have no interest, directly or indirectly, in the business and contracts undertaken for the Company, unless through an authorisation by the Ordinary General Assembly to be determined annually, with the exception of public tenders if the member of the Board of Directors is the bidder with the best offer. The Company also shall not provide a cash loan of any kind to the members of the Board or to guarantee any loan held by any of them with third parties.

6.1.4. Remunerations of Board Members and Senior Management

The Managing Director and the Executive Managers have entered into fixed-term contracts with the Company. These contracts are renewable every year and set out the terms of their services and their remuneration. Saleh Bahamdan entered into his contract with Sahara on 13 May 2004G. Hammad Al-Shammary entered into his contract with Sahara on April 01, 2000G, Viral Shah on 01 January, 2002G, Rushdi Khaled Al-Dulaijan on 13 August 2001G and Ali Ghamdi on June 1, 2008G. Conditions under which Sahara can terminate their employment contracts include:

1. Completion of the specified term contract.
2. Resignation during or after the probationary period.
3. Termination during the probationary period.
4. Termination as per Article 83 of the Labour Law.
5. Termination after completion of the assigned work.
6. Termination for unsatisfactory performance.
7. Termination at government request or failure to obtain/retain the necessary visa and permit.
8. Disability.
9. Normal retirement as per GOSI law and Sahara's internal policies.
10. Death of an employee.

The remunerations of the Managing Director and Executive Managers include basic salaries, housing, education, bonuses, travel expenses, attendance fees and other benefits.

- The aggregate compensation paid or awarded to the Company's directors and senior management amounted to SAR6,526,819.28 in 2009G, SAR7,163,071.88 in 2010G and SAR4,284,763.50 from January to June 2011G inclusive. The compensation is inclusive of various benefits including basic salaries, housing, education, bonuses, travel expenses, attendance fees and other benefits.
- No commissions, discounts, brokerages, or any other non-cash compensation were granted during the last two years immediately preceding the application for listing in connection with the issue or sale of any Company securities to any director, proposed director, senior executive, promoter or experts.

6.2. Corporate Governance

The Company has undertaken a full corporate governance review with a view to ensuring that the Company's corporate governance guidelines meet the highest corporate governance standards. Management of the Company has confirmed that Sahara complies with all the applicable articles of CMA's Corporate Governance Regulations, which include Article 9, paragraphs (c)and (e) of Article 12, Article 14 and Article 15. A fine of fifty thousand Saudi Riyals (SAR50,000) was imposed by the CMA on the Company on 25 September 2011G for violating paragraph (a) of Article 9 of the Corporate Governance Regulations. The reason for such violation is that the Board of Directors report, appended to the annual financial statements for the fiscal year 2010G, did not include details of the implemented provisions of the Corporate Governance Regulations as well as the provisions which have not been implemented, and the reasons for not implementing them. The Company is working on improving and developing the Board of Directors report to meet the requirements and standards of the CMA.

The Company has established a professionally staffed internal audit function, which will undertake independent reviews across the enterprise. The Company's external auditors provide four quarterly reviews in addition to the annual reports to the Company together with an annual management letter, and do not provide other incompatible services.

The following is a summary of Sahara's corporate governance framework:

Shareholders' General Assembly: Shareholders are kept informed of all major developments within the Company through extensive interaction, provision of an annual financial performance report, and promoting the participation of non-institutional Shareholders in the Company's Annual General Assembly.

Board of Directors: The Board of Directors is ultimately responsible for running the Company, to provide effective leadership and maintain a sound system of internal controls to safeguard the interests of the shareholders of the Company.

Independent / Non-Executive Directors: Eight independent non-executive directors were appointed by the Annual General Assembly held on 9/4/1430H (corresponding to 5/4/2009G). The goal is to provide objectivity and balance to the Board of Directors' decision making process. Independent director means a member of the Board of Directors who is fully independent. Situations in conflict with independency include, but are not limited to, the following:

- having a controlling interest in the company or any of its affiliates or subsidiaries;
- having been in the last two years a senior executive in the company or any of its affiliates or subsidiaries;
- having a first degree relative as a director of the company or any of its affiliates or subsidiaries;
- having a first degree relative as a senior executive of the company or any of its affiliates or subsidiaries;
- being a board director at any company within the group of the same company at which he is proposed to become a board member; and
- having been an employee in the last two years of any of the Company's related parties or any company of the same group, such as the Company's auditors or a major supplier, or having a controlling interest at any of such

related parties in the last two years.

A non-executive Director is a member of the Board of Directors who is not fully dedicated to the management of the company and does not receive a monthly or annual salary from the company.

Chairman and Executive President: Clear guidelines are provided as to the responsibility sharing between the Chairman of the Board of Directors and the Executive President of the Company, in order to ensure a balanced power-sharing and authority.

Presentation of Financial and Other Information: The Board of Directors is responsible for presenting to the Shareholders a true and fair picture of the Company's financial performance. Additionally, there are mechanisms in place to ensure that the Board of Directors receive the relevant information in a timely fashion, to enable it to effectively fulfil its obligations.

The Board has constituted a number of committees to supervise key areas of the business as follows:

6.2.1. Executive Committee

The Executive Committee comprises three members: H.E. Engineer Abdulaziz Abdullah Al-Zamil (Chairman), Eng. Esam Fouad Himdy (Managing Director) and Saleh Bahamdan (Executive President). The Committee is in charge of the day-to-day management of the Company's business and has the responsibility to provide recommendations to the Board of Directors on various issues such as strategic planning and senior management appointments. The Executive Committee has been delegated all powers of the Board of Directors that may be delegated to such a Committee in accordance with the Company's By-Laws and applicable law, provided that the Executive Committee's exercise of such delegated powers is required to conform to any decisions that may be imposed on it by the Board of Directors. The Executive Committee is also delegated certain executive authorities of the Board of Directors such as executing investment policy, monitoring the performance of the Company's operations and approving major purchases and sales of assets.

Profiles of the Executive Committee members are given below:

- H.E. Engineer Abdulaziz Abdullah Al-Zamil, (see Exhibit 6.3);
- Eng. Esam Fouad Himdy, (see Exhibit 6.3); and
- Saleh Bahamdan, (see Exhibit 6.6).

6.2.2. The Audit Committee

In addition to the Executive Committee, the Company has an Audit Committee. The Audit Committee comprises of three members: Tariq Mutlaq Al-Mutlaq (Chairman of the Committee), Sattam A. Al-Harbi and Ajlan Abulrahman Al-Ajlan (committee members). Mr. Rushdi Khaled Al-Dulaijan (Finance Manager) was nominated as secretary to the Audit Committee. Mr. Al-Mutlaq and Mr. Al-Ajlan both have expertise in accounting and financial matters.

The Audit Committee's charter is reviewed annually by the Board of Directors following a recommendation by the Audit Committee. The Audit Committee is responsible, among other things, for:

- supervising the Company's internal audit department in order to ascertain effectiveness of performance of the functions and tasks assigned to it by the Board of Directors;
- reviewing and approving the pricing and terms of all related party agreements;
- studying the internal audit system and preparing a written report including its opinion and recommendations on the same;
- studying the internal audit reports and determining corrective actions in respect of the remarks contained therein;
- submitting recommendations to the Board of Directors in respect of the appointment and removal of auditors and determining their fees. Independency of auditors should be ensured before appointment;
- following up on the auditors' activities and approving any non-audit work that may be assigned to them while doing auditing works;
- studying the audit review plan with the external auditor and giving remarks on the same;
- studying the remarks of the external auditor on the financial statements and following up the actions taken in respect thereof;
- studying the interim and annual financial statements before submission to the board and giving opinions and recommendations in respect of the same; and
- studying the accounting policies used and giving opinions and recommendations to the board of directors in respect of the same.

The profiles for Tariq Mutlaq Al-Mutlaq and Sattam A. Al-Harbi are given in Exhibit 6.3. The profile for Ajlan Abulrahman Al-Ajlan is given below.

Exhibit 6.7: Profiles of the remaining member of the Audit Committee

Ajlan Abdul Rahman Al-Ajlan, 46	
Education	Mr. Al-Ajlan graduated with a B.Sc. degree in Industrial Management from Central Washington University in U.S.A in 1987G.
Work Experience	Mr. Al-Ajlan has served as a Manager at Al-Zamil Industrial Investments Company since 1998G. Prior to that, he was a Manager at Zamil Holding Company Group from 1993G to 1998G and Sales Manager at Al-Zamil Glass from 1990G to 1993G.
Other Positions	Mr. Al-Ajlan is the Director of Saudi Lamino and Indian Cooperative Insurance Company in Saudi Arabia.

Source: Sahara

6.2.3. Remuneration and Nomination Committee

The Remuneration and Nomination Committee operates in accordance with the charter approved by the Board of Directors and the corporate governance rules issued by the CMA. It comprises four members: H.E. Engineer Abdulaziz Abdullah Al-Zamil (Chairman of the Committee), Eng. Esam Fouad Himdy, Jabr Abdul Rahman Al-Jabr and Rashid Saif Al-Ghurair. They are assisted by Hammad Al-Shammary (General Manager, Administration) who acts as secretary to the Remuneration and Nomination Committee.

Fahad Abdullah Al-Zamil, Abdulrahman Mohammed Al-Rawaf and Dr. Saad Hamdi El-Zaeem.

The Remuneration and Nomination Committee's charter is reviewed annually by the Board of Directors following a recommendation by the Committee. The Remuneration and Nomination Committee is responsible, among other things, for:

- monitoring and recommending the level, and structure, of all direct and indirect remuneration of the Company's directors and senior management;
- monitoring and recommending awards under any deferred compensation plans and any incentive share plans implemented by the Company;
- developing a formal and transparent policy for fixing the remuneration packages of directors; and
- approving and evaluating the compensation plans, policies, and programs of the Company.

The profiles for H.E. Engineer Abdulaziz Abdullah Al-Zamil, Eng. Esam Fouad Himdy, Jabr Abdul Rahman Al-Jabr and Rashid Saif Al-Ghurair are given in Exhibit 6.3.

6.3. Board of directors and senior management of AL WAHA and SEPC

6.3.1. Board of directors of AL WAHA

Profiles of the board of directors of AL WAHA are:

- Eng. Esam Fouad Himdy, (see Exhibit 6.3);
- Jabr Abdulrahman Al-Jabr, (see Exhibit 6.3);
- Tariq Mutlaq Al-Mutlaq, (see Exhibit 6.3); and
- Saleh Bahamdan, (see Exhibit 6.6),

whereas the profiles for the remaining members of the board of directors of AL WAHA are given below.

Exhibit 6.8: Profiles of the remaining members of the board of directors of AL WAHA

Bhavesh Vaghjibhai Patel, 44	Director
Education	Mr. Patel holds a Bachelor of Science degree in chemical engineering from Ohio State University. He also holds a Master's in Business Administration from Temple University.
Work Experience	Mr Patel is the Senior Vice President, Olefins & Polyolefins – Europe, Asia and International for LyondellBasell, one of the world's largest olefins, polyolefins, chemicals and refining companies. He is responsible for leading LyondellBasell's Base Chemicals, Polyethylene and Polypropylene businesses in Europe, Asia and internationally, global compounding business and global licensing and catalyst sales. Mr Patel joined LyondellBasell in March 2010G. Prior to joining LyondellBasell, Mr Patel was general manager, Olefins and NGLs for Chevron Phillips Chemical Company where he was responsible for all aspects of one of the company's largest business lines including strategic planning, feedstock procurement, base chemicals marketing and pipeline system management. Mr Patel has also served as Chevron Phillips Chemical Company's general manager for the Asia Pacific region, based in Singapore, where he led all of the company's activities in the region including joint ventures, manufacturing and marketing. After joining Chevron Phillips Chemical and Chevron Chemical Company in 1990G, Mr Patel held a number of manufacturing, marketing, strategic planning, business management and general management positions. Patel played a significant role in the integration of the Chevron Phillips joint venture upon its formation in July 2000G. He also was a member of the core team that negotiated and concluded the Americas Styrenics joint venture involving the styrene and polystyrene assets of Chevron Phillips Chemical and The Dow Chemical Company in The Americas.
ID No.	USA passport number 136075985
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

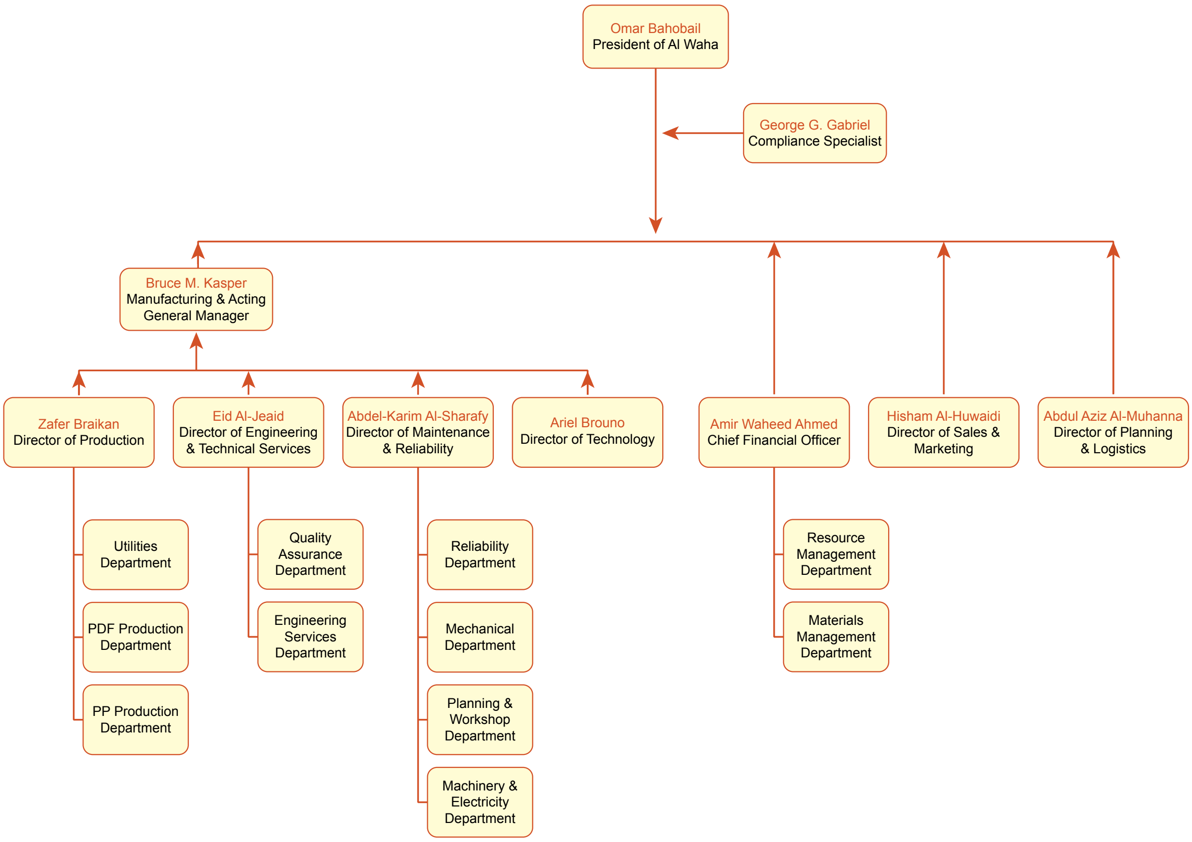
Source: Sahara

Ritsaart Blaisse, 57	Director
Education	Mr Blaisse received an MBA from the Universiteit van Amsterdam in 1979G and a degree in Economics/business from the same university.
Work Experience	Mr Blaisse is currently Vice President International at LyondellBasell and Vice President Joint Ventures at LyondellBasell Industries, NV. Previously, Mr Blaisse was Vice President Finance at Basell-Montell, a supervisory board member at Polibrasil Resinas (now Suzano Petroquímica), a board member at Polibrasil and Finance Manager at Koningklijke Shell Laboratorium Amsterdam.
ID No.	Netherlands passport number BCL16F693
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Source: Sahara

6.3.2. Senior management of AL WAHA

Exhibit 6.9: AL WAHA overall organisational structure as at 31 August 2011G



The profiles of the senior management of AL WAHA are shown below:

Exhibit 6.10: Profiles of the senior management team of AL WAHA

Omar Bahobail, 44	President
Education	Mr. Bahobail was awarded B.Sc. degree in Mechanical Engineering by KFUPM, Dhahran in 1991G.
Work Experience	He was appointed as President of AL WAHA in 2009G. Prior to joining Sahara in 2004G and shortly thereafter AL WAHA as General Manager, Manufacturing, Mr Bahobail had spent 13 years from 1991G to 2004G with Ibn Zahr mainly in managerial maintenance and production positions, most recently as the Production Manager for the polypropylene plant. During his three years in this position he had overall management responsibility for all aspects of the plant operations including non-process activities such as packaging and shipping.
ID No.	Saudi ID No. 1029227657
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Amir Waheed Ahmed, 46	Chief Financial Officer & Company Secretary
Education	Mr Amir undertook Chartered Accountancy at the Institute of Chartered Accountants in Pakistan ("ICAP") in 1992G and became a Fellow member of ICAP from 2003G. He graduated with a Bachelor's degree in Commerce from Karachi University, Karachi, Pakistan in 1985G.
Work Experience	Mr Amir is currently Chief Financial Officer & Company Secretary of Al-Waha. Previously, Mr Amir was Chief Financial Officer, General Manager Corporate Services and Company Secretary of Byco Petroleum Pakistan Limited. Mr Amir has almost 20 years post qualification experience mainly in oil refining, petrochemicals, oil marketing and infrastructure development companies. He also has experience in managing corporate functions, including corporate secretariat, IT, finance and treasury. He has achieved the status of Certified Director, accredited from Risk Metrics Group, USA. Previously, Mr Amir has held positions in ICI Pakistan Limited (ICIP), Pakistan PTA Limited (PPTA), Shell Pakistan Limited (SPL), Asia Petroleum Limited (APL), Prime Commercial Bank Limited (PCBL) and Singer Pakistan Limited (Singer). He has also worked as Finance Manager for Gulf Farabi Petrochemical Co. Ltd (GFPC), an Al-Rajhi Group Company, in Jubail, Saudi Arabia.
ID No.	ID No. 2295107920 (Pakistan national)
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Mr. Bruce M Kasper, 52	GM, Manufacturing and Acting GM – Technology
Education	Mr Kasper received a Bachelor degree in Mechanical Engineering from the University of Houston in 1982G and a Masters in Business Administration from the University of Houston in 1988G.
Work Experience	Mr Kasper joined Hercules Incorporated, a LyondellBasell predecessor company, in 1983G and has remained with the company to date. He was assigned to AL WAHA in 2010G. Prior to being assigned to AL WAHA, he spent 2 years in Thailand coordinating the construction, commissioning and start-up of a Spherizone and a PDH Plant, which were integrated into two existing PP Plants. Previously, Mr Kasper has held various technical, management and business positions in four North American polymer manufacturing sites and in Hercules Incorporated's headquarters. Positions held include Maintenance Manager, Project Manager, Site Manager and Asset Manager (NA PP & PE Business).
ID No.	USA passport number 712637812
Address	P.O. Box 11166, Jubail 31961, Saudi Arabia

Source: Sahara

The table below lists the members of board of directors and senior management of AL WAHA who owned Shares as of 31 December 2010G.

Exhibit 6.11: Direct and indirect Share ownership in Sahara of the board of directors and senior management of AL WAHA as of 31 December 2010G

Name	Title	Number of Shares owned directly	Number of Shares owned by relatives and affiliated entities	Percentage of Sahara's share capital
Eng. Esam Fouad Himdy	Director	70,000	–	0.0239
Jabr Abdulrahman Al-Jabr	Director	–	11,701,200	4
Tariq Mutlaq Al-Mutlaq	Director	–	1,644,648	0.5622
Saleh Bahamdan	Director	16,000	–	0.0054
Bhavesh Vaghjibhai Patel	Director	–	–	–
Ritsaart Blaisse	Director	–	–	–
Omar Bahobail	President	–	–	–
Amir Waheed Ahmed	Chief Financial Officer & Company Secretary	–	–	–
Mr. Bruce M Kasper	GM, Manufacturing and Acting GM, Technology	–	–	–

Source: Sahara

6.3.3. Board of directors of SEPC

Profiles of the board of directors of SEPC are:

- Eng. Esam Fouad Himdy, (see Exhibit 6.3);
- Saleh Bahamdan, (see Exhibit 6.6);
- Ritsaart Blaisse, (see Exhibit 6.8); and
- Bhavesh Vaghjibhai Patel (see Exhibit 6.8)

whereas the profiles for the remaining members of the board of directors of SEPC are given below.

Exhibit 6.12: Profiles of the remaining members of the board of directors of SEPC

Mubarak Abdullah Al-Khafrah, 65	Chairman
Education	Mr. Al-Khafrah was awarded a B.Sc. in Industrial Engineering by the West Mesegaine University in USA in 1973G. He also completed an Advanced Diploma in Management from the Canada University in Canada in 1976G.
Work Experience	Mr. Al-Khafrah is the Chairman on the Boards of Saudi Hollandi Bank since 2007G, TSOC since 2006G, Malath Insurance Company since 2007G, Saudi Polyolefins Company since 2001G, Saudi Methanol Company since 2001G and Tasnee since 1998G. He was a member of the Majlis Al Shura (Consultative Council) between 1997G and 2001G. He also served as Deputy Minister for Industrial Affairs, Ministry of Industry and Electricity, Saudi Arabia between 1986G and 1997G, Acting Deputy Minister for Industrial Affairs, Ministry of Industry and Electricity, Saudi Arabia between1984 and 1986G, Secretary General, Foreign Capital Investment Committee, Ministry of Industry and Electricity, Saudi Arabia between 1977G and 1984G, Director of the Engineering and Projects Department, Ministry of Industry and Electricity, Saudi Arabia between 1975G and 1977G and as Director of the Industrial Protection Department, Ministry of Industry and Electricity, Saudi Arabia between 1973G and 1975G.

Mubarak Abdullah Al-Khafrah, 65	**Chairman**
ID No.	Saudi ID No. 1011699988
Address	P.O. Box 1679, Riyadh 11441, Saudi Arabia

Dr. Moayyed Al-Qurtas, 64	**Vice Chairman**
Education	Dr. Al-Qurtas was awarded a Bachelor's degree in Chemical Engineering by Baghdad University, Iraq in 1968 and a Ph.D. in Management by Bradford University, UK in 2003G.
Work Experience	He is currently the Vice Chairman and Managing Director of Tasnee and TSOC since 2006G before which he was Chief Executive at Tasnee since 1996G. He served as Director General, R&D at SABIC between 1994G and 1996G. Between 1991G and 1994G, he was the Chairman of the Board of Ibn Zahr, an affiliate of SABIC and between 1998G and 1991G, he was Chairman of the Board of another SABIC affiliate, Ibn Al-Baytar.
Other Positions	He is the Chairman of the Boards of four Tasnee affiliates – Maadaniyah since 1997G, Rasaas since 1996G, Rowad since 1997G and National Industrialisation Marketing Company since 2002G. He is also the Vice Chairman of the Board of Saudi Polyolefins Company since 2001G.
ID No.	Saudi ID No. 1010248621
Address	P.O. Box 11496, Riyadh 11496, Saudi Arabia

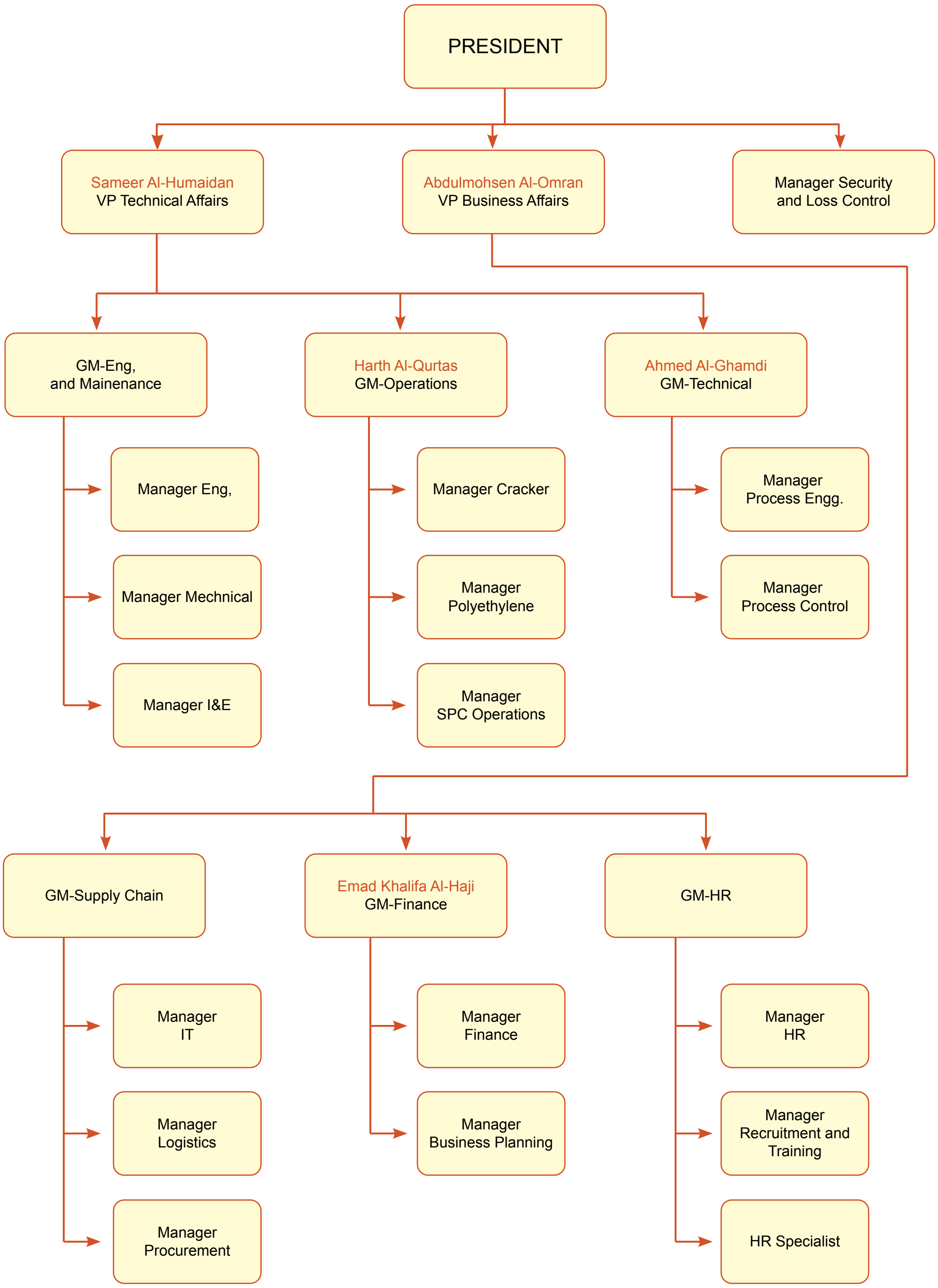
Saleh Fahad Al-Nazha, 52	**Managing Director**
Education	Mr. Al-Nazha earned a Bachelor's degree in Chemical Engineering from King Saud University in 1982G.
Work Experience	He was appointed as Managing Director in 2009G. He is the Executive President of Saudi Polyolefins Company since 2001G. Prior to that, he was Director – Technical Affairs at two companies – Eastern Petrochemical Company between 1997G and 2001G and National Industrialisation Gas Company between 1993G and 1997G. Prior to that he held various positions in Kemya between 1982G and 1993G including that of Section Head – Process Engineering, Superintendent – Operations.
ID No.	Saudi ID No. 1016784629
Address	P.O. Box 35579, JIC 31961, Saudi Arabia

Dr. Talal Ali Al-Shair, 59	**Director**
Education	Dr. Al-Shair received his BSc in Chemical Engineering from Maine State University, USA in 1977G. He later received an MBA from the same university in 1978G. He was awarded a Ph.D. in International Business Administration in 1987G by the Kennedy – Western University, California, USA.
Work Experience	He founded Shairco Limited, a company specialised in developing and investing in industrial projects, in 1979G and has been its CEO since then.
ID No.	1029437959
Address	P.O. Box 9301, Jeddah 21413, Kingdom of Saudi Arabia

Source: Sahara

6.3.4. Senior Management of SEPC

Exhibit 6.13: SEPC organisational structure as of 31 December 2010G*



** The SEPC organisational structure is representative of the organisational structure of Tasnee, which provides its organisational structure to SEPC on a shared service basis.*

In addition to Saleh Fahad Al-Nazha (see Exhibit 6.13), the profiles of the senior management of SEPC are shown below:

Exhibit 6.14: Profiles of the senior management team of SEPC as at 31 December 2010G

Abdulmohsen Al-Omran,	**VP, Business Affairs**
Education	Mr. Al-Omran earned a Bachelor's degree in Business Administration from the USA in 1983G.
Work Experience	He is currently the Vice President – Finance & Administration at Saudi Polyolefins Company and has been in this position since 2002G. Between 1984G and 2002G, he has been in various positions in Saudi Petrochemical Company (SADAF) including Manager – Finance, Manager – Treasury and Supervisor – Accounting & Reporting.
ID No.	Saudi ID No. 1027688157
Address	PO Box 35579, Jubail, Saudi Arabia

Source: Sahara

Harth Al-Qurtas,	**GM, Operations**
Education	Mr. Al-Qurtas earned a degree in Applied Electrical Engineering from the King Fahad University of Petroleum & Minerals in 1993G.
Work Experience	He is currently GM, Operations at Saudi Polyolefins Company. Prior to that he served in various positions between 2002G and 2006G at United – SABIC including as Maintenance Manager and Maintenance Team Leader. Prior to joining United – SABIC, he worked as an Engineer in Petrokemya – SABIC between 1994G and 2002G.
ID No.	1017129808
Address	PO Box 35579, Jubail, Saudi Arabia

Source: Sahara

Sameer Al-Humaidan,	**VP, Technical Affairs**
Education	Mr. Al-Humaidan earned his B.Sc. in Mechanical Engineering from the University of Petroleum and Minerals, Dhahran in 1980G
Work Experience	Since 2002G, he has been VP, Technical at Saudi Polyolefins Company. Between 1995G and 2002G, he has been Maintenance Manager at Saudi Electricity Company, prior to which he was Superintendent of Maintenance at Saudi Aramco between 1987G and 1994G. Before joining Saudi Aramco, he was involved in the management of the steel fabrication and manufacturing facility of Industrial Service Company between 1985G and 1987G prior to which he worked as a Mechanical Engineer in the same company.
ID No.	Saudi ID No. 1020566483
Address	PO Box 35579, Jubail, Saudi Arabia

Source: Sahara

Emad Khalifa Al-Haji,	**GM, Finance and Business Planning**
Education	Mr Al-Haji earned his Bachelor's degree in Accounting and Auditing from Kuwait University in 1988G.
Work Experience	Mr Al-Haji joined Tasnee in June 2010G as GM, Finance and Business Planning. Previously, Mr Al-Haji was Finance Manager of Jubail United Petrochemical Company (between 2001G and 2010G) and Senior Accountant of Petrokemya (between 1991G and 2001G), both affiliates of SABIC.

Emad Khalifa Al-Haji,	GM, Finance and Business Planning
ID No.	Saudi ID No. 1020136923
Address	PO Box 35579, Jubail, Saudi Arabia

Source: Sahara

Ahmed Al-Ghamdi,	GM, Technical
Education	Mr. Al-Ghamdi earned his Bachelor's degree in Applied Chemical Engineering from King Fahad University of Petroleum & Minerals in 1992G.
Work Experience	He joined Saudi Polyolefins Company in March 2008G as GM, Operations. He was in various positions in Petrokemya – SABIC between 1992G and 2008G including Operations Manager.
ID No.	Saudi ID No. 1060709852
Address	PO Box 35579, Jubail, Saudi Arabia

Source: Sahara

The table below lists the members of board of directors and senior management of SEPC who owned Shares as of 31 December 2010G.

Exhibit 6.15: Direct and indirect Share ownership in Sahara of the board of directors and senior management of SEPC as of 31 December 2010G

Name	Title	Number of Shares owned directly	Number of Shares owned by relatives and affiliated entities	Percentage of Sahara's share capital
Eng. Esam Fouad Himdy	Director	70,000	–	0.0239%
Saleh Bahamdan	Director	16,000	–	0.0054%
Bhavesh Patel	Director	–	–	–
Ritsaart Blaisse	Director	–	–	–
Mubarak Abdullah Al-Khafrah	Chairman	–	–	–
Dr. Moayyed Al-Qurtas	Vice Chairman	–	–	–
Saleh Fahad Al-Nazha	Managing Director	–	–	–
Dr. Talal Ali Al-Shair	Director	–	–	–
Abdulmohsen Al-Omran	VP, Business Affairs	–	–	–
Harth Al-Qurtas	GM, Operations	–	–	–
Sameer Al-Humaidan	VP, Technical Affairs	–	–	–
Emad Khalifa Al-Haji	GM, Finance and Business Planning	–	–	–
Ahmed Al-Ghamdi	GM, Technical	–	–	–

Source: Sahara

7. USE OF PROCEEDS

7.1. Use of proceeds from the Rights Issue

The total gross proceeds of the Offering are estimated at SAR1,462.65 million, of which SAR50 million will be allocated to fees and expenses in connection with the Offering, including fees of each of the Financial Advisor, Lead Manager, Legal Advisors to the Offering, Underwriter's Legal Counsel, Reporting Accountants, Industry Consultants, in addition to underwriting expenses and other Offering related expenses.

The estimated net proceeds of SAR1,412.65 million will be used principally to fund (i) Sahara's equity investments in Existing Projects, (ii) Sahara's equity investments in New Projects and (iii) the financing costs of the Company's employee home ownership program and certain other miscellaneous items. A detailed breakdown is provided in Exhibit 7.1 below.

With respect to the Existing Projects, it is expected that the Rights Issue Proceeds being allocated to each of SAMAPCO, SAPCO and SAMCO will be made available to these entities by way of an equity injection and that such proceeds will be utilised towards the construction and establishment of the plants to be operated by these joint venture projects. The Rights Issue Proceeds allocated to AL WAHA are intended to be applied towards the company's working capital requirements.

Exhibit 7.1: Use of proceeds from the Rights Issue

Project	Expected total cost of Project as at 30/09/2011G (SAR million) A	Equity financing (%) B	Sahara's equity stake in Project Co. C	Total amount of Sahara's equity contribution (SAR million) D=A*B*C	Total amount invested by Sahara as of 30/09/2011G (SAR million) E	Allocation of Rights Issue Proceeds	
						SAR million F=D-E	% of total proceeds
Sahara's equity investments in Existing Projects							
AL WAHA	4,409.00	35.1%	75.00%	1,160.70	1,548.70***	281.25***	19.23%
SAMAPCO	2,872.50	40.0%	50.00%	574.50	450.00	124.50	8.51%
SAPCO	1,411.10	40.0%	16.50%	95.11	0	95.11	6.50%
SAMCO	3,745.00	40.0%	16.50%	247.17	276.37	(29.20)*	(1.99)%
Total	12,467.60	—	—	2,077.48	2,275.07	471.66*	32.25%
Sahara's equity investments in New Projects							
NPG	468.80	40.0%	48.00%	90.00	0	90.00	6.15%
Butanol	1,648.50	64.0%	14.38%	151.80	0	77.36	5.29%
U&O	1,871.20	40.0%	43.16%	323.03	0	164.67	11.26%
Total	3,988.50	—	—	564.83	0	332.03	22.70%

Sahara's use of proceeds for miscellaneous items			
Description	**Expected Total Cost as of 30/09/2001G (SAR million)**	**Allocation of Rights Issue Proceeds**	
		SAR million	**% of total proceeds**
Administrative expenses – Sahara level for five years	116.80	116.80	7.99%
Employee Home Ownership Program – financing costs	90.71	90.71	6.20%
Modification requests to support shared services	60	60	4.10%
Contingency (general)	106	106	7.24%
Rights Issue financing cost	50	50	3.42%
Bridge loan	384.77	384.77	26.30%
Employee Share Incentive Program	40	40	2.73%
Total	658.96**	658.96**	45.05%

Source: Sahara

** Sahara has made an excess contribution to SAMCO amounting to SAR29.20 million. This amount will be netted off against the total allocation of rights issue proceeds for existing projects.*

*** The total allocation of rights issue proceeds for miscellaneous items will be netted off against (i) Sahara's cash in hand in the amount of SAR44.48 million; and (ii) receivables from AL WAHA in the aggregate amount of SAR144.84 million in respect of the provision of shared services by Sahara, the receipt of which is taking place on an ongoing basis by way of monthly payments.*

**** The total amount of Sahara's equity contribution in AL WAHA is SAR1,160.7 million, whereas the total amount invested by Sahara as of 30/09/2011G is SAR1,548.8 million (including the subordinate loan (SAR295.1 million) and working capital support provided by Sahara (SAR93 million)).*

***** Rights Issue proceeds, amounting to SAR281.25 million shall be used in: (1) meeting future increases (e.g. additional storage of propylene (estimated at SAR50 million)), (2) meeting working capital requirements, (3) meeting the payments remaining to the contractor on the project, amounting to SAR5.2 million), and (4) meeting future expenditures for catalyst replacement.*

Note that a more detailed description is provided below for each of the equity investments in Existing Projects and the New Projects (beginning on page 98). More information on the miscellaneous items mentioned in the above table is provided in the following paragraphs.

Projected administrative expenses

Total administrative expenses of Sahara over the five year period up to 2016G are expected to be SAR116.80 million, which includes salaries and benefits, training, security, recruitment, IT expenses etc. The Company treats seventy percent (70%) of administrative expenses as costs incurred for the provision of shared services; twenty percent (20%) are allocated as expenses relating to the development of projects while ten percent (10%) of these costs that are not allocated to either of the two are borne directly by the Company.

Employee Home Ownership Program

As part of the Company's efforts to retain its employees, Sahara intends to construct and furnish 200 villas to be provided to its existing and expected future Saudi employees on a capital lease basis that allows the employees of the Company and its subsidiaries to own housing units in Jubail Industrial City, where each employee will pay the full due amount at intervals, in accordance with the terms and conditions determined in advance by Company's management (as outlined below). These employees shall be selected on the basis of their seniority. Such home ownership programs are already in place at some of the Company's competitors, including Tasnee, Saudi International Petrochemical Company and SABIC. Sahara, therefore, considers this program to be an essential part of its ability to attract and retain a quality work force.

Currently, the following conditions must be met in order for employees to participate in the program:

- the employee must be a Saudi national;
- the employee must have worked at Sahara or any of its subsidiaries for a period of two years;
- the performance evaluation of the participating employee should be at least "good";
- the age of the participating employee should be at least twenty-one, and not over fifty;
- the employee must pass the Company's medical examination;
- the employee must not have owned any Company housing units previously;
- the employee must be able to pay the price of the housing unit in accordance with the Company's internal policies within the year preceding the application.

To subscribe to the program, applications should be submitted by persons meeting the conditions described above.

The Company determines the value of the housing unit on the basis of the costs incurred. The subscriber is entitled to own a housing unit if the determined cost value is equal to or less than the maximum purchasing power of the employee. The employee shall pay 2.5% of the value of the housing unit as a down payment, and may be able to pay any amounts higher than his purchasing power. Payment of the remaining amounts shall be on the basis of monthly instalments, the value of each representing a monthly housing allowance of the basic salary.

The mechanism pertaining to the operation of the program includes other provisions concerning the disposition of the housing units, terminating the service of the beneficiary and other general items.

Sahara's Board of Directors approved the establishment of the employee home ownership program through a Board Resolution number 56/2007G issued on 6 November 2007G. Furthermore, the Company has also requested the Royal Commission for Jubail and Yanbu to allocate land for this purpose.

Sahara intends to provide two types of housing – Type I and Type II – to its employees depending upon their seniority. Of the current staff strength, Sahara plans to provide Type I housing to 8 employees and Type II housing to 23 employees. In addition, AL WAHA plans to provide Type I housing to 3 employees and Type II to 11 employees. Together, Sahara and AL WAHA plan to provide 11 units of Type I and 34 units of Type II houses to its current employees. Based on the estimates of Civil Work Contractors and Sahara's own studies, the cost of each Type I house is expected to be SAR1.45 million and for each Type II house it is expected to be SAR1.325 million based on building cost estimates submitted by contractors to the Company. The total financing cost of providing housing to the current employees is hence estimated to be SAR61 million.

Sahara also estimates that Sahara and AL WAHA would have to provide an additional 11 units of Type I housing and 144 units of Type II housing for the employees expected to join the companies in the coming years. The recruitment of such employees is being undertaken in accordance with Sahara and AL WAHA's recruitment plans and requirements. At the cost of SAR1.45 million and SAR1.325 million for each Type I and Type II housing unit respectively, the cost of providing housing to the employees yet to join AL WAHA and various other affiliates of Sahara (including SAMAPCO and NPG) is estimated at SAR206.75 million.

The total cost of the home ownership program is hence estimated to be SAR267.75 million which Sahara intends to debt finance utilising a 10 year term facility with the interest payable on such facility estimated to be SAR90.71 million over such period. Sahara intends to incur the costs of providing housing to its current employees and for those employees that are expected to join Sahara, AL WAHA, SAMAPCO and NPG as it considers this to be an essential part of its ability to attract and retain a quality work force. Sahara intends to finance any additional costs of its home ownership program by way of debt financing to be obtained from commercial lenders. Costs pertaining to the provision of accommodation to the concerned employees shall be borne by both SAMAPCO and the NPG project.

Exhibit 7.1(B): Program statement of employees' ownership of housing units

	Housing units (Model 1)	Housing units (Model 2)	Total cost of Model 1 & 2 housing units (million riyals)
Sahara	8	23	
AL WAHA	3	11	
Total model 1 & 2 housing units	11	34	
Cost per housing unit (million riyals)	1.45	1.325	
Total cost of housing units (million riyals)	15.95	45.05	61.00
Additional housing units	11	144	
Cost for each additional housing unit (million riyals)	1.45	1,325	
Total cost of additional housing units (million riyals)	15.95	190.80	206.75
Total			267.75
		Funding cost over 10 years at 4%	(89.06)
		Other costs	(1.65)
			(71.90)

Source: Sahara Company

Modification requests to support shared services

The capital expenditure for modifying and developing the shared service infrastructure of the Group at the Sahara petrochemical complex in Jubail Industrial City, including renting land from the Royal Commission for Jubail and Yanbu for a period of 25 years and costs relating to warehouse expansion, IT software and hardware upgrades, security and the construction of a recreation camp, is expected to be SAR60 million.

Amendment and development requests necessary to support the proposed shared services project include the following:

- Setting up a recreation camp
- Construction of Sahara front entrance
- Setting up an awning for the Sahara main entrance
- Unification of plant paging system in management building
- Providing a centre for documentation related to SAMAPCO at Sahara Administration Department
- Renovation of the main warehouse (including the installation of fences around the warehouse area, as well as paving the area, and renewing other facilities)
- Design and construction of maintenance building for chlor-alkali and ethylene dichloride plants
- Expansion of training building
- Expansion of the restaurant warehouse and vegetable preparation room
- Expansion of fire station

Contingency (general)

An amount of SAR106 million will be allocated for general contingency to accommodate any difference between expected planned costs and expenditures for the Group's joint venture projects versus actual costs and expenditures arising, for example, due to various implementation and completion risks (see sections 2.1.2 and 2.1.6 (Risk Factors)).

Rights Issue financing cost

This includes fees of both the financial advisor and the legal advisor to the transaction and reporting accountants in addition to the underwriting expenses, receiving bank fees, printing and distribution expenses and other Offering related expenses.

Sahara has obtained financial facilities from Riyad Bank during 2011G totalling one billion Saudi riyals under a Mudaraba Agreement dated 9 May 2011G. As at 30 September 2011G, Sahara used SAR384.77 million of such facilities, investing them in SAMAPCO's share capital and as working capital for AL WAHA.

Employee Share Incentive Program

In line with the Jubail industrial sector, Sahara intends to implement an employee share incentive program to provide direct hire employees with an opportunity to invest in Sahara's shares in accordance with the controls and conditions predetermined by the Company (as set out below). The program is designed to attract and retain a qualified workforce and is expected to be implemented at an estimated cost of SAR40 million. Sahara is currently aiming at appointing a financial advisor to review and develop the program participation conditions established by the management of the Company, and effecting the mechanism pertaining to the acquisition of shares by direct hire employees and the limitations on shares disposition. To date, Sahara has not yet commissioned the financial advisor.

Currently, employees should fulfil the following conditions to participate in the program:

- Should have worked at Sahara, or any of its subsidiaries, for at least three (3) consecutive months (i.e., the employee probation period),
- The employee's performance evaluation should be at least "good", according to Sahara's internal policies, for the year preceding the application,
- Priority to participate in the program shall be given according to service term at Sahara or its subsidiaries.

To subscribe to the program, applications shall be submitted by persons who meet the above conditions.

Maximum shareholding for the participating employee shall be no more than 50% of his total annual base salary at the time of participation, and the minimum for participation in the program is two hundred and fifty (250) shares. The value of one share of participation in the program shall be calculated according to the Bulletin published by the Saudi Stock Exchange (Tadawul), considering April average share rate for applicants in the month of May, and considering October average share price for applicants in the month of November of the same year in which the employee submits his application, minus thirty percent (30%) per month ("Employee Subscription Price").

Duration for each subscription period is 36 months starting from the approval of the Company to allot shares ("Specified Subscription Period"), after which the subscriber owns the shares and becomes entitled to dispose of them, provided the full payment of the agreed-upon value. The subscribing employee, upon acceptance of his application, pays 25% of the value of the shares allocated by the Company. The remaining amount shall be paid in equal monthly instalments of no more than 25% of the employees' basic salary, to be directly deducted from said salary.

The program operation mechanism includes other provisions related to the Subscription Record, assignment and transfer of rights arising from subscribing to the program, the participation application form and other general items.

Investment in the AL WAHA Project

The AL WAHA joint venture project was formed by Sahara and Basell Arabie Investissements S.A.S. to develop, finance, construct, commission, own, manage and operate two integrated petrochemical plants (as well as the associated utilities and support facilities) located in Jubail Industrial City in the eastern region of Saudi Arabia. It commenced commercial operations on 1 April 2011G. The Rights Issue Proceeds allocated to AL WAHA are intended to be applied towards AL WAHA's working capital requirements, whereas the Rights Issue Proceeds allocated towards the other Existing Projects are expected to be utilised towards the construction and establishment of the plants to be operated by these joint venture projects.

The total cost of the AL WAHA Project is estimated to be SAR4,409.1 million as shown in Exhibit 7.2. To date, Sahara has contributed SAR1,160.70 million (whereas the value of its investments amounts to SAR1,548.8 million (including the subordinate loan with the value of SAR295.1 million) and working capital support by SAR93 million)) while its joint venture partner Basell Arabie Investissements S.A.S. has contributed SAR386.90 million. AL WAHA has obtained Shariah-compliant external financing commitments of SAR1,037 million from a consortium of commercial financial institutions under the Islamic Facilities Agreement, a term financing commitment from SIDF in the amount of SAR400 million as well as a term financing commitment of SAR938.0 million from PIF. Sahara and LyondellBasell have each extended a subordinated loan amounting to SAR295 million and SAR98.4 million respectively, pursuant to their USD75 million (SAR281 million) investment commitment under the Mudaraba Agreement and the USD30.0 million (SAR112.5 million) standby equity envisaged by the Islamic Facilities Agreement. Sahara is also providing working capital support amounting to SAR93 million in relation to the provision of shared services to AL WAHA.

AL WAHA has actually obtained all the abovementioned financing commitments, and withdrew and utilized such commitments in full to finance the project. As shown in Exhibit 7.1 above, the Rights Issue proceeds, amounting to SAR281.25 million shall be used in: (1) meeting future increases (e.g. additional storage of propylene (estimated at SAR50 million)), (2) meeting working capital requirements, (3) meeting the payments remaining to the contractor on the project, amounting to SAR5.2 million, and (4) meeting future expenditures costs for catalyst replacement.

Exhibit 7.2: Estimated AL WAHA Project Costs

AL WAHA project financing			
Description	**SAR in million**	**USD in million**	**Common-size (%)**
EPC	3,000.6	800.2	68.1%
Licence fees	163.1	43.5	3.7%
Development costs	163.6	43.6	3.7%
Pre-operating costs	445.0	118.7	10.1%
Finance costs during construction	375.9	100.2	8.5%
Initial working capital	260.9	69.6	5.9%
Total costs	4,409.0	1,175.7	100.0%
Financed by:			
Sahara contribution to share capital	(1,160.7)	(309.5)	26.3%
LBI contribution to share capital	(386.9)	(103.2)	8.8%
Loan under IFA	(1,037.0)	(276.5)	23.5%
SIDF Loan	(400.0)	(106.7)	9.1%
PIF Loan	(938.0)	(250.1)	21.3%

AL WAHA project financing			
Description	**SAR in million**	**USD in million**	**Common-size (%)**
Subordinate loan - Sahara	(295.1)	(78.7)	6.7%
Subordinate loan - LBI	(98.4)	(26.2)	2.2%
Working capital support - Sahara	(93.0)	(24.8)	2.1%
Total financing	4,409.0	1,175.7	100.0%
Total contribution by Sahara*	(1,548.8)	(413)	35.1%

Source: Sahara

** The total amount of Sahara's equity contribution in AL WAHA is SAR1,160.7 million, whereas the total amount invested by Sahara as of 30/09/2011G is SAR1,548.8 million (including the subordinate loan (SAR295.1 million) and working capital support provided by Sahara (SAR93 million)).*

Further information regarding the breakdown of the costs set out in Exhibit 7.2 is provided below. Cost breakdown on a milestone phase basis is also provided in Exhibit 7.3.

EPC

These costs are associated with engineering, procurement and construction of the project. Development of AL WAHA can be divided into three phases each with some overlapping with the next phase. The first phase is the Pre-EPC, Engineering & Procurement Phase, followed by the Procurement & Construction Phase and finally the Construction and Commissioning Phase.

Licence fees

These costs include licence fees related to the use of technology and proprietary equipment of the licensor. Eight percent (80%) of the fees were incurred in the first year of the project's development period while twenty percent (20%) of the fees were incurred at the end of the successful test run of the project. This test run was conducted at the end of the project's development period. All required test runs of the project have been conducted.

Development costs

These costs include expenses related to land lease, salaries of the employees, formation of the company, legal consultancy, travel, recruitment, training, financial advisory, management consultancy services, insurance and purchase of vehicles and furniture.

Pre-operating costs

These costs mainly relate to the technical expertise that AL WAHA requires during the construction period and expenses relating to the pre-commissioning and commissioning of the project.

Finance costs during construction

These include interest costs and other expenses related to the use of debt financing.

Initial working capital

This is required to bridge the gap between accounts receivables and payables as well as to build an inventory of products and raw materials required for the project. These expenses are incurred during the period between the commissioning of the project and start-up of the plant.

Exhibit 7.3: Breakdown of AL WAHA Project costs by milestone phase (SAR million)*

Type of Cost		Pre-EPC, Engineering & Procurement Phase	Procurement and Construction Phase	Construction and Commissioning Phase	Total
EPC		600.12	1,200.25	1,200.25	3,000.62
Licence fees		130.50	–	32.63	163.13
Development costs		163.55	–	–	163.55
Pre-operating costs		–	–	444.97	444.97
Finance costs during construction		–	187.93	187.94	375.87
Initial working capital		–	–	260.86	260.86
Total		894.17	1,388.18	2,126.65	4,409
Total by ownership interest and debt capital	Equity	320.63	497.77	762.57	–
	Debt	573.54	890.41	1,364.08	–

Source: Sahara

** The AL WAHA Project breakdown of costs by milestone is an estimate provided as at 30 September 2011G and may be subject to revision, including reduction pursuant to profits earned during the start-up production period and any other recoveries made by AL WAHA.*

AL WAHA completed the pre-EPC activities, engineering, procurement, construction and commissioning phases in April 2009G. AL WAHA commenced commercial operations on 1 April 2011G.

Investment in the SAMAPCO Project

SAMAPCO was recently established as a limited liability 50:50 joint venture company between Sahara and Ma'aden to design, construct, commission, own and operate an integrated chlor-alkali and ethylene dichloride plant.

The total cost of the SAMAPCO project is estimated to be SAR2,872.5 million. The project cost estimate is shown in Exhibit 7.4. To date, Sahara has contributed SAR450 million. It is anticipated that the debt financing for the SAMAPCO project will be provided by SIDF (SAR900 million) with the balance (SAR823.5 million) being provided by way of a PIF loan and a commercial loan. Sahara applied for SIDF's funding in June 2008G and has received feedback that SIDF will process the application on incorporation of SAMAPCO. However, the SIDF commitment to extend such monies to the SAMAPCO project expires if the relevant loan agreements are not entered into by 29/5/1432H (corresponding to 3 May 2011G). Sahara has requested an extension of SIDF's commitment to provide the relevant loans in order to enable it to comply with the terms and conditions in respect of such loans. The conditions precedent to signing the related loan agreements include the provision of the following constituent documents to the SIDF for review and approval:

- SAMAPCO certificate of commercial registration;
- SAMAPCO permanent industrial license; and
- The approval of the Royal Commission of Jubail and Yanbu for the project's construction works.

SAMAPCO's commercial registration certificate was provided by Sahara to the SIDF on 23 August 2011G. The Company expects to submit the other documents, which are currently being obtained, directly thereafter. It is expected that the loan agreements with SIDF will be signed at the end of October 2011, provided that they meet all requirements outlined in the letters of approving the loans by the SIDF No. 5374 and 5375, dated 02/12/1431H.

Initial approvals for the PIF and commercial banks loans have not yet been obtained. The Company has completed the preparation of an information memorandum to be sent to PIF and the commercial banks during the month of November 2011. The loan agreements are expected to be signed with the commercial banks in March 2012.

Exhibit 7.4: Estimated SAMAPCO Project Costs

Total Projected Costs (SAR million)		%	Cost (SAR million)
EPC		79%	2,269
Licence fees		3%	87
Development costs		4%	115
Pre-operating costs		2%	57
Contingency		2%	57
Finance costs during construction		8%	230
Initial working capital		2%	57.50
Total		100%	2,872.50
Sources of Funding (SAR million)			
Equity		40%	1,149***
Sahara	Estimated /actual proceeds from 2009G Rights Issue	10.92% / 5.53%	307.50 / 158.85*
	Short-term loan for shareholder equity injection	10.14%	291.15****
	Allocation of Rights Issue Proceeds	4.33%	124.50**
Ma'aden		20%	574.50
Debt		60%	1,723.50
SIDF loan		31.33%	900
PIF loan and commercial loan		28.67%	823.50
Total		100%	2,872.50

Source: Sahara

** Although SAR307.5 million of the 2009G Rights Issue proceeds was planned to be invested in the SAMAPCO project an amount of SAR158.8 million was actually applied mainly due to the delay in the implementation of the project and, in particular, the delay in signing the various project documents such as the joint venture agreement and technology agreements.*

*** It is expected that the Rights Issue Proceeds allocated to SAMAPCO will be made available to SAMAPCO by way of an equity injection and that such proceeds will be utilised towards the construction and establishment of the SAMAPCO Plant.*

**** Partners have invested 32% in the share capital, such investment is expected to increase to 40% after the completion of negotiations with commercial banks.*

***** The additional share capital amounting to 38.98 million has been injected by the bridge loan.*

Further information regarding the breakdown of the costs set out in Exhibit 7.4 is provided below. Cost breakdown on a milestone phase basis is also provided in Exhibit 7.5.

EPC

These costs are associated with engineering, procurement and construction of the project. Development of SAMAPCO can be divided into three phases each with some overlapping with the next phase. The first phase is the Pre-EPC, Engineering & Procurement Phase, followed by the Procurement & Construction Phase and finally the Construction and Commissioning Phase. Once the project is awarded to the EPC contractor, it takes approximately 30 months for engineering, procurement and construction of the project to be completed. Twenty percent (20%) of the costs are expected to be incurred in the first year, twenty percent (20%) in the second year and twenty percent (20%) in the third year.

Licence fees

These costs include licence fees related to the use of technology and proprietary equipment of the licensor. Eight percent (80%) of the fees will be incurred in the first year of the project's development period while twenty percent (20%) of the fees were incurred at the end of the successful test run of the project. This test run will be conducted at the end of the project's development period.

Development costs

These costs include expenses related to land lease, salaries of the employees, formation of the company, legal consultancy, travel, recruitment, training, financial advisory, management consultancy services, insurance and purchase of vehicles and furniture. These costs are incurred throughout the 30-month development period.

Pre-operating costs

These costs mainly relate to the technical expertise that SAMAPCO requires during the construction period and expenses relating to the pre-commissioning and commissioning of the project.

Contingency

Funds are usually allocated for contingency to accommodate any change in the scope of the project and rise in the prices of manpower and/or services.

Finance costs during construction

These include interest costs and other expenses related to the use of debt financing.

Initial working capital

This is required to bridge the gap between accounts receivables and payables as well as to build an inventory of products and raw materials required for the project. These expenses are incurred during the period between the commissioning of the project and start-up of the plant.

Exhibit 7.5: Breakdown of SAMAPCO Project costs by milestone phase (SAR million)

Type of Cost		Pre-EPC, Engineering & Procurement Phase	Procurement and Construction Phase	Construction and Commissioning Phase	Total
EPC		453.86	907.71	907.71	2,269.28
Licence fees		64.63	–	21.54	86.17
Development costs		114.90	–	–	114.90
Pre-operating costs		–	–	57.45	57.45
Contingency		–	–	57.45	57.45
Finance costs during construction		–	114.90	114.90	229.80
Initial working capital		–	–	57.45	57.45
Total		633.39	1,022.61	1,216.50	2,872.50
Total by ownership interest and debt capital	Equity	253.36	409.04	486.60	–
	Debt	380.03	613.57	729.90	–

Source: Sahara

The pre-EPC activities of the SAMAPCO project were completed in the first quarter of 2011G and the early work agreements entered into in connection with this first phase have now been superseded by construction contracts entered into in connection with the second phase. The second phase is expected to commence in the second quarter of 2011G and be completed in the first quarter of 2012G, while the third phase is expected to begin in the second quarter of 2012G and be completed in the fourth quarter of 2012G. Commercial operation at SAMAPCO is expected to commence in the first quarter of 2013G.

Investment in the SAPCO Project

The SAPCO joint venture project was formed by SAAC and Evonik to develop, finance, construct, commission, own, manage and operate the SAP Plant of the Integrated Acrylates Complex to be located in Jubail Industrial City in the eastern region of Saudi Arabia.

The total cost of the SAPCO project is estimated to be SAR1,441.10 million. The project cost estimate is shown in Exhibit 7.6. Sahara's share of equity contribution in SAAC for SAPCO (directly and through TSOC) is

SAR186.58 million of which SAR91.47 million (through TSOC) will be contributed from internal cash generated by TSOC (SEPC dividends). The remaining SAR95.11 million is expected to be contributed by Sahara through the Rights Issue proceeds. It is anticipated that the debt financing for the SAPCO project will be provided by SIDF (SAR600 million), PIF (SAR132.33 million) with the balance (SAR132.33 million) being provided by way of a commercial loan. The loan application in connection with the SIDF loan is in progress and the process of putting together the remaining financing for the project is ongoing.

Initial approvals for the loans from SIDF, PIF and the commercial banks have not yet been obtained. The Company completed the preparation of an information memorandum which was sent to the PIF and the commercial banks during the month of September 2011G. The loan agreements are expected to be signed with the PIF and the commercial banks in the first quarter of 2012G.

In March 2010G, the Ministry of Petroleum suggested SAAC and Evonik double the capacity of the SAP Plant from 40,000 tonnes per annum to 80,000 tonnes per annum of super absorbent polymer. The change to specification of the SAP Plant resulted in increased project costs of SAR635.60 million and extended the expected commercial operations start date to the first quarter of 2014G.

Exhibit 7.6: Estimated SAPCO Project Costs

Total Projected Costs (SAR million)		%	Cost (SAR million)
EPC		65.6%	945.36
Licence fees		5.8%	83.58
Development costs		4.5%	64.85
Pre-operating costs		3.3%	47.56
Contingency		2.3%	33.15
Finance costs during construction		9.9%	142.67
Initial working capital		8.6%	123.93
Total		100%	1,441.10
Sources of Funding (SAR million)			
Equity		40%	576.44
Sahara	Estimated proceeds from 2009G Rights Issue	4.62%	68*
	Actual proceeds from 2009G Rights Issue	0.00%	0
	Internal cash generated by TSOC (SEPC dividends)	6.35%	91.47**
	Allocation of Rights Issue Proceeds	6.60%	95.11***
SAAC		17.05%	245.75
Evonik		10%	144.11
Debt		60%	864.66
SIDF loan		41.64%	600
PIF loan		9.18%	132.33
Commercial loan		9.18%	132.33
Total		100%	1,441.10

Source: Sahara

** Although SAR68 million of the 2009G Rights Issue proceeds was planned to be invested in the SAPCO project no proceeds were actually applied primarily due to cost overruns at AL WAHA.*

*** The amount of 91.47 million has not been deposited until the SEPC dividends are paid, as expected during the fourth quarter of 2011G.*

**** The amount of 95.11 million represents a part of the capital of the company.*

Further information regarding the breakdown of the costs set out in Exhibit 7.6 is provided below. Cost breakdown on a milestone phase basis is also provided in Exhibit 7.7.

EPC

These costs are associated with engineering, procurement and construction of the project. Development of the SAPCO project can be divided into three distinct phases. These are the engineering phase which lasts about 12 months, the procurement and construction phase which also lasts about 12 months, and the construction and commissioning phase which lasts about 6 months. Therefore, once the project is awarded to the EPC contractor, it takes approximately 30 months for engineering, procurement and construction of the project to be completed. Twenty percent (20%) of the costs are expected to be incurred in the first year, twenty percent (20%) in the second year and twenty percent (20%) in the third year.

First year expenses will mainly relate to engineering costs, placement of orders and down payments for the purchase of equipment. Second year expenses will relate to payment for procurement and construction activities while third year expenses will relate to construction and commissioning costs.

Licence fees

These costs include licence fees related to the use of technology and proprietary equipment of the licensor. Eight percent (80%) of the fees will be incurred in the first year of project's development period while twenty percent (20%) of the fees will be incurred at the end of the successful test run of the project.

Development costs

These costs include expenses related to land lease, salaries of the employees, formation of the company, legal consultancy, travel, recruitment, training, financial advisory, management consultancy services, insurance and purchase of vehicles and furniture. These costs are incurred throughout the 30-month development period.

Pre-operating costs

These costs mainly relate to the technical expertise that SAPCO requires during the construction period and expenses relating to the pre-commissioning and commissioning of the project.

Contingency

Funds are usually allocated for contingency to accommodate any change in the scope of the project and rise in the prices of manpower and/or services.

Finance costs during construction

These include interest costs and other expenses related to the use of debt financing.

Initial working capital

This is required to bridge the gap between accounts receivables and payables as well as to build an inventory of products and raw materials required for the project. These expenses are incurred during the period between the commissioning of the project and start-up of the plant.

Exhibit 7.7: Breakdown of SAPCO Project costs by milestone phase (SAR million)

Type of Cost	Pre-EPC, Engineering & Procurement Phase	Procurement and Construction Phase	Construction and Commissioning Phase	Total
EPC	189.07	378.14	378.15	945.36
Licence fees	66.87	–	16.72	83.59
Development costs	64.85	–	–	64.85
Pre-operating costs	–	–	47.56	47.56
Contingency	–	–	33.15	33.15
Finance costs during construction	–	71.33	71.33	142.66
Initial working capital	–	–	123.93	123.93

Type of Cost		Pre-EPC, Engineering & Procurement Phase	Procurement and Construction Phase	Construction and Commissioning Phase	Total
Total		320.79	449.47	670.84	1,441.10
Total by ownership interest and debt capital	Equity	128.32	179.78	268.34	–
	Debt	192.47	269.69	402.50	–

Source: Sahara

The pre-EPC activities of the SAPCO Project commenced in March 2010G. Sahara expects to complete the first phase by the beginning of the third quarter of 2012G. The second and third phases started in May and July 2011G respectively and both the second and third phases are expected to be completed in the third quarter of 2013G. The SAP Plant is expected to start commercial operations in the first quarter of 2014G.

Investment in the SAMCO Project

The SAMCO joint venture project was formed by SAAC and Rohm & Haas (Dow). SAMCO will own, manage and operate the AA Plant of the Integrated Acrylates Complex to be located in Jubail Industrial City in the eastern region of Saudi Arabia. The AA Plant is expected to start commercial operations in the second quarter of 2013G.

The total cost of the SAMCO project is estimated to be SAR3,745 million. The project cost estimate is shown in Exhibit 7.8. Sahara's share of equity contribution in SAAC for SAMCO (directly and through TSOC) is SAR484.9 million of which SAR237.7 million (through TSOC) will be contributed from internal cash generated by TSOC (SEPC dividends). The remaining SAR247.17 million has already been contributed by Sahara through the 2009G Rights Issue proceeds. In fact, Sahara has contributed SAR276.37 million to SAAC and SAAC expects to deposit the amount of SAR29.2 million overpaid by Sahara (in SAMCO capital) to the other projects, which are SAPCO and U&O. It is anticipated that the debt financing for the SAMCO project will be provided by SIDF (SAR600 million), the ECA (SAR487.5 million), PIF (SAR636.27 million) with the balance (SAR523.23 million) being provided by way of a commercial loan. SAMCO has received conditional approval of the SIDF loan and it is expected that the SIDF loan agreement will be signed in the first quarter of 2012G. The process of putting together the remaining financing for the project is ongoing.

Initial approvals for loans from the ECA, PIF and the commercial banks have not yet been obtained. The Company completed the preparation of an information memorandum which was sent to the ECA, the PIF and the commercial banks in September 2011G. The loan agreements with the SIDF, the ECA, PIF and the commercial banks are expected to be signed in the first quarter of 2012G.

Exhibit 7.8: Estimated SAMCO Project Costs

Total Projected Costs (SAR million)	%	Cost (SAR million)
EPC	69.3%	2,595.29
Licence fees	3.1%	116.10
Development costs	9.1%	340.80
Pre-operating costs	2.5%	93.62
Contingency	2.3%	86.14
Finance costs during construction	12.4%	464.37
Initial working capital	1.3%	48.68
Total	100%	3,745
Sources of Funding (SAR million)		
Equity	40%	1,498

Total Projected Costs (SAR million)		%	Cost (SAR million)
Sahara	Estimated /actual proceeds from 2009G Rights Issue	4.93% / 7.38%	184.70 / 276.37*
	Internal cash generated by TSOC (SEPC dividends)	6.34%	237.70
	Allocation of Rights Issue Proceeds	0%	0
SAAC		17.05%	638.60
Rohm & Hass (Dow)		10%	374.50
Debt		60%	2,247
SIDF loan		16.02%	600
ECA		13.02%	487.50
PIF loan		16.99%	636.27
Commercial loan		13.97%	523.23
Total		100%	3,745

Source: Sahara

** Sahara has contributed SAR276.37 million and the amount overpaid by Sahara (SAR 29.20) will be adjusted against its equity injections in other SAAC projects (i.e. SAPCO and U&O projects).*

Further information regarding the breakdown of the costs set out in Exhibit 7.8 is provided below. Cost breakdown on a milestone phase basis is also provided in Exhibit 7.9.

EPC

These costs are associated with engineering, procurement and construction of the project. Development of SAMCO can be divided into three distinct phases. These are the engineering phase which lasts about 12 months, the procurement and construction phase which also lasts about 12 months, and the construction and commissioning phase which lasts about 6 months. Therefore, once the project is awarded to the EPC contractor, it takes approximately 30 months for engineering, procurement and construction of the project to be completed. Twenty percent (20%) of the costs are expected to be incurred in the first year, twenty percent (20%) in the second year and twenty percent (20%) in the third year.

First year expenses will mainly relate to engineering costs, placement of orders and down payments for the purchase of equipment. Second year expenses will relate to payment for procurement and construction activities while third year expenses will relate to construction and commissioning costs.

Licence fees

These costs will include license fees related to the use of technology and proprietary equipment of the licensor. Eighty percent (80%) of the fees will be incurred in the first year of project's development period while twenty percent (20%) of the fees will be incurred at the end of the successful test run of the project. This test run will be conducted at the end of the project's development period.

Development costs

These costs include expenses related to land lease, salaries of the employees, formation of the company, legal consultancy, travel, recruitment, training, financial advisory, management consultancy services, insurance and purchase of vehicles and furniture. These costs are incurred throughout the 30-month development period.

Pre-operating costs

These costs mainly relate to the technical expertise that SAMCO requires during the construction period and expenses relating to the pre-commissioning and commissioning of the project.

Contingency

Funds are usually allocated for contingency to accommodate any change in the scope of the project and rise in the prices of manpower and/or services.

Finance costs during construction

These include interest costs and other expenses related to the use of debt financing.

Initial working capital

This is required to bridge the gap between accounts receivables and payables as well as to build an inventory of products and raw materials required for the project. These expenses are incurred during the period between the commissioning of the project and start-up of the plant.

Exhibit 7.9: Breakdown of SAMCO project costs by milestone phase (SAR million)

Type of Cost		Pre-EPC, Engineering & Procurement Phase	Procurement and Construction Phase	Construction and Commissioning Phase	Total
EPC		519.06	1,038.11	1,038.11	2,595.28
Licence fees		92.88	–	23.22	116.10
Development costs		340.80	–	–	340.80
Pre-operating costs		–	–	93.63	93.63
Contingency		–	–	86.14	86.14
Finance costs during construction		–	232.18	232.18	464.36
Initial working capital		–	–	48.69	48.69
Total		952.74	1,270.29	1,521.97	3,745
Total by ownership interest and debt capital	Equity	381.10	508.11	608.79	–
	Debt	571.64	762.18	913.18	–

Source: Sahara

The pre-EPC activities of the SAMCO project commenced in February 2009G and Sahara anticipates that the first phase will be completed by the beginning of the fourth quarter of 2011G. The second and third phases began in October 2010G and will be completed in the first quarter of 2013G. The AA Plant is expected to start commercial operations in the second quarter of 2013G.

Investment in the NPG Project

NPG will be established as a limited liability joint venture company between Sahara, Chemanol, Mitsubishi Gas Chemical Co. Inc. and Sojitz Corporation. NPG will own, manage and operate the NPG Plant to be located in Jubail Industrial City in the eastern region of Saudi Arabia. NPG is currently at the feasibility stage and following such evaluations, if successful, commercial operations are expected to commence in the second quarter of 2014G.

The total cost of the NPG Project is estimated to be SAR468.8 million. The project cost estimate is shown in Exhibit 7.10. The equity required for the NPG Project is SAR187.52 million, which represents forty percent (40%) of the total project cost. Of the SAR187.52 million total equity, Sahara will contribute SAR90 million – this SAR90 million being allocated from the proceeds of this Offering – while its other joint venture partners will contribute in aggregate SAR97.52 million. It is anticipated that the debt financing for the NPG project will be provided by SIDF (SAR235 million) with the balance (SAR46.28 million) being provided by way of a commercial loan.

Initial approvals for loans from SIDF and the commercial banks have not yet obtained. Also, the financial advisor have not yet been appointed for the purpose of preparing an information memorandum to be sent to the commercial banks. The financial advisor is expected to be appointed in the first quarter of 2012G.

Exhibit 7.10: Estimated NPG Project Costs

Total Projected Costs (SAR million)		%	Cost (SAR million)
EPC		66.1%	309.88
Licence fees		4.3%	20.15
Development costs		6.8%	31.88
Pre-operating costs		2.1%	9.85
Contingency		4.4%	20.63
Finance costs during construction		8%	37.50
Initial working capital		8.3%	38.91
Total		100%	468.8
Sources of Funding (SAR million)			
Equity		40%	187.52
Sahara	Allocation of Rights Issue Proceeds	19.19%	90
Mitsubishi Gas Chemical Co. Inc., Sojitz Corporation and Chemanol		20.8%	97.52
Debt		60%	281.28
SIDF loan		50%	235
Commercial loan		10%	46.28
Total		100%	468.8

Source: Sahara

Further information regarding the breakdown of the costs set out in Exhibit 7.10 is provided below. Cost breakdown on a milestone phase basis is also provided in Exhibit 7.11.

EPC

These costs are associated with engineering, procurement and construction of the project. Development of the NPG Project can be divided into three distinct phases. These are the engineering phase which lasts about 12 months, the procurement and construction phase which also lasts about 12 months, and the construction and commissioning phase which lasts about 6 months. Therefore, once the project is awarded to the EPC contractor, it takes approximately 30 months for engineering, procurement and construction of the project to be completed. Twenty percent (20%) of the costs are expected to be incurred in the first year, twenty percent (20%) in the second year and twenty percent (20%) in the third year.

First year expenses will mainly relate to engineering costs, placement of orders and down payments for the purchase of equipment. Second year expenses will relate to payment for procurement and construction activities while third year expenses will relate to construction and commissioning costs

Licence fees

These costs include licence fees related to the use of technology and proprietary equipment of the licensor. Eight percent (80%) of the fees will be incurred in the first year of the project's development period while twenty percent (20%) of the fees will be incurred at the end of the successful test run of the project.

Development costs

These costs include expenses related to land lease, salaries of the employees, formation of the company, legal consultancy, travel, recruitment, training, financial advisory, management consultancy services, insurance and purchase of vehicles and furniture. These costs are incurred throughout the 30-month development period.

Pre-operating costs

These costs mainly relate to the technical expertise that NPG requires during the construction period and expenses relating to the pre-commissioning and commissioning of the project.

Contingency

Funds are usually allocated for contingency to accommodate any change in the scope of the project and rise in the prices of manpower and/or services.

Finance costs during construction

These include interest costs and other expenses related to the use of debt financing.

Initial working capital

This is required to bridge the gap between accounts receivables and payables as well as to build an inventory of products and raw materials required for the project. These expenses are incurred during the period between the commissioning of the project and start-up of the plant.

Exhibit 7.11: Breakdown of NPG Project costs by milestone phase (SAR million)

Type of Cost		Pre-EPC, Engineering & Procurement Phase	Procurement and Construction Phase	Construction and Commissioning Phase	Total
EPC		61.98	123.95	123.95	309.88
Licence fees		16.12	–	4.03	20.15
Development costs		31.88	–	–	31.88
Pre-operating costs		–	–	9.85	9.85
Contingency		–	–	20.63	20.63
Finance costs during construction		–	18.75	18.75	37.50
Initial working capital		–	–	38.91	38.91
Total		109.98	142.70	216.12	468.8
Total by ownership interest and debt capital	Equity	43.99	57.08	86.45	–
	Debt	65.99	85.62	129.67	–

Source: Sahara

NPG is currently at the feasibility stage. The pre-EPC activities commenced in January 2011G. Sahara expects the first phase to be completed by the beginning of the second quarter of 2013G. The second phase is expected to commence in the fourth quarter of 2012G and be completed in the first quarter of 2014G. The third phase is also expected to commence in the first quarter of 2013G and be completed in the second quarter of 2014G.

Investment in the Butanol Project

The Butanol JV will be established as a limited liability joint venture company between SAAC, Saudi Kayan and RTIP, and will own, manage and operate the Butanol Plant of the Integrated Acrylates Complex to be located in Jubail Industrial City in the eastern region of Saudi Arabia. The Butanol Plant is currently at the engineering stage and is expected to start commercial operations in the second quarter of 2014G.

The total cost of the Butanol Project is estimated to be SAR1,648.50 million. The project cost estimate is shown in Exhibit 7.12. The equity required for the Butanol project is SAR1,048.50 million, which represents sixty–four percent (64%) of the total project cost. Sahara's share of equity contribution in SAAC for Butanol (directly and through TSOC) is SAR151.80 million of which SAR74.44 million (through TSOC) will be contributed from internal cash generated by TSOC (SEPC dividends). The remaining SAR77.36 million is expected to be contributed by Sahara through the Rights Issue proceeds. It is also anticipated that SIDF will finance the project by way of a loan (SAR600 million).

Initial approvals for the loans from SIDF have not yet been obtained.

Exhibit 7.12: Estimated Butanol Project Costs

Total Projected Costs (SAR million)		%	Cost (SAR million)
EPC		28.8%	474.77
Licence fees		4.1%	68.31
Development costs		0.5%	8.55
Pre-operating costs		1.8%	29.03
Contingency		1.5%	23.90
Finance costs during construction		3.1%	51.00
Initial working capital		3.9%	64.90
Contribution by Saudi Kayan and Saudi Dow/Saudi Aramco SPV		56.3%	928.04
Total		100%	1,648.50
Sources of Funding (SAR million)			
Equity		64%	1,048.50
Sahara	Allocation of Rights Issue Proceeds	4.69%	77.36*
	Internal cash generated by TSOC (SEPC dividends)	4.51%	74.44
SAAC, Saudi Kayan and RTIP		54.40%	896.70
Debt		36%	600
SIDF loan		36.40%	600
Total		100%	1,648.50

Source: Sahara

* *Sahara's share of equity contribution in SAAC for Butanol (directly and through TSOC) is SAR151.80 million of which SAR74.44 million (through TSOC) will be contributed from internal cash generated by TSOC (SEPC dividends). The remaining SAR77.36 million is expected to be contributed by Sahara through the Rights Issue proceeds.*

Further information regarding the breakdown of the costs set out in Exhibit 7.12 is provided below. Cost breakdown on a milestone phase basis is also provided in Exhibit 7.13.

EPC

These costs are associated with engineering, procurement and construction of the project. Development of the Butanol Project can be divided into three distinct phases. These are the engineering phase which lasts about 12 months, the procurement and construction phase which also lasts about 12 months, and the construction and commissioning phase which lasts about 6 months. Therefore, once the project is awarded to the EPC contractor, it takes approximately 30 months for engineering, procurement and construction of the project to be completed. Twenty percent (20%) of the costs are expected to be incurred in the first year, twenty percent (20%) in the second year and twenty percent (20%) in the third year.

First year expenses will mainly relate to engineering costs, placement of orders and down payments for the purchase of equipment. Second year expenses will relate to payment for procurement and construction activities while third year expenses will relate to construction and commissioning costs

Licence fees

These costs include licence fees related to the use of technology and proprietary equipment of the licensor. Eighty percent (80%) of the fees will be incurred in the first year of the project's development period while twenty percent (20%) of the fees will be incurred at the end of the successful test run of the project.

Development costs

These costs include expenses related to land lease, salaries of the employees, formation of the company, legal consultancy, travel, recruitment, training, financial advisory, management consultancy services, insurance and purchase of vehicles and furniture. These costs are incurred throughout the 30-month development period.

Pre-operating costs

These costs mainly relate to the technical expertise that Butanol requires during the construction period and expenses relating to the pre-commissioning and commissioning of the project.

Contingency

Funds are usually allocated for contingency to accommodate any change in the scope of the project and rise in the prices of manpower and/or services.

Finance costs during construction

These include interest costs and other expenses related to the use of debt financing.

Initial working capital

This is required to bridge the gap between accounts receivables and payables as well as to build an inventory of products and raw materials required for the project. These expenses are incurred during the period between the commissioning of the project and start-up of the plant.

Exhibit 7.13: Breakdown of Butanol Project costs by milestone phase (SAR million)

Type of Cost		Pre-EPC, Engineering & Procurement Phase	Procurement and Construction Phase	Construction and Commissioning Phase	Total
EPC		94.95	189.91	189.91	474.77
Licence fees		54.65	–	13.66	68.31
Development costs		8.55	–	–	8.55
Pre-operating costs		–	–	29.03	29.03
Contingency		–	–	23.90	23.90
Finance costs during construction		–	–	51.00	51.00
Initial working capital		–	–	64.90	64.90
Advance from Saudi Kayan and Saudi Dow/ Saudi Aramco SPV		185.60	371.22	371.22	928.04
Total		343.75	561.13	743.62	1,648.50
Total by ownership interest and debt capital	Equity	220.00	359.12	475.92	–
	Debt	123.75	202.01	267.70	–

Source: Sahara

The pre-EPC activities of the Butanol Project commenced in June 2011 and Sahara expects the first phase to be completed by the third quarter of 2013G. The second phase is expected to commence in the first quarter of 2013G and be completed in the third quarter of 2014G. The third phase is also expected to commence in the first quarter of 2013 and be completed in the third quarter of 2014G.

Investment in the U&O Project

The Integrated Acrylates Complex to be located in Jubail Industrial City in the eastern region of Saudi Arabia will share the U&O facilities which will be developed, owned and operated by SAAC. The infrastructure for the U&O facilities is currently at the engineering stage and is expected to be completed by the first quarter of 2013G.

The total cost of the U&O facilities is estimated to be SAR1,871.20 million. The project cost estimate is shown in Exhibit 7.14. The equity required for the U&O Facilities is SAR748.48 million, which represents forty percent (40%) of the total project cost. Of the SAR748.48 million total equity, Sahara Petrochemicals Company will contribute SAR323.03 million while its other joint venture partners will contribute in aggregate SAR425.45 million: It is anticipated that the debt financing for the U&O Project will be provided by SIDF (SAR600 million) with the balance (SAR522.72 million) being provided by way of a commercial loan, a loan from the ECA and a loan from PIF.

Initial approvals for loans from SIDF, the commercial banks, ECA and PIF have not yet been obtained. The Company prepared an information memorandum that was sent to the commercial banks, ECA and PIF in September 2011G. Loan agreements with the commercial banks, ECA and PIF are expected to be signed in the first quarter of 2012G.

Exhibit 7.14: Estimated U&O Project Costs

Total Projected Costs (SAR million)		%	Cost (SAR million)
EPC		69%	1,392.49
Development costs		15%	302.72
Contingency		4.2%	84.76
Finance costs during construction		10.3%	207.86
Initial working capital		1.5%	30.27
Total		100%	1,871.2
Sources of Funding (SAR million)			
Equity		40%	748.48
Sahara	Allocation of Rights Issue Proceeds	8.80%	164.67
	Internal cash generated by TSOC (SEPC dividends)	8.46%	158.36
SAAC		22.73%	425.45
Debt		60%	1,122.72
SIDF loan		32.06%	600
ECA loan		14.03%	262.50
Commercial loan and PIF loan		13.91%	260.22
Total		100%	1,871.20

Source: Sahara

Further information regarding the breakdown of the costs set out in Exhibit 7.14 is provided below. Cost breakdown on a milestone phase basis is also provided in Exhibit 7.15.

EPC

These costs are associated with engineering, procurement and construction of the project. Development of the U&O Project can be divided into three distinct phases. These are the engineering phase which lasts about 12 months, the procurement and construction phase which also lasts about 12 months, and the construction and commissioning phase which lasts about 6 months. Therefore, once the project is awarded to the EPC contractor, it takes approximately 30 months for engineering, procurement and construction of the project to be completed. Forty percent (40%) of the costs are expected to be incurred in the first year, twenty percent (20%) in the second year and twenty percent (20%) in the third year.

First year expenses will mainly relate to engineering costs, placement of orders and down payments for the purchase of equipment. Second year expenses will relate to payment for procurement and construction activities while third year expenses will relate to construction and commissioning costs

Development costs

These costs include expenses related to land lease, salaries of the employees, formation of the company, legal consultancy, travel, recruitment, training, financial advisory, management consultancy services, insurance and purchase of vehicles and furniture. These costs are incurred throughout the 30-month development period.

Contingency

Funds are usually allocated for contingency to accommodate any change in the scope of the project and rise in the prices of manpower and/or services.

Finance costs during construction

These include interest costs and other expenses related to the use of debt financing.

Initial working capital

This is required to bridge the gap between accounts receivables and payables as well as to build an inventory of products and raw materials required for the project. These expenses are incurred during the period between the commissioning of the project and start-up of the U&O facilities.

Exhibit 7.15: Breakdown of U&O Facilities project costs by milestone phase (SAR million)

Type of Cost		Pre-EPC, Engineering & Procurement Phase	Procurement and Construction Phase	Construction and Commissioning Phase	Total
EPC		258.22	516.45	516.45	1,291.12
Development costs		280.68	—	—	280.68
Contingency		—	—	78.59	78.59
Finance costs during construction		—	96.37	96.37	192.74
Initial working capital		—	—	28.07	28.07
Total		538.90	612.82	719.48	1,871.20
Total by ownership interest and debt capital	Equity	215.56	245.13	287.79	–
	Debt	323.34	367.69	431.69	–

Source: Sahara

The pre-EPC activities of the U&O Project commenced in March 2009G and Sahara expects the first phase to be completed by December 2011G. The second phase commenced in June 2010G and this phase is expected to be completed in the second quarter of 2013G. The third phase commenced in October 2010G and this phase is expected to be completed in the second quarter of 2013G.

7.2. Use of proceeds from the 2009G Rights Issue

The total proceeds raised from the 2009G Rights Issue were SAR1,050.30 million. Exhibit 7.17 sets out the expected versus actual use of such funds.

Exhibit 7.16: Expected versus actual use of 2009G Rights Issue Proceeds

Description	Expected total cost as at 17 September 2009G (SAR million)	Expected Use of Proceeds Expected allocation of 2009G Rights Issue Proceeds		Actual Use of Proceeds Actual allocation of 2009G Rights Issue Proceeds	
		SAR million	% of Proceeds	SAR million	% of Proceeds
Investment in the AL WAHA Project					
Standby equity		N/A		84.37	
Cost overrun		N/A		210.81	
Receivables		N/A		92.78	
Total AL WAHA	3,800.00	N/A		387.96	36.9%
Investment in the SAMAPCO Project	1,756.90	307.50	29.3%	158.85	15.1%
Investment in the SAMCO Project	2,270.10	184.70	17.6%	276.37	26.3%

Description	Expected total cost as at 17 September 2009G (SAR million)	Expected Use of Proceeds Expected allocation of 2009G Rights Issue Proceeds		Actual Use of Proceeds Actual allocation of 2009G Rights Issue Proceeds	
		SAR million	% of Proceeds	SAR million	% of Proceeds
Investment in the SAPCO Project	835.50	68.00	6.5%	0	0.0%
Investment in Shared Services					
Administration Building and Other Facilities	114.90	114.90	10.9%	114.90	10.9%
Furniture and Office Equipment	1.50	1.50	0.1%	1.50	0.1%
Maintenance Workshop	13.20	13.20	1.3%	11.38	1.1%
Information Technology Hardware and Software	11.60	11.60	1.1%	17.53	1.7%
Vehicles	3.90	3.90	0.4%	2.59	0.2%
Expenditure Relating to the Development of Projects					
Feasibility Studies	1.50	1.50	0.1%	1.50	0.1%
Allocation Shared Services Costs	2.10	2.10	0.2%	8.82	0.3%
Workshops and Seminars	1.50	1.50	0.1%	1.50	0.1%
Employee Home Ownership Program	267.70	267.70	25.5%	0	0.0%
Projected Administrative Expenses	27.40	27.40	2.6%	29.07	2.8%
Payment of Commission on Bridge Loans	25.40	25.40	2.4%	18.83	1.8%
Rights Issue Fees and Expenses	19.50	19.50	1.9%	19.50	1.9%
Total	5,352.70	1,050.30	100%	1,050.30	100%

Source: Sahara

Further information regarding the utilisation of the 2009G Rights Issue proceeds is provided below.

Investment in the AL WAHA Project

At the time of the 2009G Rights Issue, the total cost of the AL WAHA Project was expected to reach SAR3,800 million and commercial production for each of the PDH Plant and the PP Plant was expected to commence in the final quarter of 2009G. Although the proceeds from the 2009G Rights Issue were not envisaged to be applied to the AL WAHA project, an amount of SAR387.96 million was utilised comprising of cost overrun and standby equity (SAR295.18 million) and receivables (SAR92.78 million).

The total cost of the AL WAHA Project is now estimated to be SAR4,409 million, an increase of 609.0 million from what was expected. The reason for the increasing costs of AL WAHA project is mainly due to the matters described in Section 4.6.1.1 and which AL WAHA faced in relation to the propylene and polypropylene plants, including failure in the performance and reliability of a number of the major equipment and machinery; which required, for example, full replacement of the catalyst in the propane dehydrogenation unit to produce propylene (PDH). In addition, the project was commissioned at a time when the market was undergoing a great demand for EPC contractors, which led to significant delays by those contractors. Also, suppliers of most of the main equipment required for the project were dealing with increased volume of demand. Therefore, the delivery of certain equipment was delayed for longer than expected. This is in addition to the changes in the scope of the project and additional work for the Saudi Electricity Company to extend cables to AL WAHA project because of new unexpected construction projects. Most issues related to the project start-up phase have been resolved and AL WAHA started commercial operations on 1 April 2011G.

Investment in the SAMAPCO Project

At the time of the 2009G Rights Issue, the total cost of the SAMAPCO Project was expected to reach SAR1,756.9 million and commercial production was expected to commence in the third quarter of 2012G. Although SAR307.50 million of the 2009G Rights Issue proceeds was planned to be invested in the SAMAPCO project, an amount of SAR158.85 million was actually applied mainly due to the delay in the implementation of the project and the delay in signing the various project documents such as the joint venture agreement and the technology agreements, as negotiations were ongoing among the partners, in addition to the change in the project cost as set forth below.

The total cost of the SAMAPCO Project is now estimated to be SAR2,872.50 million, representing an increase of SAR1,115.60 million, and commercial operations are expected to commence in the first quarter of 2013G. The cost increase is due to the fact that the previous SAMAPCO project cost assumptions were based on estimates from preliminary feasibility studies whilst the revised project costs are based on actual bidding and negotiations with EPC contractors, in addition to actual licensing fees for licensor-supplied equipment, costs of electrical power for the SEC project, pre-operating expenses and estimate of costs of shared facilities with Al WAHA.

With the increase in SAMAPCO project costs, Sahara's share of equity investment has increased from SAR351.38 million to SAR574.5 million. Sahara has so far contributed SAR450 million and requires an additional SAR124.5 million to complete the project.

Investment in the SAMCO Project

At the time of the 2009G Rights Issue, the total cost of the SAMCO Project was expected to reach SAR2,270.1 million and commercial production was expected to commence in the third quarter of 2012G. Although SAR184.70 million of the 2009G Rights Issue proceeds was planned to be invested in the SAMCO project an amount of SAR276.37 million was actually applied.

The total cost of the SAMCO project is now estimated to be SAR3,745 million, representing an increase of SAR1,474.9 million. The cost increase is due to the fact that the previous SAMCO project cost assumptions were based on estimates from pre-feasibility studies, while the audited cost of the project is based on the actual bid, pre-operating expenses, an estimate of PMC cost during the construction period and working capital requirements.

Sahara's share of equity contribution in SAAC for SAMCO (directly and through TSOC) is SAR484.87 million of which SAR237.7 million (through TSOC) will be contributed from internal cash generated by TSOC (SEPC dividends). The remaining SAR247.17 million has already been contributed by Sahara through the 2009G Rights Issue proceeds. In fact, Sahara contributed the amount of SAR276.37 in SAAC, and SAAC is expected to deposit the increase by Sahara in the capital of SAMCO(SAR29.2 million), in favor of the other SAAC projects (i.e. SAPCO and U&O projects).

Investment in the SAPCO Project

At the time of the 2009G Rights Issue, the total cost of the SAPCO Project was expected to reach SAR835.5 million and commercial production was expected to commence in the third quarter of 2012G. Although SAR68 million of the 2009G Rights Issue proceeds was planned to be invested in the SAPCO project no proceeds were actually applied primarily due to cost overruns at AL WAHA.

The total cost of the SAPCO Project is now estimated to be SAR1,441.10 million, representing an increase of SAR605.50 million, and commercial operations are expected to commence in the first quarter of 2014G. The increase in project cost is due to the proposal of the Ministry of Petroleum and Mineral Resources in March 2010G to SAAC and Evonik to double the production capacity of the SAPCO plant from 40,000 tons to 80,000 tons per year.

Sahara's share of equity contribution in SAAC for SAPCO (directly and through TSOC) is SAR186.58 million of which SAR91.47 million (through TSOC) will be contributed from internal cash generated by TSOC (SEPC dividends). The remaining SAR95.11 million is expected to be contributed by Sahara through the Rights Issue proceeds.

Investments in shared services

At the time of the 2009G Rights Issue, the Company planned for the allocation of SAR90,144 million for the costs of the administration building and other facilities. The allocated amount increased to SAR120.17 million due to the implementation of new security and fire prevention systems. The Company also allocated an amount of SAR11.60 million to the costs of information technology, hardware and software, which increased to SAR17.53 million due to the demand for additional specifications for the information technology hardware and software used.

The Company has reduced the amount allocated to the maintenance workshop from SAR13.20 million to SAR11.38 million through a better utilization of the internal work force. The Company has also reduced the amount allocated for the purchase of vehicles from SAR3.90 million to SAR2.59 million through the use of rented vehicles.

Expenses associated with projects development

At the time of the 2009G Rights Issue, the Company planned to allocate SAR10.2 million for costs related to the allocation shared services. However, this amount increased to SAR3.55 million due to the delay in project implementation. The Company has also allocated an amount of SAR27.4 million for anticipated administrative expenses, which increased to SAR29.07 million because of the delay in the completion of the rights issue in 2009.

The Company reduced the amount allocated to the payment of short-term loan commissions from SAR25.40 million to SAR18.83 million through paying the value of the short-term loans early, thus devaluating the commission. Also at the time of 2009G Rights Issue, the Company had planned to build employee housing at a total cost of SAR267.7 million. However, the Company decided to delay the construction and directed the allocated amount to fund the cost overruns of AL WAHA.

8. CAPITILIZATION AND INDEBTEDNESS

The table below sets out the capitalization and indebtedness of the Company as derived from the audited financial statements as at and for the years ended 31 December 2008G, 2009G and 2010G, and as at and for the six months ended 30 June 2011G. The following table should be read in conjunction with the “Financial Statements” of the Company, including the notes thereto, in the section “Accountants Report”.

Exhibit 8.1 Sahara Capitalization and Indebtedness

SAR’000	As at 31 December 2008G	As at 31 December 2009G	As at 31 December 2010G	As at 30 June 2011G
Debt:				
Short Term	604,592	15,573	139,995	351,995
Long Term	1,617,290	2,260,377	2,220,051	2,137,554
Total Debt	2,221,882	2,275,950	2,360,046	2,489,549
Shareholders’ Equity:				
Capital	1,875,000	2,925,300	2,925,300	2,925,300
Statutory Reserve	69	7,715	40,631	40,631
Retained Earnings	62,102	130,919	427,162	736,108
Change in fair value of interest rate swap	(167,987)	(125,545)	(88,272)	(132,361)
Total Shareholders’ Equity	1,769,184	2,938,389	3,304,821	3,569,678
Total Capitalization	3,991,066	5,214,339	5,664,867	6,059,227

Source: The Company’s consolidated audited financial statements

8.1. Capitalization

The Company was incorporated on 17 February 2004G with a share capital of SAR1,500.0 million divided into 30.0 million shares of SAR50.0 each. Since incorporation, a number of capitalisations have occurred as explained below.

In accordance with the Council of Ministers’ resolution dated 27 Safar 1427H (corresponding to 29 March 2006G) and the Capital Market Authority’s directive dated 09 Safar 1427H (corresponding to 29 March 2006G), the shares of the Company were split into five shares for every one share. Accordingly, the par value per share has decreased from SAR50 each to SAR10 each, and consequently number of shares increased from 30.0 million to 150.0 million.

In July 2007G, the Company issued 37.5 million bonus shares to its shareholders in the ratio of one bonus share for every four shares owned, thus increasing the share capital by SAR375.0 million.

In June 2009, the Company raised fresh equity of SAR1,050.3 million through its first rights issue.

As at 30 June 2011G, the share capital of the Company is SAR 2,925.3 million consisting of 292.53 million shares with a nominal value of Saudi Riyals ten (SAR10) each. The Company confirms that the Company’s capital is not under option.

Shares sold in the Offering will rank pari passu with the other shares in the Company with respect to any dividends declared subsequent to the Offering.

8.2. Indebtedness

The following table clarifies the current and expected future loans:

Facility and financiers	Borrower	Signing Date	Total facility and amount withdrawn as at 30 June 2011G	Interest/ commission rate and outstanding balance as at 30 June 2011G	Repayment schedule	Security
Advance against Islamic Facilities Agreement from a consortium of commercial banks	AL WAHA	14 November 2006G	USD276.6 million (SAR1,022.1 million) Fully withdrawn	LIBOR plus 2.05% SAR1,006.5 million	To be repaid over a period of 11 years commencing six months after the completion of AL WAHA Project Last instalment to paid in 2021G	Co-ownership of physical assets relating to AL WAHA plant
Term loan from SIDF	AL WAHA	18 June 2007G	SAR400.0 million Fully withdrawn	Interest free SAR400.0 million	Repayable in 13 semi-annual instalments beginning from 15 Sha'ban 1432H (corresponding to 17 July 2011G) Last instalment to paid in 2017G	1) Mortgage of assets 2) Assignment of insurance proceeds 3) Technology rights 4) Corporate guarantee of shareholders to the extent of ownership of AL WAHA
Term loan from PIF	AL WAHA	31 October 2007G	USD250.0 million (SAR938.0 million) Fully withdrawn	LIBOR plus 0.5% SAR891.1 million	Repayable in 20 semi-annual equal instalments starting from May 2011G Last instalment to paid in 2020G	Mortgage of assets
Bridge finance facility from Riyad Bank	Sahara	09 May 2011G	SAR1,000.0 million* Withdrawn SAR192.0 million	SIBOR plus 0.875% SAR192.0 million	To be repaid from the proceeds of the planned Rights Issue If Rights Issue do not take place, to be repaid by 31 December 2012G.	1) Assignment of rights Issue proceeds of Sahara to Riyadh Bank 2) Assignment of future dividends from an associate (TSOC)

** Total amount withdrawn from the Company is SAR500 million as of 30\9\2011G.*

As at 30 June 2011G, there are no borrowings, mortgages, rights, charges, contingent liabilities or guarantees of the Company, save as disclosed in the "Financial Statements" of the Company, including the notes thereto, in the section "Accountants Report" and elsewhere in this Prospectus.

** SAR380.0 million was withdrawn on 24 July 2011G.*

8.3. Corporate ownership

The following table clarifies Sahara Petrochemicals Company's ownership structure as at 20/07/1432H corresponding to 26/09/2011G for shareholders who own 3% and more of the stock:

Shareholders who own 3% and more of the stock		
Name	**No. of shares**	**% Ownership**
Zamil Holding Company Group	23,146,001	7.91%
General Retirement Organization	14,082,883	4.81%
General Organization for Social Insurance	11,701,200	4.00%
Saeed Omar Qasem Al-Essaei	11,155,748	3.81%
Ministry of Islamic Affairs	5,850,600	2.00%
Total	65,936,432	22.54%

Source: Saudi Stock Exchange (Tadawul)

9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis of financial condition and results of operations section provides an analytical review of Sahara's operational performance and financial condition during the financial years ended 31 December 2008G, 2009G and 2010G and for the six months ended 30 June 2011G. It is based upon, and should be read in conjunction with Sahara's consolidated audited financial statements as at and for the financial years ended 31 December 2008G, 2009G and 2010G, and unaudited financial statements as at and for the six months ended 30 June 2011G, and the notes thereto. Sahara's consolidated audited financial statements for the financial year 2008G were audited by Deloitte & Touché Bakr Abulkhair & Co. and for the financial years 2009G and 2010G were audited by Ernst & Young, and included in section 18 of this Prospectus. Eligible Shareholders should also read the entire Prospectus including section 2 of this Prospectus (Risk Factors) and not rely solely on the information set out in this section.

All amounts are in Saudi Arabian Riyals, unless stated otherwise. Further, amounts are rounded off to nearest thousands, while percentages have been shown up to one decimal.

Deloitte & Touché Bakr Abulkhair & Co. and Ernst & Young do not themselves, nor do any of their relatives or affiliates have any shareholding or interest of any kind in Sahara and its subsidiary, AL WAHA. They have furnished and not withdrawn their written consent with regard to the reference in the Prospectus to their role as auditors of Sahara for the financial years 2008G, 2009G, and 2010G and half year 2011G.

This section 9 (Management's Discussion and Analysis of the Financial Condition and Results of Operations) ("MD&A") contains forecasts and certain forward looking statements in connection with Sahara's future prospects based on the management's current plans and expectations regarding Sahara's growth, results of operations, and financial conditions, and as such involve risks and uncertainties. Actual results and performance of Sahara could differ materially from those expressed and implied in these forward-looking statements as a result of various factors and future events, including those indicated in this section and elsewhere in this Prospectus, particularly in section 2 of the Prospectus (Risk Factors).

This MD&A section covers Sahara's historical financial performance which mainly represents the management of investments in projects during the financial years 2008G, 2009G and 2010G and half year 2011G. Therefore, the following analysis on historical financial results should not be relied upon as a true indicator of Sahara's future performance once commercial operations commence.

9.1. Directors' Declaration for Financial Information

The Directors of Sahara declare to the best of their knowledge and belief that the financial information presented in this section is extracted without material changes from the consolidated audited financial statements for the financial years 2008G, 2009G and 2010G and unaudited financial statements for the half year 2011G, and that the consolidated audited and unaudited financial statements have been prepared in accordance with SOCPA Accounting Standards.

The Directors declare that there has been no material adverse change in the financial, or trading position of Sahara during the financial years ended 31 December 2008G, 2009G and 2010G, and six months ended 30 June 2011G, and the date up to and including the date of this Prospectus.

The Directors further declare that Sahara will have sufficient funds to meet the working capital requirements for 12 months effective from the date of this Rights Issue.

The Directors, the managing director, and the company secretary declare that they have not at any time been bankrupt or been subject to bankruptcy proceedings as at the date of this Prospectus.

Save as disclosed herein, the Directors declare that there are no other mortgages, rights, and charges on Sahara's properties as of the date of this Prospectus, except disclosed in this section and elsewhere in this Prospectus.

9.2. Significant Accounting Policies

Sahara's consolidated audited financial statements have prepared in compliance with the accounting standards issued by SOCPA.

The consolidated audited financial statements incorporate the financial statements of Sahara and its subsidiary, AL WAHA and are prepared on the accrual basis under the historical cost convention. All significant inter-company transactions and balances are eliminated in preparing the consolidated audited financial statements.

Sahara's significant accounting policies are set out in the notes to Sahara's consolidated audited financial statements given in section 19 of this Prospectus.

9.3. Business overview

Sahara Petrochemicals Company is a Saudi joint stock company registered under commercial registration certificate number 1010199710 dated 19 Jumada Awal 1425H (corresponding to 7 July 2004G). Sahara was established with a paid up share capital of SAR1,500 million divided into 30 million ordinary shares of nominal value of SAR50 each. However, the number of shares increased to 150 million ordinary shares of nominal value of SAR10 each, pursuant to CMA decision number 4-154-2006G dated 27 Safar 1427H (corresponding to 27 March 2006G) to fix the par value of shares of all listed companies to SAR10 per share.

In July 2007G, Sahara's share capital increased by SAR375 million as a result of 37.5 million bonus shares issued to its existing shareholders, in ratio of one bonus share for every four shares held. During the financial year 2009G, Sahara raised SAR1,050.3 million equity through rights issue, by issuing 105.03 million shares in the price of SAR10, and without any premium.

As at 30 June 2011G, the share capital of Sahara was SAR2,925.3 million consisting of 292.53 million ordinary shares of nominal value of SAR10 each. Following the full subscription of this Rights Issue, the authorised, issued and paid up share capital will increase to SAR4,387.95 million consisting of 438.795 million ordinary shares of nominal value of SAR10 each.

The principal activities of Sahara and its subsidiary, AL WAHA are to invest in industrial projects in the chemical and petrochemical fields, and to own and execute projects necessary to supply feedstock and utilities. Sahara incurs costs on projects that are under development and subsequently establishes separate legal entities to manage and operate such projects. All project development and construction costs incurred are transferred to these legal entities upon formation.

Sahara has directly and indirectly invested in various following projects:

- AL WAHA Petrochemical Company (AL WAHA)
- Tasnee and Sahara Olefins Company (TSOC)
- Saudi Ethylene and Polyethylene Company (SEPC)
- Saudi Acrylic Acid Company (SAAC)
- Saudi Acrylic Monomers Company (SAMCO)
- Super Absorbent Polymers (SAP) Project
- Butanol Project
- Utilities and Offsite (U&O) Project
- Sahara and Ma'aden Petrochemicals Company (SAMAPCO)
- Neopentyl Glycol (NPG) Project

The aforementioned companies and projects are mainly engaged in construction of separate petrochemical projects. As at 30 June 2011G, Sahara has accounted for AL WAHA as a subsidiary, and TSOC and SAAC as associates. Costs incurred on rest of the investments are shown under 'projects under development' in the books of accounts of Sahara. Brief description of the aforementioned projects is mentioned below.

AL WAHA Petrochemical Company

Sahara subscribed seventy-five percent (75%) of the equity of AL WAHA, which is a limited liability company registered under commercial registration certificate number 2055007751 dated 09 Sha'ban 1427H (corresponding to 2 September 2006G). Basell Arabie Investissements S.A.S., a company incorporated in France, holds the remaining twenty-five percent (25%) shares of AL WAHA.

AL WAHA was incorporated with a paid up share capital of SAR1,237 million, subsequently increased to SAR1,547.6 million in December 2006G, and to SAR1,660 million again in July 2011G. Sahara has invested SAR1,160.7 million in order to acquire seventy-five percent (75%) shares of AL WAHA.

AL WAHA has commenced trial/ test production during April 2009G, and commenced commercial operations on 1 April 2011G. See section 4.6.1.1 of this Prospectus for further details.

Tasnee and Sahara Olefins Company

Sahara holds 32.55% shareholding in TSOC, a closed joint stock company registered under commercial registration certificate number 1010218959 dated 08 Rabi II 1427H (corresponding to 06 May 2006G). The remaining 67.45% shares are owned by National Industrialisations Company (Tasnee) (57.45%), General Organization of Social Insurance (GOSI) 7.0%, Tasnee Petrochemicals Marketing Company (one percent (1%)), National Gulf Company for Petrochemical Technology (one percent (1%)) and National Worldwide Industrial Advancement Company (one percent (1%)).

TSOC was incorporated with a paid up share capital of SAR2,400 million, subsequently increased to SAR2,530 million and SAR2,830 million during the financial years 2009G and 2010G respectively. Sahara has invested SAR921.2 million in TSOC to acquire 32.55% shares.

TSOC was established as a holding company for investments in other joint venture projects. TSOC's current holdings comprise sixty–five percent (65%) equity stake in SAAC and seventy–five (75%) equity stake in SEPC. See Section 4.6.2.3 of this Prospectus for further details.

Saudi Acrylic Acid Company

SAAC operates as a holding company. It was incorporated under CR number 1010265482 dated 8 Rabi II 1430H (corresponding to 4 April 2009G) as a LLC with share capital of SAR620 million and is owned by Sahara (twenty–two percent (22%)), TSOC (sixty–five percent (65%)) and Tasnee (thirteen percent (13%)). Sahara has invested SAR136.4 million to acquire twenty–two percent (22%) shares in SAAC. See Section 4.6.2.3 of this Prospectus for further details.

Sahara and Ma'aden Petrochemicals Company

SAMAPCO is expected to be established in partnership with Ma'aden as a 50:50 joint venture. Upon establishment, SAMAPCO would produce caustic soda and ethylene dichloride. See Section 4.6.2.1 of this Prospectus for further details.

NPG Project

NPG project is expected to be established as a joint venture between Sahara and Chemanol, who will each own a forty–eight percent (48%) and fifteen percent (15%) equity stake respectively, with the remaining thirty–seven percent (37%) shareholding being held by Mitsubishi Gas Chemical Company Inc. and Sojitz Corporation. See Section 4.6.2.2 of this Prospectus for further details.

Butanol Project

The Butanol project will be owned by SAAC, Saudi Kayan and Saudi Aramco/ Dow JV each with a 33.33% shareholding. Until the formation of Saudi Aramco/ Dow JV, its shareholders Saudi Aramco and Dow Chemicals will be directly participating in the Butanol project. See Section 4.6.2.3 of this Prospectus for further details.

Super Absorbent Polymers Project

The SAP project is expected to be set-up between SAAC and Evonik with a seventy–five percent (75%) and twenty–five percent (25%) shareholding respectively and upon establishment, it will produce super-absorbent polymers (SAP). See Section 4.6.2.3 of this Prospectus for further details.

Utilities and Offsite Project

SAAC will also own and operate the U&O Facilities including product storage and warehouse, truck-loading/ transportation and port facilities, which will be established through the U&O project. See Section 4.6.2.3 of this Prospectus for further details.

Saudi Acrylic Monomers Company

SAMCO was established in July 2009G under commercial registration certificate number 2055010711 as a limited liability company, which is a joint venture between SAAC and Rohm & Hass (Dow) with seventy–five percent (75%) and twenty–five percent (25%) shareholding respectively. The share capital of SAMCO is SAR733 million. See Section 4.6.2.3 of this Prospectus for further details.

Saudi Ethylene and Polyethylene Company

SEPC is a limited liability company registered under commercial registration certificate number 2055007540 issued in Jubail on 22 Rabi II 1427H (corresponding to 20 May 2006G), with a fully paid share capital of SAR2,737.5 million. SEPC was owned by TSOC and Lyondell Basell Industries Holdings B.V. with a seventy–five percent (75%) and twenty–five percent (25%) shareholding respectively. See Section 4.6.1.2 of this Prospectus for further details.

9.4. Results of Operations

The projects launched by Sahara are currently at different advanced stages of construction. Accordingly, the results of Sahara's operations during the financial years 2008G, 2009G and 2010G do not reflect the core business operations but, so far, represent the return on investment in TSOC and under Murabaha placements, and the costs incurred by Sahara at Corporate level. The results also include three months operating results of AL WAHA, which started commercial operations on 1 April 2011G.

The consolidated income statement of Sahara and its subsidiary, AL WAHA for the financial years ended 31 December 2008G, 2009G and 2010G and six months ended 30 June 2011G is as follows:

	SAR'000					Percentage Change		
	1HY2011 Unaudited	1HY2010 Unaudited	FY2010 Audited	FY2009 Audited	FY2008 Audited	1HY2011-1HY2010	FY2010-FY2009	FY2009-FY2008
Sales	721,330	-	-	-	-	100.0%	-	-
Cost of sales	(560,316)	-	-	-	-	100.0%	-	-
Gross profit	161,014	-	-	-	-	100.0%	-	-
General and administration expenses	(8,581)	(4,510)	(10,966)	(39,428)	(40,168)	90.3%	(72.2)%	(1.8)%
Selling and distribution expenses	(21,527)	-	-	-	-	100.0%	-	-
Profit/ (loss) from main operations	130,906	(4,510)	(10,966)	(39,428)	(40,168)	(3,002.6)%	(72.2)%	(1.8)%
Murabaha income	-	645	2,306	1,269	65	(100.0)%	81.7%	1,852.3%
Right issue cost	-		-	(38,334)	-	-	(100.0)%	100.0%
Financial charges	(24,136)	-	-	-	-	100.0%	-	-
Other income and expenses, net	162	72	(507)	525	-	125.0%	(196.6)%	100.0%
Pre-operating expenses, net	-	-	-	-	(3,776)	-	-	(100.0)%
Profit/ (loss) before share in results of an associate	106,932	(3,793)	(9,167)	(75,968)	(43,879)	(2,919.2)%	(87.9)%	73.1%
Share in result of an associate	250,501	221,211	339,526	153,666	3,323	13.2%	121.0%	4,524.3%
Income/ (loss) before minority interest and Zakat	357,433	217,418	330,359	77,698	(40,556)	64.4%	325.2%	(291.6)%
Minority interest	(28,613)	-	-	(35)	944	100.0%	(100.0)%	(103.7)%
Zakat	(19,874)	(600)	(1,200)	(1,200)	(1,534)	3,212.3%	-	(21.8)%
Net income/ (loss) for the year/ period	308,946	216,818	329,159	76,463	(41,146)	42.5%	330.5%	(285.8)%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and unaudited financial statements for the six month ended 30 June 2011G. Figures are rounded off to nearest thousand

9.4.1. Revenues

During the financial years 2008G, 2009G and 2010G, the consolidated revenues solely relate to Sahara, and are mainly from profit earned on the funds placed under Murabaha arrangements and share of income of an associate (TSOC).

The consolidated revenues were SAR341.8 million for the financial year 2010G, as compared to SAR3.4 million in the financial year 2008G. The increase is primarily the result of Sahara's share in profit of TSOC, which increased from SAR3.3 million for the financial year 2008G to SAR339.5 million for the financial year 2009. Profits from TSOC represents net profits reported by SEPC. Income on Murabaha placements also increased from SAR0.7 million for the financial year 2008G to SAR2.3 million for the financial year 2010G.

Total revenue during the six months period ended 30 June 2011G amounted to SAR971.9 million mainly represented by 'revenue from operations of AL WAHA' and 'share in results of TSOC an associate' constituting 74.2% and 25.8% of the total revenue respectively during the half year 2011G.

The following table summarises the breakdown of consolidated revenues of Sahara and its subsidiary, AL WAHA for the financial years ended 31 December 2008G, 2009G and 2010G, and six months ended 30 June 2010G and 2011G:

	SAR'000					Percentage Change		
	1HY2011 Unaudited	1HY2010 Unaudited	FY2010 Audited	FY2009 Audited	FY2008 Audited	1HY2011-1HY2010	FY2010-FY2009	FY2009-FY2008
Sales	721,330	-	-	-	-	100.0%	-	-
Share in result of an associate	250,501	221,211	339,526	153,666	3,323	13.2%	121.0%	4,524.3%
Murabaha income	-	645	2,306	1,269	65	(100.0)%	81.7%	1,852.3%
Other income	162	72	-	525	-	125.0%	(100.0)%	100.0%
Total revenue	971,993	221,928	341,832	155,460	3,388	338.0%	119.9%	4,488.5%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

AL WAHA sales

AL WAHA sold 35,860 tonnes and 254,108 tonnes of polypropylene to various local and foreign customers, and recorded sales revenue of SAR173.7 million and SAR1,219.8 million during the financial years 2009G and 2010G respectively.

Since AL WAHA only commenced commercial operations on 1 April 2011G; net profit or loss from operating activities were capitalized under construction work in progress during the financial years 2009G and 2010G respectively.

On 1 April 2011G, AL WAHA started commercial operations and earned revenue amounting SAR721.3 million with the gross profit of SAR161.0 million. According to the off take agreement with Basell S&M, AL WAHA is required to export all its finished products, after meeting the local demand, to Basell S&M. Sales to foreign customers comprise sales to Basell S&M and accounts for 89.5% of the total revenue during the period. Sales to local customers represents 7.7% of the total revenue during the period and the remaining 2.8% of sales is generated from various other sources of revenue.

	SAR'000					Percentage Change		
	1HY2011 Unaudited	1HY2010 Unaudited	FY2010 Audited	FY2009 Audited	FY2008 Audited	1HY2011-1HY2010	FY2010-FY2009	FY2009-FY2008
Foreign:								
Homo Polymer - LBI	346,121	-	-	-	-	100.0%	0.0%	0.0%
Heco Polymer - LBI	299,365	-	-	-	-	100.0%	0.0%	0.0%
Total foreign	645,486	-	-	-	-	100.0%	0.0%	0.0%
Local:								
Homo Polymer - LBI	35,242					100.0%	0.0%	0.0%
Heco Polymer - LBI	20,619					100.0%	0.0%	0.0%
Total local	55,861	-	-	-	-	100.0%	0.0%	0.0%
Others	40,915	-	-	-	-	100.0%	0.0%	0.0%
Sales adjustment	(20,931)	-	-	-	-	100.0%	0.0%	0.0%
Total sales	721,330	-	-	-	-	100.0%	0.0%	0.0%

Source: Sahara Management Information. Figures are rounded off to nearest thousand

Other revenue mainly includes revenue from sales of raw materials and sales of scrap. Adjustment to sales is mainly on accounts of customer rebate and sales commission.

Share of Income from Associate

The share of income received from Sahara's investment in TSOC (an associate) amounted to SAR3.3 million, SAR153.7 million and SAR339.5 million in the financial years ended 31 December 2008G, 2009G and 2010G respectively. The share of income received from Sahara's investment in TSOC (an associate) amounted to SAR221.2 million and SAR250.5 million in the six months ended 30 June 2010G and 2011G respectively. The share of income represents 32.55% of Sahara shareholder entitlement to profits of TSOC.

TSOC is operating as a holding company and owns sixty–five percent (65%) equity stake in SAAC and seventy–five percent (75%) equity stake in SEPC. SEPC commenced commercial operation on 01 June 2009G and is mainly involved in production of 284,800 tonnes per annum of propylene and 1,008,000 tonnes per annum of ethylene. SAAC has not commenced operations as at 30 June 2011G.

Murabaha Income

Murabaha income represents income earned on funds placed under Murabaha arrangements by Sahara and AL WAHA with various banks. During the six months ended 30 June 2011G, Murabaha income amounts to SAR0.04 million and reclassified under "other income".

Cost of sales

The following table summarises the breakdown of consolidated cost of sales for the financial years ended 31 December 2008G, 2009G and 2010G, and six months ended 30 June 2010G and 2011G:

	SAR'000					Percentage Change		
	1HY2011 Unaudited	1HY2010 Unaudited	FY2010 Audited	FY2009 Audited	FY2008 Audited	1HY2011-1HY2010	FY2010-FY2009	FY2009-FY2008
Raw material consumptions	420,314	-	-	-	-	100.0%	0.0%	0.0%
Utilities	16,704	-	-	-	-	100.0%	0.0%	0.0%
Salaries and benefits	12,663	-	-	-	-	100.0%	0.0%	0.0%
Insurance, maintaince and rentals	12,304	-	-	-	-	100.0%	0.0%	0.0%
Safety and enviormental expenses	418	-	-	-	-	100.0%	0.0%	0.0%
Depreciation	43,261	-	-	-	-	100.0%	0.0%	0.0%
Amortization	5,811	-	-	-	-	100.0%	0.0%	0.0%
Inventory movement	15,971	-	-	-	-	100.0%	0.0%	0.0%
Other costs	32,870	-	-	-	-	100.0%	0.0%	0.0%
Total cost of sales	560,316	-	-	-	-	100.0%	0.0%	0.0%

Source: Sahara Management Information. Figures are rounded off to nearest thousand

Cost of sales pertain to AL WAHA only. AL WAHA commenced commercial production on 1 April 2011G, therefore cost of sales during the financial years 2008G, 2009G and 2010G, and three months ended 31 March 2011G were capitalized during the test period.

9.4.2. General and Administration Expenses

General and administration ("G&A") expenses comprised of staff salaries, rent, dues and subscription, advertising and public relations, and other miscellaneous expenses. During the financial years 2008G, 2009G and 2010G, the consolidated G&A expenses solely relate to Sahara, since AL WAHA capitalized all the operating and non-operating expenses during the financial years 2008G, 2009G and 2010G. During the six months ended 30 June 2011G, G&A mainly related to Sahara but also includes three months G&A for AL WAHA, since it started operations on 1 April 2011G.

G&A expenses decreased by SAR0.7 million and SAR28.5 million in the financial years 2009G and 2010G respectively, mainly on account of decrease in Sahara's employee costs and other G&A expenses.

G&A expenses decreased significantly decreased during the financial year 2010G, since Sahara has charged major portion of its G&A expenses to its subsidiary, AL WAHA on account of shared services.

G&A expenses increased during the six months ended 30 June 2011G, since it includes three months G&A expenses related to AL WAHA, which started operations on 1 April 2011G. AL WAHA G&A expenses represents AL WAHA President office related expenses.

The following table summarises the breakdown of consolidated general and administration expenses of Sahara and its subsidiary, AL WAHA for the financial years ended 31 December 2008G, 2009G and 2010G, and six months ended 30 June 2011G:

	SAR'000					Percentage Change		
	1HY2011 Unaudited	1HY2010 Unaudited	FY2010 Audited	FY2009 Audited	FY2008 Audited	1HY2011-1HY2010	FY2010-FY2009	FY2009-FY2008
Employee costs	6,339	3,837	9,351	29,490	30,972	65.2%	(68.3)%	(4.8)%
Rent	124	85	233	793	1,153	45.6%	(70.6)%	(31.2)%
Dues and subscription	-	0	10	76	396	(100.0)%	(86.8)%	(80.8)%
Advertising and public relations	26	35	66	482	1,911	(26.0)%	(86.3)%	(74.8)%
Others expenses	1,068	553	1,306	8,587	5,736	93.1%	(84.8)%	49.7%
President office cost	1,024	-	-	-	-	-	-	-
Total general and administration expenses	8,581	4,510	10,966	39,429	40,168	90.3%	(72.2)%	(1.8)%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and six months ended 30 June 2010G and 2011G. Figures are rounded off to nearest thousand

Employee Costs

During the financial years 2008G, 2009G and 2010G, the consolidated employee costs solely relate to Sahara, since AL WAHA capitalized all the operating and non-operating expenses during the financial years 2008G, 2009G and 2010G.

Employee costs represent the major component of G&A expenses, which constituted 77.1%, 74.8%, 85.3% and 73.9% of the total G&A expenses in the financial years 2008G, 2009G and 2010G, and half year 2011G respectively. Employees' costs decreased by 68.3% during the financial year 2010G as compared to the financial year 2009G, since Sahara charged major portion of employee costs to its subsidiary, AL WAHA on account of shared services during the financial year 2010G.

Rent

The second major component of G&A expenses is rent for office premises of both Sahara and AL WAHA. The rent expense decreased during FY2010G, since Sahara and AL WAHA administration building was completed in that year.

Dues and Subscriptions

Dues and subscriptions mainly consist of the fees paid to Saudi Share Registration Company ("SSRC") for maintaining and updating the shareholding register. The decrease in dues and subscription expense is due to fees charged by SSRC to all Saudi listed companies during the financial year 2008G.

Advertising and Public Relations

Advertising and public relation expenses include advertisement in various technical and business publications, and fees relating to the circulation of printed quarterly and year-end financial statements in different local newspapers. Advertising and public relations expenses decreased significantly over the years, since significant expenses were made on marketing and advertising during the financial years 2008G-09 (initial years of Sahara's operation).

Others

Other expenses were mainly on account of lease rentals for office computers, software licence fees, training and general repair and maintenance expenses.

9.4.3. Selling and Distribution Expenses

The following table summarises the breakdown of consolidated selling and distribution expenses for the financial years ended 31 December 2008G, 2009G and 2010G, and six months ended 30 June 2010G and 2011G:

SAR'000						Percentage Change		
	1 HY2011 Unaudited	1 HY2011 Unaudited	FY2010 Audited	FY2009 Audited	FY2008 Audited	1 HY2011- 1 HY2010	1 HY2010- 1 HY2009	1 HY2009- 1 HY2008
Land Freight	2,141		-	-	-	100.0%	0%	0%
Sea Freight	18,579							
Others	807		-	-	-	100.0%	0%	0%
Total sales & distribution expenses	21,527		-	-	-	100.0%	0%	0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and six months ended 30 June 2010G and 2011G. Figures are rounded off to nearest thousand

Selling and distribution ("S&D") expenses relate to AL WAHA only. AL WAHA commenced commercial production on 1 April 2011G, therefore cost of sales during the financial years 2008G, 2009G and 2010G, and three months ended 31 March 2011G were capitalized during the test period.

9.4.4. Rights issue cost

Sahara increased share capital through rights issue during June 2009G. Sahara expensed-out total rights issue cost of SAR38.3 million during the financial year 2009G. Rights issue cost mainly comprised of fees paid to financial advisors, IPO consultants and legal consultants (SAR15.5 million), bank charges including bridge loan costs (SAR21.6 million), Tadawul fees (SAR0.3 million) and other general costs (SAR0.9 million). The Company expected the rights issue cost of SAR9.4 million, comprised of consultancy service costs and Tadawul fees, however due to significant bank charges on bridge loan and higher consultancy fees, actual rights issue cost reached SAR38.3 million.

9.4.5. Other income and expenses, net

Other income represents exchange gain recorded in the books of AL WAHA during the financial year 2009G. During the financial year 2010G, other expenses represent exchange loss reported by AL WAHA.

9.4.6. Pre-operating Expenses

Pre-operating expenses represent costs incurred prior to the incorporation of AL WAHA. These expenses were accounted for in the books of accounts for the year when incurred. These expenses comprise mainly of operating expenses including salaries and benefits of management employees.

9.4.7. Minority Interest

Minority interest pertains to the twenty–five percent (25%) share of the joint venture partner (Basell Arabie Investissements S.A.S.) investment in AL WAHA.

9.4.8. Zakat

Zakat expense for the financial years 2008G, 2009G and 2010G, and half year 2011G relates to Sahara.

9.5. Balance Sheet

The consolidated balance sheet of Sahara and its subsidiary, AL WAHA as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G is as follows:

	SAR'000				% of total assets			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Current assets	1,161,298	733,282	791,905	456,358	16.0%	11.1%	13.3%	9.7%
Non-current assets	6,091,543	5,851,022	5,163,683	4,264,494	84.0%	88.9%	86.7%	90.3%
Total assets	7,252,841	6,584,304	5,955,588	4,720,852	100.0%	100.0%	100.0%	100.0%
Current liabilities	946,037	487,445	264,742	829,153	13.0%	7.4%	4.4%	17.6%
Non-current liabilities	2,245,101	2,329,941	2,359,603	1,773,443	31.0%	35.4%	39.6%	37.6%
Shareholders› equity	3,569,678	3,304,821	2,938,389	1,769,184	49.2%	50.2%	49.3%	37.5%
Minority interest	492,025	462,097	392,854	349,072	6.8%	7.0%	6.6%	7.4%
Total liabilities, shareholders› equity and minority interest	7,252,841	6,584,304	5,955,588	4,720,852	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

9.5.1. Current Assets

The following table summarises the breakdown of consolidated current assets of Sahara and its subsidiary, AL WAHA as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Cash and cash equivalents	194,558	164,064	555,869	453,036	16.8%	22.4%	70.2%	99.3%
Accounts receivable, prepayments and other receivables	709,433	454,651	154,425	3,322	61.1%	62.0%	19.5%	0.7%
Inventories	257,307	114,567	81,611	-	22.2%	15.6%	10.3%	0.0%
Total current assets	1,161,298	733,282	791,905	456,358	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash held in bank accounts, petty cash and short term Murabaha placements with banks. Murabaha placements contributed 94.5%, 56.8% and 23.2% towards total cash and cash equivalents as at 31 December 2008G, 31 December 2010G and 30 June 2011G respectively.

Cash and cash equivalents have shown a fluctuating trend on account of increase in shareholders' equity and borrowings, which were mainly utilized to finance capital expenditure on AL WAHA and other projects during the financial years 2008G, 2009G and 2010G, and half year 2011G.

Accounts Receivable, Prepayments and Other Receivables

Accounts receivables, prepayments and other receivables mainly represent trade debtors, margin against LCs and LGs, advances to suppliers, deposits and advances to employees.

The breakdown of consolidated accounts receivable, prepayments and other receivables of Sahara and its subsidiary, AL WAHA as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G is as follows:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Trade accounts receivable	663,837	425,707	129,592	143	93.6%	93.6%	83.9%	4.3%
Prepayments	1,115	1,386	373	-	0.2%	0.3%	0.2%	0.0%
Other receivables	44,481	27,558	24,460	3,179	6.3%	6.1%	15.8%	95.7%
Total accounts receivable, prepayments and other receivables	709,433	454,651	154,425	3,322	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated [unaudited] financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Trade accounts receivable solely relates to AL WAHA. AL WAHA commenced the trial/ test production in April 2009G and produced 45,454 tonnes and 259,173 tonnes of polypropylene during the financial years 2009G and 2010G respectively. Total sales revenue of SAR173.2 million and SAR1,211.3 million was recorded by AL WAHA on account of sale of 35,860 tonnes and 254,108 tonnes during the financial years 2009G and 2010G respectively. Total sales reached SAR721.3 million during the six months ended 30 June 2011G.

69.7%, 86.6% and 89.5% of total sales were contributed by Basell (minority shareholder of AL WAHA) during the financial years 2009G and 2010G, and half year 2011G respectively on 120 days credit terms according to the Off-take agreement signed between AL WAHA and Basell Sales and Marketing Company. SAR117.3 million, SAR421.5 million and SAR634.4 million are recorded as receivable from Basell in connection with aforesaid sales of polypropylene as at 31 December 2009G, 31 December 2010G and 30 June 2011G respectively.

Inventories

Inventories amounting to SAR81.6 million, SAR114.6 million and SAR257.3 million represent 10.3%, 15.6% and 22.2% of current assets as at 31 December 2009G and 2010G, and 30 June 2011G respectively. Inventories mainly comprise of spare parts, chemicals and additives, catalyst and packaging material.

Spare parts constitute 71.1%, 79.8% and 38.2% of total inventories as at 31 December 2009G, 31 December 2010G and 30 June 2011G.

In the books of AL WAHA, finished goods inventories were classified under CWIP amounting to SAR27.8 million and SAR52.6 million as at 31 December 2009G and 2010G respectively, since AL WAHA was operating under test phase, and started commercial operation on 1 April 2011G. As at 30 June 2011G, finished goods amounted to SAR112.1 million, therefore balance of inventories increased from SAR114.6 million as at 31 December 2010G to SAR257.3 million as at 30 June 2011G.

9.5.2. Non Current Assets

The following table summarises the breakdown of consolidated non-current assets of Sahara and its subsidiary, AL WAHA as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Investment in associates	1,740,794	1,538,316	1,006,754	732,949	28.6%	26.3%	19.5%	17.2%
Projects under development	272,021	135,480	35,338	22,839	4.5%	2.3%	0.7%	0.5%
Construction work in progress	43,580	4,156,789	4,106,033	3,503,224	0.7%	71.0%	79.5%	82.1%
Property, plant & equipment	4,035,148	20,437	15,558	5,482	66.2%	0.3%	0.3%	0.1%
Total non-current assets	6,091,543	5,851,022	5,163,683	4,264,494	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Investment in Associates

Investment in associates represents Sahara's 32.55% shares in TSOC and twenty–two percent (22%) shares in SAAC calculated under the equity accounting method.

The following table summarises the breakdown of investment in associates as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Investment in TSOC	1,604,394	1,401,916	924,254	732,949	92.2%	91.1%	91.8%	100.0%
Investment in SAAC	136,400	136,400	82,500	-	7.8%	8.9%	8.2%	0.0%
Total investment in associates	1,740,794	1,538,316	1,006,754	732,949	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Sahara, in line with its accounting policy records the investment using the equity method as specified in SOCPA's standard on Accounting for Investments using Equity Method.

Sahara has invested SAR921.2 million in TSOC to acquire 32.55% shares and invested SAR136.4 million to acquire twenty–two percent (22%) shares in SAAC.

Projects under Development

Projects under development represents costs for the study and development of industrial projects, and these are accounted at cost. Sahara's policy is to convert these projects to separate legal entities when they become feasible. Costs incurred on projects to that date are then transferred to the entity.

The following table summarises the movement in projects under development by Sahara during the financial years 2008G, 2009G and 2010G, and half year 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Opening balance of projects under development	135,480	35,338	22,839	11,226	49.8%	26.1%	64.6%	49.2%
Incurred during the year/ period	146,296	100,891	12,499	11,613	53.8%	74.5%	35.4%	50.8%
Transferred to property, plant and equipment	9,775	(749)	-	-	(3.6)%	(0.6)%	-	-
Closing balance of projects under development	272,021	135,480	35,338	22,839	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Projects under development represent investment in various projects; such as SAMAPCO (SAR257.2 million), SAP (SAR1.3 million) and Meridium IT projects (SAR4.7 million), and Sahara Head Office network and communication system (SAR4.3 million).

During the financial year 2010G, costs relating to Acrylic acid and Ethylene Amine Projects amounting to SAR4.8 million have been expensed-out and balance is invoiced to the partner according to the respective shareholding.

Construction Work in Progress

Construction related costs comprise of construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the Management. Directly attributable costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees, borrowing costs, operating and non operating expenses, and profit/ loss on sale of trial/ test production finished goods.

The following table summarises the movements in consolidated construction work in progress (CWIP) during the financial years 2008G, 2009G and 2010G, and half year 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Opening balance of construction work in progress	4,156,789	4,106,033	3,503,224	2,191,230	9,538.3%	98.8%	85.3%	62.5%
Additions during the period	102,596	51,062	607,597	1,311,994	235.4%	1.2%	14.8%	37.5%
Discount from contractor	(103,982)	-	-	-	(238.6)%	-	-	-
Transferred to inventories	(56,654)	-	-	-	(130.0)%	-	-	-
Transferred from projects under development	9,755	-	-	-	22.4%	-	-	-
Transferred to property, plant and equipment	(4,064,924)	(306)	(4,788)	-	(9,327.5)%	(0.0)%	(0.1)%	-
Closing balance of construction work in progress	43,580	4,156,789	4,106,033	3,503,224	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated [unaudited] financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

CWIP contributed to 74.2%, 68.9% and 63.1% of total assets as at 31 December 2008G, 2009G and 2010G respectively and in terms of non-current assets 82.1%, 79.5% and seventy-one percent (71%) as at 31 December 2008G, 2009G and 2010G respectively.

Sahara CWIP represent administration building and other related buildings in Sahara premises and cooling tower amounting to SAR140.3 million not capitalized by Sahara as at 31 December 2010G. During the six months ended 30 June 2011G, CWIP related to building amounting SAR97.3 million were capitalised, however, cooling plant and other related assets aggregating SAR43.5 million will be capitalised.

The following table summarises the breakdown of construction work in progress relating to AL WAHA as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited	2008 Audited	2011 Audited	2010 Audited	2009 Audited	2008 Audited
PP Plant	-	1,461,792	1,469,624	1,408,728	(100.0)%	36.3%	36.8%	40.7%
PDH Plant	-	1,365,260	1,406,753	1,347,664	(100.0)%	33.9%	35.2%	39.0%
Commissioning and start-up	-	211,594	240,594	1,727	(100.0)%	5.3%	6.0%	0.0%
Project consultancy costs	-	156,487	104,539	81,341	(100.0)%	3.9%	2.6%	2.4%
Technology Licenses	-	128,004	119,989	115,380	(100.0)%	3.2%	3.0%	3.3%
PMC	-	79,257	79,275	72,885	(100.0)%	2.0%	2.0%	2.1%
Catalyst	-	74,516	74,510	72,144	(100.0)%	1.8%	1.9%	2.1%
Utilities	-	55,894	49,443	22,500	(100.0)%	1.4%	1.2%	0.7%
Logistics and Bagging	-	52	52	-	(100.0)%	0.0%	0.0%	0.0%
Portacabin Al Waha	-	-	-	2,313	(100.0)%	0.0%	0.0%	0.1%
Rheometer System	-	-	3.5	-	(100.0)%	0.0%	0.0%	0.0%
Total WBSs	-	3,532,874	3,545,084	3,124,682	(100.0)%	87.7%	88.7%	90.4%
Deferred Charges	-	422,289	421,855	322,860	(100.0)%	10.5%	10.6%	9.3%
Finished goods	-	52,594	27,789	-	(100.0)%	1.3%	0.7%	0.0%
Advances for the construction	-	987	987	-	(100.0)%	0.0%	0.0%	0.0%
Advance to suppliers	-	20,381	-	10,194	(100.0)%	0.5%	0.0%	0.3%
Total construction work in progress - Al Waha	39	4,029,125	3,995,715	3,457,736	(100.0)%	100.0%	100.0%	100.0%

Source: AL WAHA Management Information. Figures are rounded off to nearest thousand

As at 31 December 2010G, AL WAHA CWIP comprises mainly of costs related to the construction of integrated propylene and polypropylene plants, deferred charges and finished goods of AL WAHA amounting to SAR4,029.1 million. The contractors for this project are Tecnimont (for the PP Plant), which is an Italian construction company and Daelim (for the PDH Plant), which is a Korean construction company.

The deferred charges mainly comprise of license cost, fee and other professional charges paid to SIDF in connection with extension of loan, IT related software and licenses cost, and other related costs. The deferred charges will be capitalized as intangible assets at the time of commencement of commercial operations by AL WAHA, and will be amortized going forward.

AlWaha started commercial operations from 1 April 2011G, therefore, total construction work in progress amounting to SAR4,063.3 million as at 31 March 2011G were transferred to property, plant and equipment, and the balance of CWIP reached nil in the books of AL WAHA as at 30 June 2011G.

Property, plant and equipment

Property, plant and equipment represent the net book value of building, plant & machinery, vehicles and office equipments used by Sahara and AL WAHA. During the six months ended 30 June 2011G, the additions in Property, plant and equipment mainly represents transfers from CWIP.

9.5.3. Current Liabilities

The following table summarises the breakdown of consolidated current liabilities of Sahara and its subsidiary, AL WAHA as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Accounts payable and accruals	581,601	288,863	183,871	93,636	61.5%	59.3%	69.5%	11.3%
Retentions payable	-	56,187	64,098	130,925	0.0%	11.5%	24.2%	15.8%
Short term loans	-	-	-	589,032	0.0%	0.0%	0.0%	71.0%
Bridge loan	192,000	-	-	-	20.3%	0.0%	0.0%	0.0%
Current portion of advance against IFA	31,145	31,145	15,573	15,560	3.3%	6.4%	5.9%	1.9%
Current portion of term loans	128,850	108,850	-	-	13.6%	22.3%	0.0%	0.0%
Zakat provision	12,441	2,400	1,200	-	1.3%	0.5%	0.5%	0.0%
Total current liabilities	946,037	487,445	264,742	829,153	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Accounts payable and accruals

The consolidated accounts payable and accruals of Sahara and its subsidiary, AL WAHA as at 31 December 2008G, 2009G and 2010G. and 30 June 2011G are as follows:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited	2008 Audited	2011 Audited	2010 Audited	2009 Audited	2008 Audited
Trade accounts payable	184,638	108,299	111,830	58,118	31.7%	37.5%	60.8%	62.1%
Accrued expenses and other payables	396,963	180,564	72,041	35,518	68.3%	62.5%	39.2%	37.9%
Total accounts payable and accruals	581,601	288,863	183,871	93,636	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Accounts payable and accruals mainly represent accounts payable, accrued expenses, provisions and other liabilities. Accounts payable are mainly on account of AL WAHA, and are payables on account of outstanding invoices towards EPC contractors (Daelim and Tecnimont) and for propane supply to Saudi Aramco. Accounts payable in the books of Sahara were mainly towards Rakan Trading for construction of office building.

Accrued expenses in the books of Sahara mainly relate to GR/ IR Clearing payable (SAR2.4 million), accrued vacation pay (SAR3.8 million), accrued GOSI (SAR0.6 million) and other accrued liabilities made in the ordinary course of business (for example, in relation to utilities, maintenance and supplies) (SAR5.5 million) as at 30 June 2011G.

Accrued expenses in the books of AL WAHA mainly relate to Pipeline Accruals Provisions (SAR234.1 million), accrued interest (SAR21.4 million) and EPC contractors settlement provision (SAR60.5 million) and platinum loss provision (SAR15.4 million) as at 30 June 2011G.

Retentions Payable

Retention payable represented five percent (5%) of each invoice raised by AL WAHA's EPC Contractors (Tecnimont and Daelim) according to construction agreements for the PP Plant and PDH Plant. The retention will be released to the respective contractors on the receipt of Plant Acceptance Certificate to be given after the completion of testing phase. During the six months ended 30 June 2011G, these accounts were settled as AL WAHA started commercial operations on 1 April 2011G.

In the financial year 2008G, AL WAHA withheld ten percent (10%) of engineering services invoice value provided by UOP on account of withholding tax. AL WAHA will release this amount if UOP provides a tax exemption certificate otherwise it will deposit this amount to the DZIT. Retentions payable has been classified as current liability during the reporting period.

As at 30 June 2011G, the retention payables balance was reduced to nil as AL WAHA's EPC contracts were closed at the time AL WAHA commenced its commercial operations on 1 April 2011G. Final settlement liabilities pertaining to EPC Contractors were classified under accounts payable and accruals amounting to SAR60.5 million as at 30 June 2011G.

Short-term loans

In the financial year 2008G, AL WAHA availed 'SIDF bridge finance facility' from SHB and BSF amounting to SAR160 million and SAR69 million respectively. The aforementioned bridge financing was repaid in full by 31 December 2009G.

In the financial year 2008G, Sahara availed a rights issue bridge loan amounting to SAR875 million from BSF against undertaking of repayment upon receipt of proceeds from its rights issue. Sahara had withdrawn SAR509 million against this facility as at 31 December 2008G. The rights issue bridge finance was settled during the financial year 2009G.

During the six months ended 30 June 2011G, Sahara availed a short term facility amounting to SAR1,000 million from Riyadh Bank through a Murabaha facility agreement dated 9 May 2011G. Sahara had withdrawn SAR192 million against this facility as at 30 June 2011G.

The loan is secured by assignment of rights issue proceeds of Sahara to Riyadh Bank and is repayable within 12 months from the date of signing the agreement.

Term loan and IFA – current portion

Instalments of term loans and loan under Islamic Facilities Agreement ("IFA") to be paid during the financial year 2011G are classified under current liabilities.

Zakat provision

Zakat provision as at 30 June 2011G represents Zakat expense for the financial years 2010G and half year 2011G.

9.5.4. Non Current Liabilities

The following table summarises the breakdown of the consolidated non-current liabilities of Sahara and its subsidiary, AL WAHA as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited	2008 Audited	2011 Audited	2010 Audited	2009 Audited	2008 Audited
Advances against Islamic Facilities Agreement	975,339	990,911	922,387	659,620	43.4%	42.5%	39.1%	37.2%
Term loans	1,162,215	1,229,140	1,337,990	957,670	51.8%	52.8%	56.7%	54.0%
Fair value of interest rate swaps	84,760	90,006	85,723	148,547	3.8%	3.9%	3.6%	8.4%
End of service benefits	22,787	19,884	13,503	7,606	1.0%	9.0%	0.6%	0.4%
Total non-current liabilities	2,245,101	2,329,941	2,359,603	1,773,443	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Financing facilities (consolidated)

SAR'000	Term loans		Advance against IFA	Total long-term financing	Short-term financing					Total short-term financing	Total financing
	SIDF	PIF			SHB (SIDF Bridge Finance)	BSF (SIDF Bridge Finance)	BSF (Rights Issue Bridge Finance)	NCB (Overdraft)	Bridge financing		
Loan availed by	Al Waha	Al Waha	Al Waha		Al Waha	Al Waha	Sahara	Sahara	Sahara		
Balance as at 1 January 2008	200,000	-	112,530	312,530	160,000	69,000	-	-	-	229,000	541,530
Facilities availed during 2008	120,000	637,670	562,650	1,320,320	-	-	509,000	32	-	509,032	1,829,352
Repayments during 2008	-	-	-	-	(128,000)	(21,000)	-	-	-	(149,000)	(149,000)
Balance as at 31 December 2008	320,000	637,670	675,180	1,632,850	32,000	48,000	509,000	32	-	589,032	2,221,882

SAR'000	Term loans		Advance against IFA	Total long-term financing	Short-term financing					Total short-term financing	Total financing
	SIDF	PIF			SHB (SIDF Bridge Finance)	BSF (SIDF Bridge Finance)	BSF (Rights Issue Bridge Finance)	NCB (Overdraft)	Bridge financing		
Facilities availed during 2009	80,000	300,320	262,780	643,100	-	-	-	-	-	-	643,100
Repayments during 2009	-		-	-	(32,000)	(48,000)	(509,000)	(32)	-	(589,032)	(589,032)
Balance as at 31 December 2009	400,000	937,990	937,960	2,275,950	-	-	-	-	-	-	2,275,950
Facilities availed during 2010	-	-	99,669	99,669	-	-	-	-	-	-	99,669
Repayments during 2010	-	-	(15,573)	(15,573)	-	-	-	-	-	-	(15,573)
Balance as at 31 December 2010	400,000	937,990	1,022,056	2,360,046	-	-	-	-	-	-	2,360,046
Facilities availed during 1HY2011	-	-	-	-	-	-	-	-	192,000	192,000	192,000
Repayments during 1HY2011	-	(46,925)	(15,573)	(62,498)	-	-	-	-	-	-	(62,498)
Balance as at 30 June 2011	400,000	891,065	1,006,483	2,297,548	-	-	-	-	192,000	192,000	2,489,548
Total facility availed (A)	400,000	937,990	1,037,629	2,375,619	-	-	-	-	192,000	192,000	2,567,619
Total facility authorized (B)	400,000	937,990	1,037,629	2,375,619	-	-	-	-	1,000,000	1,000,000	3,375,619
Total facility approved (C)	400,000	937,990	1,037,629	2,375,619	-	-	-	-	500,000	500,000	2,875,619
Total facility un-availed (D=C-A)	-	-	-	-	-	-	-	-	308,000	308,000	308,000
Total facility unissued (E=B-A)	-	-	-	-	-	-	-	-	808,000	808,000	808,000

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G and Management Information. Figures are rounded off to nearest thousand

The following table summarises repayment schedules of long term loans related to AL WAHA as at 30 June 2011G:

Loan repayment schedule				
Year	**SIDF**	**PIF**	**Advance against Islamic facilities**	**Total SAR'000**
2011	15,000	46,925	15,573	77,498
2012	65,000	93,793	41,505	200,298
2013	55,000	93,793	51,881	200,675
2014	65,000	93,793	62,258	221,051
2015	80,000	93,793	72,634	246,427
2016	80,000	93,793	83,010	256,804
2017	40,000	93,793	93,387	227,180
2018		93,793	103,763	197,556
2019	-	93,793	119,327	213,121
2020		93,793	124,515	218,309
2021	-	-	238,630	238,630
Total	400,000	891,065	1,006,483	2,297,548

Source: Sahara Management Information. Figures are rounded off to nearest thousand

The following table summarises the breakdown of loans and its related security of Sahara and its subsidiary, AL WAHA as at 30 June 2011G:

Loan security schedule		
Financiers	**SAR'000 as at 1HY 2011**	**Security**
SIDF	400,000	1) Mortgage of assets 2) Assignment of insurance proceeds 3) Technology rights 4) Corporate guarantee of shareholders to the extent of ownership of Al Waha
PIF	891,065	Mortgage of assets
Advance against Islamic facilities	1,022,056	Co-ownership of plant and its subsequent lease to Al Waha
Bridge financing	192,000	Assignment of rights Issue proceeds of Sahara to Riyadh Bank

Source: Sahara Management Information. Figures are rounded off to nearest thousand

Advances against Islamic Facilities

During the financial year 2006G, AL WAHA signed an Islamic Facilities Agreement ("IFA") for USD276.6 million (SAR1,037.3 million), with a consortium of commercial financial institutions. According to IFA, the consortium of banks will participate in the financing of the procurement of the AL WAHA project assets, which they will co-own with the joint venture partner in equal proportion. Upon the completion of project construction, the co-owned assets will be leased to AL WAHA at an annual rental calculated at LIBOR plus 1.95%. A separate Purchase Undertaking Agreement will gradually reduce the financiers' co-ownership of the assets, as the subsidiary, AL WAHA Petrochemical Company, will progressively purchase the lenders' share in the above assets over a period of 11 years commencing six months after project completion.

AL WAHA had drawn down USD276.60 million (SAR1,037.3 million), thus availed total facility as at 31 December 2010G. However, AL WAHA repaid SAR15.6 million during the financial year 2010G and SAR15.6 million during the half year 2011G.

The following table summarises the movement in loan under IFA of AL WAHA as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Opening balance	1,022,056	937,960	675,180	112,530	101.5%	91.8%	72.0%	16.7%
Additions during year/ period	-	99,669	262,780	562,650	-	9.8%	28.0%	83.3%
Repaid during the year/ period	(15,573)	(15,573)	-	-	(1.5)%	(1.5)%	-	-
Total loan under IFA	1,006,484	1,022,056	937,960	675,180	100.0%	100.0%	100.0%	100.0%
Current portion	(31,145)	(31,145)	(15,573)	(15,560)	(3.1)%	(3.1)%	(1.7)%	(2.3)%
Total non-current portion of loan under IFA	975,339	990,911	922,387	659,620	96.9%	97.0%	98.3%	97.7%

Source: Sahara Management Information. Figures are rounded off to nearest thousand

In accordance with the terms of agreement, SAR31.1 million (equal to two instalments) is repayable in the financial year 2011G and therefore has been classified as current liability as at 30 June 2011G.

Term Loans

The following table summarises the breakdown of term loans of AL WAHA as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
SIDF	400,000	400,000	400,000	320,000	34.4%	32.5%	29.9%	33.4%
PIF	891,065	937,990	937,990	637,670	76.7%	70.1%	76.3%	66.6%
Total term loan	1,291,065	1,337,990	1,337,990	957,670	100.0%	100.0%	100.0%	100.0%
Current portion	(128,850)	(108,850)	-	-	(10.0)%	(8.1)%	-	-
Total non-current portion of term loan	1,162,215	1,229,140	1,337,990	957,670	90.0%	91.9%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

AL WAHA entered into a term loan agreement of SAR400 million with SIDF on 18 June 2007G. The loan is secured by the mortgage of assets, the assignment of insurance proceeds, technology rights and covered by a corporate guarantee provided by AL WAHA's partner, Basell to the extent of their respective ownership in AL WAHA. The SIDF loan is repayable in 13 semi-annual instalments beginning from 15 Sha'ban 1432H (corresponding to 17 July 2011G). The loan agreement includes covenants to maintain financial ratios during the loan period. AL WAHA had drawn down total sanctioned limit of SAR400 million as at 30 June 2011G.

On 31 October 2007G, AL WAHA entered into a term loan agreement of USD250 million (SAR937.9 million) with PIF. The loan is secured by the mortgage of assets through an inter-party deed executed with commercial financial institutions under the Islamic Facilities Agreement and SIDF. The PIF loan carries interest at LIBOR plus 0.5% and is repayable in 20 semi-annual equal instalments starting from May 2011G. AL WAHA had withdrawn SAR937.9 million (USD250 million) as at 30 June 2011G.

In accordance with the terms of SIDF and PIF loan agreements, SAR35 million is repayable in the financial year 2011G and therefore has been classified as current liability as at 30 June 2011G.

Fair value of Interest Rate Swap

Fair value of interest rate swap relates to AL WAHA Petrochemical Company. In the financial year 2006G, AL WAHA entered into an interest rate swap ("IRS") with commercial banks to manage its exposure to volatility in interest rates for a nominal amount ranging from USD16.7 million (SAR62.7 million) to USD503.8 million (SAR1,889.7 million) with no upfront premium. The swap fixed the finance charge rate on IFA lease repayment at 5.105% per annum and is exercisable effective 29 June 2007G, on a half yearly basis, up to 31 December 2016G.

During the financial year 2008G, AL WAHA incurred a fair value loss of SAR148.5 million on account of decrease in LIBOR rates against its profit rate swap contract with commercial banks to hedge interest rate volatility. As at 31 December 2009G, the unrealized loss decreased by SAR62.8 million, and then increased by SAR4.3 million as at 31 December 2010G. During the six months ended 30 June 2011G, the unrealized loss decreased by SAR5.2 million.

As at 30 June 2011G, fair value of interest rate swap balance was SAR84.7 million. Sahara's share of this loss has accordingly been recognized in shareholder's equity under change in fair value of cash flow hedge position.

End of Service Benefits

Sahara and its subsidiary, AL WAHA record provision against end of service benefits for its employees in compliance with Saudi Arabian Labour Law provisions. The liability is on account of indemnity calculated on behalf of Sahara and AL WAHA's employees in accordance with Saudi Arabian Labour laws.

The increase in the balance as at 31 December 2008G, 2009G and 2010G, and as at 30 June 2011G was on account of increase in number of employees and increase in number of years served by the employees.

9.5.5. Shareholders' Equity

The following table summarises the breakdown of shareholders' equity of Sahara as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Share capital	2,925,300	2,925,300	2,925,300	1,875,000	81.9%	88.5%	99.6%	106.0%
Statutory reserves	40,631	40,631	7,715	69	1.1%	1.2%	0.3%	0.0%
Retained earnings	736,108	427,162	130,919	62,102	20.6%	12.9%	4.5%	3.5%
Change in fair value of cash flow hedge position	(132,361)	(88,272)	(125,545)	(167,987)	(3.7)%	(2.7)%	(4.3)%	(9.5)%
Total shareholders' equity	3,569,678	3,304,821	2,938,389	1,769,184	100.0%	100.0%	100.0%	100.0%

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Share Capital

The paid up share capital of Sahara was initially SAR1,500 million, representing 150 million ordinary shares of nominal value of SAR10 each as at 31 December 2006G. Subsequently, on 17 July 2007G, Sahara increased its share capital to SAR1,875 million through the issuance of bonus shares worth SAR375 million.

During the financial year 2009G, Sahara raised SAR1,050.3 million equity through rights issue. As at 31 December 2010G, Sahara's share capital was SAR2,925.3 million comprises of 292.53 million shares at par value of SAR10.

Statutory Reserves

Statutory reserve is maintained in accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and ten percent (10%) of Sahara's annual net income is transferred to the statutory reserve until such reserve reaches fifty percent (50%) of the size of Sahara's share capital. Statutory reserves are not available for distribution.

Change in Fair Value of Cash Flow Hedge Position

The following table summarises the movement in fair value of cash flow hedge position of Sahara and its subsidiary, AL WAHA Petrochemical Company as at 31 December 2008G, 2009G and 2010G, and 30 June 2011G:

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Opening balance	(88,272)	(125,545)	(167,987)	(28,074)	66.7%	142.2%	133.8%	16.7%
Share of change in fair value of cash flow hedge position of Al Waha (75.0%)	3,935	(3,212)	47,118	(111,410)	(3.0)%	3.6%	(37.5)%	66.3%

	SAR'000				% of total			
	As at 30 June	As at 31 December			As at 30 June	As at 31 December		
	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited	2011 Unaudited	2010 Audited	2009 Audited	2008 Audited
Share of change in fair value of interest rate swaps for TSOC (32.55%)	(48,024)	40,485	(4,676)	(28,503)	36.3%	(45.9)%	3.7%	17.0%
Total change in fair value of interest rate swap	(132,361)	(88,272)	(125,545)	(167,987)	100.0%	100.0%	100.0%	100.0%

Source: Sahara Management Information. Figures are rounded off to nearest thousand

Sahara portion of fair value of interest rate swap recorded by AL WAHA has been recognized in shareholder's equity under change in fair value of cash flow hedge position.

This reserve also represents the difference arising from the translation of long term financing drawn by the subsidiary of an associate (TSOC) denominated in Euros at currency exchange rates. These have been designated as a hedge against expected future revenues denominated in the same currency.

Minority interest

Minority interest represents share of Basell in shareholders' equity of AL WAHA, along with subordinate loan and stand-by equity provided to AL WAHA by Basell.

9.6. Financial Condition, Liquidity and Other Items

The following table summarises consolidated cash flows of Sahara and its subsidiary, AL WAHA for the financial years ended 31 December 2008G, 2009G and 2010G, and six months ended 30 June 2011G:

Financial Condition, Liquidity and Other Items	SAR'000			
	1HY2011 Audited	FY2010 Audited	FY2009 Audited	FY2008 Audited
Net cash flow from/ (used in) operating activities	(56,421)	(234,832)	(276,407)	20,100
Net cash used in investing activities	(250,555)	(311,382)	(753,169)	(1,328,693)
Net cash flow from financing activities	337,470	154,409	1,132,409	1,680,467
Increase in cash and cash equivalents	30,494	(391,805)	102,833	371,874
Cash and cash equivalents at beginning of year/ period	164,064	555,869	453,036	81,162
Cash and cash equivalents at end of year/ period	194,558	164,064	555,869	453,036

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Sahara had witnessed overall positive cash position during the financial years 2008G, 2009G and 2010G, and half year 2011G, as a result of net proceeds received from banks (SAR1,948 million) and rights issue (SAR1,050.3 million), mainly utilized to finance capital expenditure on AL WAHA's construction work in progress (SAR1,947.8 million), investment in associates (SAR276.4 million) and financing operating working capital (SAR497.8 million).

9.6.1. Cash Flows from Operating Activities

The following table summarises the consolidated cash flows of Sahara and its subsidiary, AL WAHA from operating activities during the financial years ended 31 December 2008G, 2009G and 2010G, and six months ended 2011G:

	SAR'000			
	1HY2011 Unaudited	FY2010 Audited	FY2009 Audited	FY2008 Audited
Net income/ (loss) for the year/ period	328,820	330,359	77,698	(40,556)
Adjustments for:				
Depreciation	51,919	5,796	3,827	1,033
End of service benefits, net	2,903	6,381	5,897	3,918
Share in results of associate	(250,501)	(339,526)	(153,666)	(3,323)
Financial charges	24,136	-	-	-
Minority interest	28,613	-	-	-
Loss on sale of motor vehicles and equipment	-	565	412	38
Murabaha income	(43)	(2,306)	(1,269)	-
Right issue costs	-	-	38,334	-
Changes in operating assets and liabilities:				
Accounts receivable, prepayments and other receivables	(254,782)	(300,226)	(151,103)	(1,376)
Inventories	(86,086)	(32,956)	(81,611)	-
Accounts payable and accruals	132,569	97,081	23,408	60,767
Cash flow from/ (used in) operations	(22,452)	(234,832)	(238,073)	20,501
Financial charges paid	(24,136)	-	-	-
Right issue costs paid	-	-	(38,334)	-
Zakat and income tax paid	(9,833)	-	-	(401)
Net cash flow from/ (used in) operating activities	(56,421)	(234,832)	(276,407)	20,100

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Sahara had reported cash in-flows from operating activities during the financial year 2008G, and cash out-flows during the financial years 2009G and 2010G, and six months ended 30 June 2011G.

Cash in-flows during the financial year 2008G were mainly on account of increase in accounts payable netted-off by reported loss for the year.

During the financial year 2009G, cash outflows from operating activities were reported mainly due to increase in accounts receivable, prepayments and other receivables, and inventories; partially netted-off by net income (adjusted for non-cash items), and increase in payable and accruals.

Cash outflows from operating activities were reported during the financial year 2010G was mainly as a result of increase in accounts receivable, prepayments and other receivables, partially netted off by increase in payable and accruals.

Cash outflows from operating activities were reported during the six months ended 30 June 2011G was mainly as a result of increase in inventories and payment of financial charges.

9.6.2. Cash Flows from Investing Activities

The following table summarises the consolidated cash out-flows of Sahara and its subsidiary, AL WAHA from investing activities during the financial years ended 31 December 2008G, 2009G and 2010G, and six months ended 30 June 2011G:

Cash Flow from Investing Activities	SAR'000			
	1HY2011 Audited	FY2010 Audited	FY2009 Audited	FY2008 Audited
Additions to projects under development	(146,296)	(100,891)	(12,499)	(11,613)
Additions to property, plant and equipment	(104,302)	(10,375)	(9,527)	(5,152)
Proceeds from sale of motor vehicles and equipment	-	190	-	66
Additions to construction work in progress	-	(51,062)	(607,597)	(1,311,994)
Additions to investment in associates	-	(151,550)	(124,815)	-
Murabaha income	43	2,306	1,269	-
Net cash used in investing activities	(250,555)	(311,382)	(753,169)	(1,328,693)

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Sahara recorded net cash outflow from investing activities during the financial years 2008G, 2009G and 2010G, and half year 2011G mainly on account of construction of integrated plants of AL WAHA and other projects.

SAR271.3 million and SAR1,947.8 million were spent on projects under development and construction work in progress respectively during the financial years 2008G, 2009G and 2010G, and half year 2011G.

Addition in investment in associate represents investment made in TSOC and SAAC respectively, during the financial years 2009G and 2010G.

9.6.3. Financing Activities

The following table summarises the consolidated cash in-flows of Sahara and its subsidiary, AL WAHA from financing activities taken place during the financial years ended 31 December 2008G, 2009G and 2010G, and six months ended 30 June 2011G:

	SAR'000			
	1HY2011 Unaudited	FY2010 Audited	FY2009 Audited	FY2008 Audited
Change in loans, net	129,503	(108,850)	(208,712)	1,117,702
Advances against Islamic facilities agreement	-	192,946	262,780	562,650
Re-imbursement of income tax by minority shareholder	-	-	-	115
Minority interest	207,967	70,313	28,041	-
Issue of share capital	-	-	1,050,300	-
Net cash flow from financing activities	337,470	154,409	1,132,409	1,680,467

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

Cash inflows from financing activities were reported during the financial years 2008G, 2009G and 2010G, and half year 2011G, mainly due to extension of short term loans, loans from SIDF and PIF, and loan under Islamic Facilities Agreement. Moreover proceeds were received on account of first rights issue.

Net proceeds received on account of total loans were SAR2,407.5 million during the financial years 2008G, 2009G and 2010G, where SAR589 million was repaid to settle total short-term loans during the financial year 2009G. During the financial year 2009G, SAR1,050.3 million were received on account of first rights issue. During the six months ended 30 June 2011G, SAR192 million was received on account of short term Murabaha financing from Riyadh Bank.

9.7. Related parties transaction

According to the audited financial statements, Sahara and AL WAHA have entered into the following related parties transactions during the financial years 2008G, 2009G and 2010G:

- One of the affiliates of Sahara (i.e., Rakan Trading) has provided construction services to Sahara. Total amount charged in that respect amounted to SAR88.8 million during the financial year 2010G. Rakan trading is owned by Mohammed Al Sulaim forty percent (40%), Saleh Mohammed Al Sulaim thirty percent (30%) and Mohammed K. Al Sulaim thirty percent (30%).
- Total purchase of raw material by AL WAHA from one of the affiliates (i.e., SEPC) amounted to SAR52 million and SAR80.8 million during the financial years 2009G and 2010G respectively.
- AL WAHA has sold part of finished goods (polypropylene), produced during the trial/ test production phase, to one of the related parties (i.e., Basell) amounted to SAR117.3 million and SAR1,047 million during the financial years 2009G and 2010G respectively.
- Sahara has rented its administration building in Jubail Industrial City from an affiliate (Company name Zamil Group Real Estate). Total charges to Sahara in this regard amounted to SAR1.4 million during the financial year 2009G. In the financial year 2010G, Sahara and AL WAHA were relocated to new administration building.

Prices and terms of these transactions were approved by the management of Sahara.

9.8. Commitments and Contingencies

	SAR'000			
	As at 30 June	As at 31 December		
	2011 Audited	2010 Audited	2009 Audited	2008 Audited
Letters of credit	26,513	33,154	41,775	21,859
Letters of guarantee	22,538	404,002	404,002	380,801
Capital commitments	795,000	219,055	75,700	251,000
Total contingencies and commitments	844,051	656,211	521,477	653,660

Source: Sahara consolidated audited financial statements for the financial years ended 31 December 2008G, 2009G and 2010G and consolidated unaudited financial statements for the six months ended 30 June 2011G. Figures are rounded off to nearest thousand

AL WAHA had outstanding letters of credit as at 30 June 2011G amounting to SAR26.5 million. The letters of credits are mainly on account of import of machinery, technology licence, and service fee towards Universal Oil Products Company Limited ("UOP"). Sahara holds a valid LC for MIC amounting to SAR15.0 million (USD4.0 million) on behalf of AL WAHA.

As at 30 June 2011G, total letters of guarantee in the books of AL WAHA reached SAR2.4 million, whereas total letters of guarantee in the books of Sahara reached SAR24.8 million.

Consolidated capital commitments are SAR795.0 million as at 30 June 2011G, which are mainly on account of EDC/RI, E-banking, Administration building, Sahara office network, Al-Nufude IT related project in the books of Sahara, and on account of capital cost, license cost and reimbursable commissioning on account of AL WAHA.

9.9. Current Trading and Prospects

Ever since Sahara was established in July 2004G, the principal aim of Sahara was to plan, develop and implement the construction of integrated petrochemical projects.

During the financial years 2008G, 2009G and 2010G, Sahara's total revenues were SAR3.4 million, SAR155.5 million and SAR341.9 million respectively, generated principally from the share of profit on investment from associate (TSOC) and Murabaha income.

During the six months ended AL WAHA started commercial operations and earned revenue amounting SAR721.3 million reporting a gross profit of SAR161.0 million.

The on-going projects are in line with the principal business objectives of Sahara and there is no intention of making any material change to the nature of the activity of Sahara in the future.

For a discussion of Sahara's prospects related to the development of its future projects see Part 4 of this Prospectus.

9.10. Statement of Management's Responsibility for Financial Information

The Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) has been drafted by the management of Sahara and approved by the Board of Directors. Except as set forth in this Prospectus, management to the best of their knowledge and belief states that there has been no material adverse change in the financial information from the Consolidated audited and unaudited financial statements, position or prospects of Sahara as of the date of this Prospectus and accepts full responsibility for the authenticity and accuracy of the information and analysis of financial results and confirm, after making all reasonable inquiries, that full and fair disclosure has been made and there is no other information or documents the omission of which make any information or statements therein misleading.

Save as disclosed therein, the Management declares that there are no other mortgages, rights, and charges on Sahara's properties as of the date of this Prospectus.

10. DIVIDEND RECORD AND POLICY

Dividends may be distributed by the Company from its annual net profit after Zakat. However, prior to the payment of dividends, the Company is required to deduct ten percent (10%) of the net profit after Zakat and allocate such amount to statutory reserves. The Ordinary General Meeting Assembly of Shareholders shall discontinue such deductions when they amount to half of Sahara's paid-up capital.

Any distribution of dividends proposed by the Company's Board of Directors requires the approval of the General Assembly of Shareholders. In addition, Sahara's statutory auditors are required to declare that the dividend proposal of the Board of Directors is in accordance with Saudi law and regulations. Dividends scheduled to be distributed among Shareholders shall be paid at the place and time determined by the Board of Directors.

The declaration of a dividend will be dependent upon Sahara's earnings, its financial condition, the condition of the markets, the general economic climate and other factors, including analysis of investment opportunities and the reinvestment needs of Sahara, cash and capital requirements, business prospects as well as other legal and regulatory considerations and any dividend restrictions under any debt financing arrangements the Company intends to enter into. In addition, Sahara may also take into account the dividend payment practices of other major Saudi Arabian and GCC companies, and international petrochemical operators.

Under Sahara's By-Laws, all Shareholders have equal rights to dividends and distributions. Holders of the New Shares will share proportionately on a per Share basis in all dividends and other distributions declared by the Board of Directors of the Company.

It is the intention of Sahara to make dividend payments to its Shareholders on a yearly basis with a view to maximizing Shareholders' value. The Company makes no assurances that any dividend will actually be paid nor any assurances as to the amount, which will be paid at any given year.

The New Shares will be entitled to receive dividends declared by the Company in respect of the FY 2010G and subsequent financial years, in accordance with the Company's dividend policy.

11. SUMMARY OF THE COMPANY'S BY-LAWS

11.1. Name of the Company

The name of the Company is "Sahara Petrochemicals Company", a Saudi Joint Stock Company.

11.2. Head Office of the Company

The head office of the Company is in Riyadh, Kingdom of Saudi Arabia. The Board of Directors may open other branches, office, or agencies within or outside of Saudi Arabia.

11.3. Objectives of the Company

The objectives of the Company are to invest in chemical and petrochemical industrial projects, and produce propylene, polypropylene, ethane, polyethane and other petrochemical and hydrocarbon industries in the Kingdom, and to market the Company's products within or outside of Saudi Arabia.

The Company may buy and sell land and real estate and construct buildings and warehouses as well as engage in wholesale and retail trading to perform its objectives.

11.4. Duration of the Company

The Company's duration is ninety-nine (99) Gregorian years, commencing on the date of issuance of the Minister of Commerce's resolution announcing the incorporation of the Company. The term of the Company may be extended through a resolution passed by the Extraordinary General Meeting one year prior to the expiry of its term.

11.5. Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, they may be issued at more than this value and, if so, the difference in value shall be added to the disciplinary reserve even if it has reached its maximum. The Shares shall not be divided when dealing with the Company and if possessed by more than one, they should elect one of them to represent them when exercising the rights attached to the Shares. Joint owners shall be jointly responsible for the obligations arising out of ownership of the Shares.

11.6. Increase in Share Capital

Subject to the provisions of the Companies Regulations, the share capital of the Company may be increased once, or several times, by issuing new Shares in the same nominal value of the original Shares provided that the original share capital is paid up in full and following a resolution passed by the Extraordinary General Assembly after assessing the economic viability and obtaining the approval of the competent authorities.

The new Shares shall be distributed amongst the original shareholders, who have requested to subscribe to them, in proportion to the original Shares they own, provided that the number of Shares allocated to them shall not exceed the number of the new Shares requested. The balance of the new Shares, if any, shall be allocated among the original shareholders who have requested more that their pro rata/provisions entitlement, provided that the amount of such allotment shall not exceed the number of the new Shares they have requested. The remaining new Shares not subscribed for shall be purchased by the Underwriter.

11.7. Decrease in Share Capital

The Company's share capital may be reduced by a resolution passed by the Extraordinary General Meeting based on acceptable justification and after obtaining the approval of the Minister of Commerce and Industry if:

- the Company's share capital is in excess of its needs; or
- the Company has sustained losses.

11.8. Constitution of the Board

The Company is currently managed by a Board of Directors comprised of eleven (11) directors who will be appointed at an Ordinary General Meeting for a period not exceeding three (3) years. The first Board of Directors shall be appointed, as an exception, for a period of five (5) years commencing from the date of the Ministerial resolution declaring the Company's formation.

11.9. Authority of the Board

Subject to the powers reserved for the Ordinary General Assembly, the Board shall have the widest powers in managing the affairs and business of the Company, including the right to participate in other companies and to appoint one or more of its members to perform a specific job(s). As to the sale of the Company's real estate, the minutes of the meeting of the Board shall comprise the reasons for disposition of the real estate subject to the following conditions:

- the Board shall determine in the sale resolution the reasons and justifications for the sale;
- the selling price shall be comparable to the price of similar real estate;
- payment for the sale shall be immediate save for cases determined by the Board and with sufficient guarantees; and
- such action shall not result in the suspension of some of the Company's business activities or burdening it with other obligations.

The Board may enter into loan agreements with government funds and financial institutions regardless of the terms thereof and enter into commercial loans whose term does not exceed the term of the Company. The following conditions shall be complied with when conducting loans with a term exceeding three (3) years:

- the aggregate amount of loans that the Board may enter into during the Company's financial year shall not exceed fifty percent (50%) of the Company's capital, unless the General Meeting decides otherwise;
- the Board shall determine, by resolution, the areas for which the loans shall be used and the method of repayment thereof; and
- the loan conditions and security provided shall ensure that they shall not prejudice and shall not contain any terms that may make loss for the Company, its shareholders and general guarantees of its creditors.

The Board shall be entitled in the cases determined by the Board to discharge the Company's debtors from their liabilities in the manner that serves the best interests of the Company, provided that the minutes of the Board Meeting shall contain the justifications for its decision subject to the following conditions:

- a debtor cannot be discharged from its liability until the lapse of at least one year from the creation of the debt;
- discharge shall be for a fixed amount as a maximum for each year per debtor; and
- the Board of Directors shall have the authority to give such discharge and shall not delegate this authority.

The Board shall have the right to enter into settlements, contracts, obligations and commitments in the name of the Company and on its behalf. The Board shall also be entitled to do all acts and actions that are conducive to realizing the Company's objects and interests. The Board shall be competent to delegate within the extent of its powers to one or more of its members the authority to take certain actions or to undertake a certain act or activities.

11.10. Remuneration of Board Members

The remuneration of the Board shall be in accordance with the provisions of Article (41/4) and subject to the limits provided by the Companies Regulations or any other complementary law. The report of the Board submitted to the Ordinary General Assembly shall include a detailed statement of the payments received by the members of the Board during the fiscal year as salaries, share profits, attendance per diems, expenses and any other privileges. The report shall include a statement of the payments received by the members of the Boards in their capacity as employees or administrators, or what they received in return for the technical, administrative or consultative services previously agreed to by the General Meeting/ Assembly.

11.11. The Authority of the Chairman and the Managing Director

The Chairman of the Board of Directors shall represent the Company at the courts and he shall have the right to appoint others to defend the Company. The Chairman of the Board of Directors and the Managing Director shall have the right to sign the contracts of establishing the companies which the Company participates in addition to any other contracts or pledges before the courts or the official departments.

11.12. General Meeting of the Shareholders

With the exception of matters falling within the functions of the Extraordinary General Meeting, the Ordinary General Meeting shall be vested with all the functions connected with the Company. The Ordinary General Meeting shall be at least once per year within the six months following the end of the Company's fiscal year. Other Ordinary General Meetings may be convened whenever the need arises.

The Extraordinary General Meeting has the power to amend the by-laws (with the exception of provisions that are exempt from amendment pursuant to the Companies Regulations).

The Extraordinary General Meeting shall be empowered to pass resolutions with respect to matters that fall within the functions of the Ordinary General Meeting, on the same terms and conditions as the Ordinary General Meeting.

11.13. Notice and Participation

Shareholders' General Meetings shall be convened upon an invitation from the Board of Directors. The Board of Directors shall convene the Ordinary General Meeting if so required by the auditor or by a number of Shareholders representing at least five percent (5%) of the Company's share capital. The notice convening the General Meeting shall be published in the Official Gazette and in a daily newspaper. This call, include the agenda, shall be advertised in the official newspaper circulating in the city where the Company's head office is located at least twenty five (25) days before the date set for the meeting. The notice shall include an agenda; however, so long as the Shares are nominal, it is sufficient to send registered letters specifying the intended date. A copy of the invitation and the agenda shall be sent to the Companies Public Directorate in the Ministry of Commerce and Industry within the period stipulated for publication.

The General Meeting shall be held in the city where the Company's head office is located and the Shareholder shall have the right to attend a General Assembly. A Shareholder holding at least twenty (20) Shares may authorize another Shareholder (other than a member of the Board) in writing to attend a General Assembly Meeting.

A list of the attending shareholders' and representatives' names along with their addresses shall be edited in a list that shall include the number of shares they own or represent and the number of votes specified for them. Anyone concerned shall view this list.

11.14. General Meeting Procedures

The By-Laws provide that the Chairman of the Board (or the Chairman's delegate in the event of the Chairman's absence) shall head the General Meetings. The Chairman shall appoint a secretary for the meeting and a teller of votes. Minutes of the meeting shall be drawn up, which shall include the names of Shareholders present or represented, the number of Shares they hold in person or by proxy, the number of voters assigned thereto, the resolution passed, the number of votes for or against the same and an adequate summary of the discussions that have taken place at the meeting. The minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman, Secretary and vote teller.

11.15. Voting Rights and Resolution

Voting at an Ordinary and Extraordinary General Meeting shall be computed on the basis of one vote for each Share. No Shareholder, in person or by proxy, or both, shall have votes representing more than twenty percent (20%) of the total votes exercisable at Extraordinary General Meetings or resolutions that relate to (a) the appointment and removal of the Board Members or auditors or (b) the amendment of the Company's By-Laws.

The resolutions of the Ordinary General Meeting shall be generally passed by the absolute majority of the Company's issued shares present or represented at a Shareholder's meeting. However, resolutions in relation to evaluation non-monetary provisions or allocating special privileges, at an Extraordinary General Meeting shall be passed by the majority of two-thirds of the Shares represented at the meeting.

11.16. Quorum

The Ordinary General Meeting shall only be valid if attended by Shareholders representing at least fifty percent (50%) of the Company's share capital. If this quorum is not attained at the meeting, an invitation should be sent out for a second meeting to be held within thirty (30) days following the previous meeting. The invitation shall be published in accordance with Article (29) of the Company's By-Laws. The second meeting shall be valid regardless of the number of votes represented at the meeting.

The Extraordinary General Meeting shall only be valid if attended by Shareholders representing at least fifty percent (50%) of the Company's share capital. If this quorum is not attained at the meeting, an invitation should be sent out for a second meeting to be held within thirty (30) days following the previous meeting. The second meeting shall be valid if attended by a number of Shareholders representing at least twenty−five percent (25%)/one quarter of the Company's share capital.

11.17. Transfer of Shares

The Shares are negotiable after certificates have been issued. However, Shares that are held by the Founding Shareholders are transferable only after the issuance of the balance sheets and the profit and loss statement of the Company for two (2) full fiscal years of not less than twelve (12) months each, from the date of the formation of the Company. The Shares shall be transferable (subject to the lock-in period) in accordance with the rules, regulations and directives issued by the CMA.

11.18. Dissolution of the Company

If the Company's losses total three-fourths of its share capital, then the Board shall call an Extraordinary General Assembly to consider whether the Company shall continue to exist or whether it shall be dissolved before the term specified in Article (6) of its By-Laws. In either case, the resolution shall be published in the Official Gazette.

In the event of the Extraordinary General Assembly resolving to dissolve the Company before the term specified in its By-Laws, it shall, upon the recommendation of the Board, determine the manner of dissolution and shall appoint one or more liquidators and determine their powers and remunerations.

The power of the Board shall end with the expiry of the Company. However, the Board shall keep managing the Company until the liquidator has been appointed and the Company's staff shall remain to the extent that their duties do not conflict with those of the liquidators.

12. DESCRIPTION OF SHARES

12.1. Share Capital

The share capital of Sahara at present is SAR2,925.3 million consisting of 292.53 million Shares with a nominal value of SAR10 each, all of which have been paid in full. The Offer Shares will be issued at the time of listing of the Shares on the Saudi Stock Market, thereby increasing the issued share capital of the Company post-Offering to SAR4,387.95 million consisting of 438.795 million Shares with a nominal value of SAR10 each.

Once it is ascertained to be economically feasible and after obtaining the approval of the competent authorities, the General Assembly may, in an Extraordinary Meeting, adopt a resolution to increase the Company's capital once, or several times, by issuing new Shares having the same nominal value as the original Shares, provided that the original capital shall have been paid in full, with due consideration to the requirements of the Companies Regulations. The said resolution shall specify the mode of increasing the capital, and the Shareholders shall have pre-emptive rights to subscribe for the new Shares. The Shareholders shall be notified of the pre-emptive rights vested in them by notice to be published in a daily newspaper addressing the capital increase resolution and the subscription conditions. The said Shares shall be allotted to the original Shareholders who have expressed their desire to subscribe thereto, in proportion to the original Shares owned by them, provided that the number of Shares allotted to them shall not exceed the number of new Shares they have applied for. The remaining new Shares shall be allotted to the original Shareholders who have applied for more than their proportionate share, in proportion to the original Shares they own, provided that their total allotment does not exceed the number of new Shares they have applied for. Any remaining new Shares not subscribed for shall be purchased by the Underwriter.

The Company may, based on certain justifiable causes, reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. This decision must be made through a resolution adopted by the General Assembly in an Extraordinary Meeting, and requires approval of the Minister of Commerce and Industry. Such resolution shall be issued only after reading the auditor's report on the reasons calling for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations, with due consideration to the provisions of the Companies Regulations. The resolution shall provide for the manner in which the reduction shall be made. If the reduction of the capital is due to its being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within sixty (60) days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.2. The Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case, the difference in value shall be added to the legal reserve, even if the reserve has reached its maximum limit. A Share shall be indivisible. If a Share is held by several persons, they shall designate one person to act on their behalf in exercising the rights connected with the Share. In such a case, they shall be jointly responsible for the obligations resulting from the share ownership.

The transfer of Shares shall be governed by and comply with the regulations governing companies listed on Tadawul. Transfers made other than in accordance with these By-Laws shall not be valid.

12.3. Voting Rights

Each Shareholder holding twenty (20) Shares or more shall have the right to attend the General Assembly. A Shareholder may delegate in the form of a written proxy, another Shareholder, other than the members of the Board of Directors, to attend the General Assembly on his/her behalf. The votes in the Ordinary General Assembly as well as in the Extraordinary General Assembly shall be counted on the basis of one vote for every Share. However, it is impermissible for the members of the Board of Directors to vote on the resolutions of the Assembly in respect of discharging and releasing them for their term of office.

Resolutions of the Ordinary General Assembly shall be made only by an absolute majority vote of the Shares represented therein.

Resolutions of the Extraordinary General Assembly shall be made by a majority vote of two thirds (2/3) of the Shares represented at the meeting, except for resolutions pertaining to the increase or the reduction of the capital, the extension of the duration of the Company before its term or the merger into another company or establishment. In such cases, the resolution shall not be considered as valid unless issued by the majority vote of three quarters (3/4) of the Shares represented at the meeting.

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to raise questions to the members of the Board and the Auditor in this respect. The Board of Directors or the Auditor shall answer each Shareholder's questions to the extent that does not risk harming the interest of the Company. Should a Shareholder feel unsatisfied with the reply, he can raise the issue with the General Assembly whose resolution is to be considered as final.

12.4. Shareholders' Assemblies

A General Assembly duly convened shall be considered representing all the Shareholders, and shall be held in the city where the Company's head office is located.

Meetings of the General Assembly may be conducted by way of ordinary or extraordinary meetings. Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be in charge of all matters concerning the Company. The Ordinary General Assembly Meeting must be held at least once a year during the six months following the end of the Company's fiscal year. Other ordinary assemblies may be convened as often as needed.

The Extraordinary General Assembly shall have the power to amend the Company's By- Laws, except for such provisions as may be impermissible to be amended under the Regulations. Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions applicable to the latter.

A notice of the date and agenda of the General Assembly shall be published in the Official Gazette as well as in a daily newspaper, distributed in the city of the Company's headquarters, at least twenty five (25) days prior to the date of meeting. However, so long as the Shares remain nominal, notice may be given at the time fixed above by registered letters. A copy of the invitation and the agenda is to be sent to the Companies General Department at the Ministry of Commerce and Industry.

The meeting of the Ordinary General Assembly shall not be considered representative unless attended by Shareholders representing fifty percent (50%) of the Company's capital at the minimum. Should such participation level not be achieved in the first meeting, the Assembly shall be convened once again within the following thirty (30) days. The invitation shall be issued as determined by Article (29) of the Company's By-Laws. The second meeting shall be considered representative irrespective of the number of Shares represented.

To be considered representative, the meeting of the Extraordinary General Assembly should be attended by a number of Shareholders representing at least fifty percent (50%) of the Company's capital. If such requirement is not met in the first meeting, the Assembly shall be summoned once again within the following thirty (30) days. The invitation shall be issued as determined by Article (29) of the Company's By-Laws. The second meeting shall be considered representative if attended by a number of Shareholders representing at least one-quarter (1/4) of the Company's capital.

The General Assembly shall be presided over by the Chairman of the Board of Directors or, in his absence, the Vice-Chairman of the Board. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be prepared for the meeting showing the names of Shareholders present in person or represented by proxy, the number of the Shares held by each, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the Chairman of the Assembly, the secretary and the canvasser.

12.5. Zakat

Zakat is payable by the Shareholders pursuant to the Zakat regulations in the Kingdom of Saudi Arabia. The Company will withhold Zakat from gross profits before paying out dividends.

12.6. Duration and Winding-up of the Company

The duration of the Company shall be ninety nine (99) years commencing on the date of issuance of the Minister of Commerce's resolution announcing the incorporation of the Company. The duration may be extended by a resolution of the Extraordinary General Assembly taken, at least, one (1) year prior to the expiration of the term of the Company.

Upon the expiration of the Company's term, or in case of dissolution before its term, the Extraordinary General Assembly shall decide upon the method of liquidation based on the Board of Directors' recommendation. It shall also appoint one or more liquidators and determine their functions and fees.

The powers of the Board of Directors shall cease upon the Company's expiry. However, the Board of Directors shall remain responsible for the management of the Company until the liquidators are specified. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidators.

13. LITIGATION

The Directors and Management of the Company confirm that the Company and the Joint Ventures are not involved, as of the date of this Prospectus, in any litigation, arbitration or administrative proceedings that would, individually or in aggregate, have a material adverse effect on its financial condition and results of operations, and that as far as the Directors and Management of the Company are aware, no such litigation, arbitration or administrative proceedings are threatened or pending except the objection raised by the Department of Zakat and Tax ("DZIT") on the Company's Zakat filing for the years 2006G, 2007G and 2008G according to which the Company should pay an additional Zakat of SAR3,093,863. Sahara has appointed its auditors (Ernst & Young) to appropriately and adequately address the issue raised by DZIT.

14. SUMMARY OF MATERIAL CONTRACTS

Terms defined in this section 14 (Summary of Material Contracts) are provided for convenience only and are limited in use to the specific paragraph in which they appear. They are not intended, nor should be read, as having general applicability to any other section of this Prospectus.

14.1. Sahara

14.1.1. Financing Agreements

14.1.1.1. Service Level Agreement between Sahara and AL WAHA

Sahara and AL WAHA have entered into a Service Level Agreement dated 20 December 2008G, with an effective date of 1 Jan 2009G ("SLA"). The SLA is in relation to certain shared services to be provided by Sahara (through its Shared Service Division) to AL WAHA. The scope of services is comprehensive and includes (among other services): (i) administration; (ii) finance, accounting and control; (iii) legal consulting; (iv) plant maintenance; and (iv) technical and maintenance. The services will be provided at cost without profits. The term of the SLA started on the effective date until 31 Dec 2009G and the SLA continues to operate until it is formally superseded by another agreement i.e. there is no expiry date stated in the contract. Under the SLA, the parties shall form certain committees for the purposes of governance of shared services. The SLA may be terminated for convenience by either party (by notice), in which case a mutually convenient date of termination and compensation for each party shall be agreed.

14.1.2. Rights issue bridging loan facility

Sahara entered into a SAR1,000,000,000 Murabaha Facility Agreement with Riyad Bank dated 9 May 2011G, consisting of a SAR839,250,000 Tranche A Murabaha Facility and a SAR160,750,000 Tranche B Murabaha Facility ("Murabaha Facility Agreement").

The Tranche A Murabaha Facility may be used (a) for Sahara's equity funding obligations in respect of (i) the Sahara and Ma'aden Petrochemicals Company petrochemical complex for the production of ethylene dichloride and caustic soda; (ii) the Saudi Acrylic Monomers Company petrochemical complex for the production of acrylic acid and commodity acrylates; and (iii) the Super Absorbent Polymers Company petrochemical complex for the production of superabsorbent polymers; and (b) to meet Sahara's and AL WAHA's working capital expenditure requirements up to an aggregate maximum amount of SAR50,000,000.

The Tranche B Murabaha Facility may be used for such purposes as agreed between Sahara and Riyad Bank.

The availability period for the Murabaha Facility is a period of 120 days from 9 May 2011G. The final maturity date is 9 May 2012G and all amounts payable by Sahara to Riyad Bank must be discharged in full on the final maturity date if not previously discharged.

The applicable Murabaha profit rate is SIBOR plus 0.875% per annum for each profit rate period of three or six months until the final profit rate period, calculated on a 360 day year. The applicable Murabaha profit rate for the final profit rate period is SIBOR plus 0.875% per annum plus 2.30% per annum, calculated on a 360 day year.

The Murabaha Facility is secured by:

(a) an order note for SAR1,000,0000 million;

(b) an order note in an amount equal to the anticipated Murabaha profit for the relevant profit rate period;

(c) an assignment by Sahara of any and all distributions made or paid to Sahara and Tasnee and Sahara Olefins Company, including dividends and distributions to Sahara that are derived from Sahara's pro rata share of any dividends and distributions declared, made or paid to Tasnee and Sahara Olefins Company by Saudi Ethylene & Polyethylene Company.

14.2. AL WAHA

14.2.1. Joint Venture Agreement

14.2.1.1. Amended & Restated Shareholders' Agreement

Sahara, Basell Arabie Investissements S.A.S. ("Basell AI") and AL WAHA are parties to an Amended and Restated Shareholders' Agreement dated 7 June 2007G pursuant to which Sahara and Basell AI, as shareholders of AL WAHA, have agreed on the operations and management of AL WAHA. The agreement further contains provisions regarding the implementation of the PDH-PP Project and the related financing requirements. Under this agreement, Sahara is to hold seventy−five percent (75%) of AL WAHA and Basell AI is to hold twenty−five (25%) on the assumption that total project costs do not exceed the estimated project costs set out in the agreement. AL WAHA is to have a paid up capital of SAR1,600,547. Subject to statutory reserve requirements, profits of AL WAHA are to be distributed to its shareholders pro-rata according to their respective shareholdings. Share sales to non-affiliated entities of the shareholders are subject to pre-emptive rights and to share transfer restrictions contained in AL WAHA's financing documents. After the twelfth anniversary of the project start-up date, Basell Al may require Sahara to purchase all of its shares in AL WAHA at a price which is the higher of the fair market value or the book value.

AL WAHA is managed by a six-member board of managers. Sahara appoints four (4) managers and Basell Al appoints two (2) managers. Certain board resolutions can only be adopted if approved by at least 1 Basell Al appointee. Sahara undertakes to use commercially reasonable efforts to finalize the Land Lease Agreement on the standard terms of the Royal Commission and enter into a sub-lease agreement thereof with AL WAHA. Sahara also undertakes to use commercially reasonable efforts to obtain access for AL WAHA to potable water and sweet water from Marafiq and to assist AL WAHA in obtaining access to other utilities.

The agreement envisages that the estimate Project Costs will not exceed USD1,023,000,000 (SAR3,836,250). If the project costs exceed the estimate amount and as a result the shareholders agree to inject additional equity, the number and value of the shares (but not the percentage holdings of the shareholders) must be adjusted accordingly. The agreement further provides that Sahara and Bassell Al will be required to contribute approximately SAR310 million to cover anticipated project costs, to be funded directly by way of a subordinated shareholders' loan or additional equity, on a pro rata basis (in addition to certain other loans that AL WAHA is to obtain from commercial banks).

If any shareholder suffers an event of default or is in default of an obligation under the agreement having a material adverse effect on any other party and fails to remedy such default within 60 days after receiving notice from the non-defaulting party, then the non-defaulting party may either (a) purchase all or part of the defaulting party's shares at seventy−five (75%) of the book value of the shares; and (b) require the defaulting party to sign any resolution or take any action to liquidate the Company.

14.2.2. Construction Contracts

14.2.2.1. Design, Engineering and Supply Contract in relation to the AL WAHA Project

AL WAHA has entered into a Design, Engineering and Supply Contract with Tecnimont S.p.A. ("Tecnimont S.p.A.") and Daelim Industrial Co., Ltd. ("Daelim Industrial" and together with Tecnimont S.p.A. the "Contractors") dated 18 September 2006G for the design, execution and completion of the PDH-Plant and the PP-Plant (the "Plant"). The Design, Engineering and Supply Contract covers services to be performed outside Saudi Arabia. All works to be undertaken under this contract have been completed

The Plant must satisfy a number of performance tests which include the attainment of various performance guarantees, including, among other things, product quality, output and consumption at the Plant. The minimum performance levels must be achieved for Initial Acceptance to occur. If the Plant fails to attain the stated performance guarantees, the Contractors must (unless AL WAHA is responsible for such failure) make good the defective work so that the performance guarantees are attained. The contract also contains a binding schedule which requires the contractors to achieve "ready for cold run" and "ready for start up" of the Plant by specified dates.

Capped liquidated damages are to be paid by the Contractors if the scheduled completion dates are not met or if they fail to achieve the performance guarantees and the Contractor's capped aggregate liability is subject to certain carve-outs. Total aggregate liability of the Contractors to AL WAHA is capped at twenty percent (20%) of the contract price. A number of items are excluded from this cap, including (i) liability in the case of fraud or wilful misconduct; (ii) liability incurred by AL WAHA as a result of the Contractors' failure to comply with a law or consent; and (iii) costs incurred by the Contractors in remedying any defects in the supplied works.

The defects liability period expires 60 months after the date of "ready for cold run" in respect of the buildings, civil works and steel structures and the earlier of 12 months after the date of initial acceptance or 15 months after the date of "ready for start up" for all other works.

AL WAHA may suspend the works or terminate the contract at any time for convenience. AL WAHA may also terminate the contract, inter alia, for un-remedied material breach, insolvency of the contractors or if the contractors have failed to maintain satisfactory progress.

In relation to the Design, Engineering and Supply Contract, AL WAHA, Tecnimont S.p.A. and Daelim Industrial have entered into a Design, Engineering and Supply Contract Direct Agreement with Saudi Hollandi Bank, as Investment Agent, and Gulf International Bank (B.S.C) Bahrain office, as offshore security trustee, as a condition precedent to the Islamic facilities being made available to AL WAHA pursuant to the Islamic Facilities Agreement.

14.2.2.2. Construction Contract in relation to the AL WAHA Project

AL WAHA has entered into a Construction Contract with Tecnimont Arabia and Daelim Saudi Arabia Co., Ltd, in relation to the construction of the Plant dated 18 September 2006G. The Construction Contract covers construction services to be performed within Saudi Arabia. Tecnimont Arabia's liability to pay liquidated damages and the cap on the aggregate liability of Tecnimont Arabia to AL WAHA replicate the above agreement. AL WAHA's right to suspend the works and to terminate the contract are also on the same terms as the agreement above. The Lump Sum Turn Key (LSTK) value of the above contract is USD809.00 million (SAR3,033.75 million). All works to be undertaken under this contract have been completed.

14.2.2.3. Coordination Agreement between AL WAHA, Tecnimont S.p.A, Daelim Industrial Co Ltd, Tecnimont Arabia Ltd and Daelim Saudi Arabia Co Ltd.

In addition to the above two construction contracts, AL WAHA, Tecnimont S.p.A, Daelim Industrial Co Ltd, Tecnimont Arabia Ltd and Daelim Saudi Arabia Co Ltd. have entered into a Co-ordination Agreement dated 18 September 2006G which regulates matters between the parties in respect of the construction of the PDH-Plant and the PP-Plant including contractors' responsibilities, arrangements regarding liability caps, cross default provisions, scope interfacing issues and various administrative procedures. Attached as Appendix I is a form of lender's Direct Agreement entered into by Tecnimont S.p.A., Daelim Industrial Co. Ltd, Tecnimont Arabia Ltd, Daelim Saudi Arabia Co, Ltd., AL WAHA an unnamed party, as investment agent, and Gulf International Bank (B.S.C.) Bahrain office, as offshore security trustee. Please refer to 14.2.9.10 for more information. In relation to the Construction Contract, AL WAHA, Tecnimont Arabia Ltd, Tecnimont S.p.A, Daelim Saudi Arabia and Daelim Industrial have entered into a Construction Agreement Direct Agreement with Saudi Hollandi Bank, as Investment Agent, and Gulf International Bank (B.S.C) Bahrain office, as offshore security trustee, as a condition precedent to the Islamic facilities being made available to AL WAHA pursuant to the Islamic Facilities Agreement. Please refer to 14.2.9.10 for more information. All works to be undertaken under this contract have been completed.

14.2.3. Project Management Services Agreements

14.2.3.1. Out-of-Kingdom Engineering Services Agreement

Sahara and UOP LLC ("UOP") have entered into this engineering services agreement dated 7 July 2004G in anticipation of the formation of AL WAHA. Under the agreement, UOP is to provide certain basic engineering services and continued support to allow AL WAHA, or the EPC contractors appointed by AL WAHA, to execute EPC services in relation to the Oleflex Process Unit and a Huels Selective Hydrogenation Process Unit (the "Units"). The Units are intended to operate under an Oleflex Process and a Huels Selective Hydrogenation Process technology transfer agreement to be entered into between the parties. The parties shall also enter into a guarantee agreement relating to the performance of the Units (see paragraph 14.2.4.2 below) and catalyst supply agreement upon the formation of AL WAHA.

Sahara agrees to pay UOP a fixed price of USD2,400,000 (SAR9 million) for the services provided by UOP under the agreement. Sahara shall also pay UOP a fixed price for additional changes requested by Sahara in relation to the scope of the services which are agreed to and implemented by UOP.

UOP warrants that the services provided under this agreement will be performed according to accepted engineering practices prevailing in similar industries in the USA. Any breach of this warranty shall be remedied by the re-performance by UOP, at its own expense, of the portion of the services in respect of which a breach has occurred.

To the extent not caused by wilful misconduct or negligence, UOP shall not be liable for bodily injury or property damage arising out of the services provided by it under the agreement. The parties also waive any claims to recover from each other for bodily injury or loss or damage of property to the extent that any recovery is available under their insurance policies.

The agreement shall terminate on the earlier of (i) one year after the start-up date of the Units; or (ii) five years from the date of entry into the agreement (i.e. the latest date of expiry of the agreement was 7 July 2009G). The provisions relating to limitation on liability of the parties under the agreement shall survive termination of the agreement.

All works to be undertaken under this contract have been completed.

14.2.3.2. Out of Kingdom and In Kingdom Project Management Consultancy Agreements

Sahara and Basell Polyolefine GmbH ("Basell GmbH") have entered into an out of Kingdom Project Management Consultancy Agreement with Foster Wheeler Italiana S.p.A. ("Foster Wheeler Italiana") dated July 2005G, and an in-Kingdom Project Management Consultancy Agreement with Foster Wheeler Arabia Ltd ("Foster Wheeler Arabia") dated 27 July 2005G, under which Foster Wheeler Italiana and Foster Wheeler Arabia are required to provide certain project management services and general technical advice and support in connection with the engineering, procurement, construction, pre-commissioning, commissioning and testing of the Plant outside Saudi Arabia and inside Saudi Arabia respectively. These agreements were novated from Sahara and Basell GmbH to AL WAHA pursuant to deeds of novation dated 18 January 2007G. The total cost of services under these agreements will be USD20.44 million (SAR76.65 million).

Remuneration is on an hourly basis and capped. The aggregate liability of Foster Wheeler Italiana and Foster Wheeler Arabia to AL WAHA is capped at twenty–five (25%) of the gross aggregate value of any and all sums invoiced by them under these agreements. This cap does not apply to (i) costs relating to the redoing of services relating to the remedy of defects or inadequacy in services; or (ii) payments received from any insurance.

All works to be undertaken under these agreements have been completed.

14.2.3.3. Project Management Co-ordination Agreement

Foster Wheeler Italiana and Foster Wheeler Arabia warrant that the services in the Management Consultancy Agreements comprise all project management services needed for the PDH-PP Project. The agreement is dated 30 September 2005G. The consultants are jointly and severally liable, capped at the aggregate liability caps of the Management Consultancy Agreements. The agreement was novated from Sahara and Basell GmbH to AL WAHA pursuant to a deed of novation dated 18 January 2007G. All works to be undertaken under this agreement have been completed.

14.2.4. Technology and Licence Agreements

14.2.4.1. Oleflex Process & Huels Selective Hydrogenation Process Technology Transfer Agreement

Sahara has entered into a Technology Transfer Agreement with UOP LLC ("UOP") dated 7 July 2004G, under which UOP grants a non-exclusive, non-transferable right to use the (i) Oleflex and (ii) Huels Selective Hydrogenation processes along with any apparatus or catalysts and to export, sell or use in any country the products of these processes in consideration of technology transfer fees. This agreement was novated to AL WAHA pursuant to a deed of novation dated 19 January 2007G. UOP, its subsidiaries as defined in the agreement and Huels are to receive back any patent rights to these processes acquired by AL WAHA within the period of time specified in the agreement. AL WAHA may terminate the agreement in 20 years (i.e. 7 July 2024G) and UOP in 10 years (i.e. 7 July 2014G) after the commencement date.

14.2.4.2. Guarantee Agreement between AL WAHA and UOP LLC

AL WAHA has entered into a Guarantee Agreement with UOP LLC ("UOP") dated 7 June 2007G under which UOP provides AL WAHA with certain technical advisor services during the construction, start-up and initial operation of the (i) Oleflex and (ii) Huels Selective Hydrogenation processes as well as guarantees the performance of the AL WAHA Plant. The services include, amongst others, examining the physical condition of the AL WAHA Plant, witnessing the pressure testing, advising on the initial operations, specifying the operating conditions, data collection and evaluation procedures to be used during certain performance tests, which include product tests, catalyst consumption tests, catalyst stability tests, reactor fouling test for the Oleflex unit and adsorbent life tests. Each such performance test is associated with the attainment of various performance guarantees, including: plant product guarantee, catalyst consumption guarantee, Oleflex unit catalyst stability guarantee, Huels Selective Hydrogenation unit catalyst stability guarantee, reactor fouling guarantee, adsorbent life guarantee and plant plus propylene-propane splitter guarantee.

UOP's obligations relating to the above guarantees are subject to a number of conditions including, amongst others, construction of the AL WAHA Plant and the equipment and materials (such as catalysts, chemicals and feedstocks) in conformity with certain engineering design specifications and compliance with certain reasonable instructions given by UOP during the start-up, shut down and maintenance process. A number of remedial actions may be undertaken by UOP, subject to certain limitations on liability, should the AL WAHA Plant fail to meet a performance guarantee, including capped liquidated damages.

Commercial operations commenced at AL WAHA Plant on 1 April 2011G and, as such, all works to be undertaken under this agreement have been completed.

14.2.4.3. Tri-Partite Agreement in relation to the AL WAHA Project

AL WAHA has entered into a Tri-Partite Agreement with Basell Poliolefine Italia S.r.l. (the "Licensor") and Tecnimont S.P.A., Daelim Industrial Co. Ltd, Tecnimont Arabia Ltd and Saudi Arabia Co. Ltd (the "Contractors") pursuant to which the Licensor grants to the Contractors a non-exclusive royalty-free licence to use such data, design and other information as are provided to AL WAHA pursuant to the Basell Technology Licence Agreement and the PDP Supply and Technical In House Services Agreement. The agreement further provides that AL WAHA and the Contractors are entitled to enforce and enjoy the benefit of certain of AL WAHA's rights and obligations under the Basell Technology Licence Agreement (as described in section 14.2.4.4 below) and the PDP Supply Agreement (as described in section 14.2.8.1 below).

The agreement expires on the date on which all performance guarantees have been attained or otherwise satisfied in accordance with (i) the design, engineering and supply contract in relation to the AL WAHA Project (described at paragraph 14.2.2.1 above) and (ii) the construction contract in relation to AL WAHA Project (described at paragraph 14.2.2.2 above). As such, the licence granted under this agreement has expired.

14.2.4.4. Basell Technology License Agreement

Sahara has entered into a Technology Licence Agreement with Basell Poliolefine Italia S.p.A. (Basell S.p.A.) dated 1 December 2004G, under which Basell S.p.A. grants the non-exclusive right to use information relating to the Spherizone Process and catalysts in the design, erection and operation of the Plant and Basell S.p.A. will supply technical assistance (as necessary) in the KSA, including the dispatch of qualified specialists to Sahara during certain periods. The agreement was novated to AL WAHA pursuant to a deed of novation dated 19 January 2007G. AL WAHA is granted the option to receive additional technical information in exchange for an additional license fee. AL WAHA has an additional option, provided that Basell S.p.A. or one of its affiliates is a party to a future AL WAHA joint venture, to build and operate one additional line in Saudi Arabia using technical information relating to the Spherizone Process. Basell S.p.A. and AL WAHA have undertaken to make available to the other, free of charge, improvements made to the technology within certain time limits. Either party may terminate the agreement for a default by the other party which is not remedied on 90 days' notice.

14.2.5. Supply and Utilities Agreement

14.2.5.1. MOU between Al-Waha and SEC relating to additional power supply

Al-Waha and Saudi Electricity Company ("SEC") have entered into a memorandum of understanding dated 28 July 2010G ("MOU") with respect to additional power supply by SEC to Al-Waha in Jubail Industrial City. The additional power requested is 120MVA at 230 kV by 1 October 2012G. The additional supply of power will require certain modifications to the existing protection and communication settings, which AL WAHA shall pay the cost for. AL WAHA shall pay SAR69 million to SEC for reinforcing the 230 kV network at Jubail. The amount will be paid in three instalments divided into forty percent (40%): forty percent (40%):twenty forty percent (20%). In addition, AL WAHA will pay SAR2.4 million for the meter deposit charges at a rate of SAR20/KVA of additional demand. The MOU provides that the parties will amend the existing Power Supply Implementation Agreement to reflect the new contracted demand.

14.2.5.2. Power Supply Implementation Agreement

Sahara and SEC entered into a Power Supply Implementation Agreement dated 30 May 2006G for the supply of electricity to the PDH-PP Project. The PDH-PP Project includes the installation by SEC of a power transmission line (the Power Transmission Facilities). The monthly price of the electricity provided under the agreement is determined in accordance with the prevailing rate under the directives of the Ministry of Water and Electricity. Sahara is to fund, procure and implement the entire installation process under SEC supervision. Sahara is required to pay SEC the project cost and SEC service charge in three instalments, calculated as percentages of the estimated project cost as at 30 May 2006G. In addition, Sahara must pay a meter deposit charge no later than one month prior to energisation. The agreement provides for liquidated damages payable by Sahara in case of termination and/or any delay caused by it. This agreement has been novated from Sahara to AL WAHA. The agreement is ongoing and does not contain an express expiry date.

14.2.5.3. Polypropylene Catalyst Supply Agreement

AL WAHA has entered into a Polypropylene Catalyst Supply Agreement with Basell Poliolefine Italia S.r.l. (Basell S.r.l.) dated 19 September 2006G for the supply of certain types of supported components of high-yield Ziegler-Natta catalysts suitable for the production of polypropylene for use in the operation of a PDH-PP Plant. The expiry date of the agreement is ten years from the date of the first invoice relating to the first commercial supply made under it. However, AL WAHA may terminate the Agreement after the first five years (from the date of first invoice) by 6 months' notice.

Under the agreement, Basell S.r.l. shall not be obliged to sell AL WAHA more than 4,500kg of catalysts in aggregate during any period of 3 consecutive months or more than 18,000kg in aggregate in any one period of 12 consecutive months. The annual increase in the price of each catalyst is capped at five percent (5%). Any defects in the quality of any catalyst shall, in the absence of any agreement between the parties, ultimately be referred to an independent expert whose decision shall be final and binding. There is a general limitation on Basell S.r.l.'s liability for any loss, damage or injury suffered by AL WAHA in connection with the agreement, except with respect to Basell S.r.l.'s wilful misconduct or negligence. Claims for special, indirect, incidental or consequential loss or damage are, subject to applicable law, carved out Basell S.r.l. liability (including loss of profits, goodwill or business).

Title and risk to the catalysts supplied by Basell S.r.l. are transferred to AL WAHA upon delivery on the basis of EX Works (as defined in the INCOTERMS 2000G) from Basell S.r.l.'s warehouse at Ferrara, Italy. If AL WAHA defaults on any of the terms of the agreement, Basell S.r.l. may defer further shipments of the catalysts until the default is remedied. Either party may terminate the agreement if the other is in default of a material obligation that is not remedied on 60 days' notice.

14.2.5.4. UOP Catalyst Supply Agreement

AL WAHA has entered into a catalyst supply agreement with UOP Limited ("UOPL") dated 10 June 2010G for the supply of the UOP DeH-14 Oleflex catalyst (the "Oleflex Catalyst"), for use by AL WAHA in the Oleflex process unit installed in its facility at Jubail Industrial City.

Pursuant to the commercial terms for the supply of the Oleflex Catalyst (attached to the agreement), the price of the Oleflex Catalyst is USD14,656,933.00 (SAR54,963,498.75), payment for which shall be made by AL WAHA within 45 days of the date of UOPL's invoice.

Title to the Oleflex Catalyst (excluding the platinum requirement) will pass to AL WAHA at the point in time immediately after the Oleflex Catalyst (i) leaves the territorial waters of the USA (if shipped by sea); (ii) leaves the overlying airspace of the USA (if shipped by air); or (iii) crosses the border of the USA and enters into a foreign country (if shipped by ground transport).

The agreement is also subject to the terms and conditions of the UOP Platinum Lease Agreement (described in paragraph 14.2.5.6 below) and the previous catalyst supply agreement dated 20 August 2007G ("2007G Catalyst Supply Agreement") between UOPL and AL WAHA (except that the relevant provisions in this agreement relating to the leasing of platinum shall not apply). Pursuant to the termination provisions set out in the 2007G Catalyst Supply Agreement, the agreement shall terminate on the earlier of (i) UOPL's full performance of its obligations under this agreement; or (ii) the period of five years from the date of this agreement (i.e. 10 June 2015G).

14.2.5.5. 2007G UOP Catalyst Supply Agreement

UOP Limited ("UOPL") and AL WAHA have entered into a catalyst supply agreement dated 20 August 2007G for the supply of a first load of various types of catalysts (together, the "Catalyst") for use by AL WAHA in the Oleflex unit and Selective Hydrogenation Process unit installed in its facility at Jubail Industrial City.

The agreement provides that title to and risk of loss of the Catalyst shall pass to AL WAHA from UOPL at the point of delivery. UOPL warrants that it has good title to the Catalyst free of any liens or encumbrances and that it has the right to transfer such title, but makes no other warranties (express or implied) with respect to the Catalyst or services provided by UOPL under this agreement.

The agreement shall terminate on the earlier of (i) UOPL's full performance of its obligations under this agreement; or (ii) the period of five years from the date of this agreement (i.e. 20 August 2012G). In addition, if either party is in default for 30 days of its obligations under this agreement and the default is not remedied within a further 30 days of receiving written notice from the non-defaulting party to remedy such default, the agreement may be terminated by the non-defaulting party.

The agreement is governed by the laws of England and Wales.

14.2.5.6. UOP Platinum Lease Agreement

AL WAHA, Sahara and UOP Limited ("UOPL") have entered into a platinum lease agreement (the "UOP Platinum Lease Agreement") dated 10 June 2010G relating to the UOP Catalyst Supply Agreement and pursuant to which AL WAHA has agreed to UOPL leasing to Sahara the 698kg of platinum required for inclusion in the Oleflex Catalyst (the "Leased Platinum").

The duration of the UOP Platinum Lease Agreement is 10 months commencing from 10 June 2010G (i.e. terminating on 10 April 2011G). The Leased Platinum may however be returned early at no penalty charge and, upon such return, the lease will terminate on such date.

In consideration of UOPL leasing the Leased Platinum for the duration of the lease, Sahara shall pay UOPL a lease charge of USD1,134,763 (SAR4,255,361) (the "Lease Charge"), payable on the expiry of the lease and upon presentation by UOPL of an invoice for the Lease Charge.

UOPL will retain title to the Lease Platinum for the duration of the lease and will bear the risk of loss of the Leased Platinum until the risk of loss of the Oleflex Catalyst is transferred to AL WAHA pursuant to the UOP Catalyst Supply

Agreement, after which Sahara will bear the risk of loss for the Leased Platinum until the expiry date or date of early return of the Leased Platinum.

The parties to the agreement have acknowledge that Sahara intends to deliver 183kg of platinum to UOPL's account and that, upon such delivery, the quantity of Leased Platinum shall be reduced by the amount so delivered and the Lease Charge shall be reduced pro rata according to the amount delivered by Sahara to UOPL's account.
As a guarantee of Sahara's obligations to pay the Lease Charge and to return the Leased Platinum to UOPL no later than the expiry date of the lease, the parties have agreed to provide UOPL with:

(i) a promissory note from Sahara for the estimated value of the Leased Platinum of USD29,042,900 (SAR108,910,875) (to be replaced with a reduced-value promissory note to reflect the delivery of any platinum to UOPL by Sahara); and

(ii) an irrevocable standby letter of credit from AL WAHA in the amount of USD5.00 million (SAR18.75 million).

Sahara agrees to replace the promissory note with one or more new reduced value promissory note(s) to reflect the amount of the value of the 183kg of platinum delivered to UOPL and/or the value of any other platinum delivered to UOPL pursuant to the agreement. In addition, the agreement provides that UOPL will return any outstanding promissory note(s) to Sahara upon the return to UOPL of the Leased Platinum and the discharge in full of the Lease Charge.

The lease provides that if Sahara (i) delays making any payment due to UOPL under the agreement, (ii) fails to return the Leased Platinum by the expiry date, or (iii) defaults on any other obligation under the agreement, and fails to remedy such default within 30 days' notice from UOPL thereof, UOPL may (i) terminate the lease, (ii) assess a finance charge for the period of delay in making any due payment, or (iii) enforce its rights under the promissory note and/or standby letter of credit.

The lease agreement is not assignable by any party without the prior written consent of the other party except that it may be assigned without such consent by any party to the successor to substantially all of its business and assets (or by UOPL to the successor of substantially all of its business to which the agreement relates). No assignment is valid unless all of the rights and obligations of the assignor are assigned.

The agreement is governed by the laws of England and disputes shall be resolved by arbitration conducted in accordance with the rules of the London Court of International Arbitration to take place in London, England.

In connection with the UOP Platinum Lease Agreement, AL WAHA and Sahara have entered into an indemnification agreement pursuant to which AL WAHA agrees to irrevocably and unconditionally indemnify Sahara for any claims and obligations under or in connection with Sahara's entry into the UOP Platinum Lease Agreement and the payment obligation evidenced by the promissory note provided pursuant to such agreement.

AL WAHA completed its obligations under the UOP Platinum Lease Agreement prior to the termination date provided therein.

14.2.5.7. Metals Lease Agreement

AL WAHA and Mitsubishi International Corporation ("Mitsubishi") have entered into an agreement dated 30 January 2008G relating to the lease of platinum and palladium ("Metal") to AL WAHA (the "Metals Lease Agreement").

The agreement provides for AL WAHA and Mitsubishi to enter into leases for Metal from time to time through the entry into confirmations of lease terms (each, a "Confirmation") setting out the essential terms of the lease, including the type of Metal, fitness and (if appropriate) brand of the Metal, the quantity of the Metal being leased, the lease term, the lease fee and the delivery and redelivery locations.

AL WAHA is responsible for all risk of loss, damage or disappearance with respect to any Metal leased from the time it is delivered until it is returned to Mitsubishi. AL WAHA shall maintain insurance coverage on the Metal for no less than the value of the Metal, covering such risks as are usually carried by companies in a similar business, and shall deliver a copy of all policies for such insurance to Mitsubishi as soon as reasonably practicable.

Mitsubishi shall be granted a security interest by AL WAHA in all Metal delivered pursuant to the agreement in any physical or chemical state until the Metal is returned to Mitsubishi. Mitsubishi may also, in addition, require security in the form of prepayment or a standby irrevocable letter of credit as it may determine in its sole discretion.

Mitsubishi has the option of terminating all or some of the leases entered into under this agreement forthwith without any liability to AL WAHA if it determines that AL WAHA no longer meets its credit requirements or if AL WAHA does not satisfy the requirements for security within the time limits specified by Mitsubishi.

The ceiling value for Metal leased under this agreement is USD35,000,000 (SAR131,250,000) (the "Ceiling Value"). If the aggregate value of Metal leased under the agreement exceeds the Ceiling Value, Mitsubishi can require AL WAHA by notice to (i) redeliver a portion of the Metal to reduce the value to the Ceiling Value; (ii) purchase such quantity of Metal to reduce the value of leased Metal to the Ceiling Value; (iii) deposit funds equal to the value of leased Metal exceeding the Ceiling Value; or (iv) deliver a bank guarantee to Mitsubishi.

The events of default contained in the agreement are those which are commonly found in forward contracts, including (i) default in payment or performance of any material obligation which is not cured within 3 business days' notice of such default; (ii) bankruptcy or insolvency proceedings being commenced or otherwise becoming bankrupt or insolvent; (iii) being unable to pay debts when they fall due; (iv) failure to give adequate security for the performance of obligations under this agreement or any Confirmation within 2 business days of any request thereof in accordance with the agreement.

Upon the occurrence of default, the performing party has the right to terminate the relevant leases by notice in writing to the non-performing party. Where the lessee is the defaulting party, (i) the lessor can require the immediate return of the leased Metal or payment to the lessor of its then market value; and (ii) the lessee shall also pay any accrued lease fees pro-rated to the date of termination of any lease. Also in relation to certain events of default (including bankruptcy and insolvency and a failure to provide adequate security in relation to the obligations under the agreement or any Confirmation) the performing party has a further right to terminate all other outstanding transactions under this agreement or any Confirmation with the non-performing party by notice in writing.

The performing party shall notify the non-performing party of the amount of any aggregate loss incurred by it in connection with the liquidation of any transactions. The non-performing party shall pay such amount to the performing party in full within 5 business days of such notice. The performing party may set off any amounts it owes to the non-performing party under any transaction so that all amounts are aggregated and netted to a net liquidation payment. If this results in an amount being payable by the performing party, the net liquidation payment shall be zero. The performing party shall notify the non-performing party of the amount of the net liquidation payment and the non-performing party shall pay the net liquidation payment in full within 5 business days of such notice.

The agreement may be terminated on 20 business days' prior written notice by one party to the other, but such termination shall not affect any lease outstanding at the time such termination is effective, and such lease shall remain subject to this agreement until all outstanding obligations under it are duly performed or the lease is finally and fully liquidated in accordance with this agreement.

The agreement and any Confirmation may not be assigned or transferred by either party without the written consent of the other party (such consent not to be unreasonably withheld or delayed).

The agreement is governed by the laws of England and disputes shall be resolved by arbitration conducted in accordance with the rules of the London Court of International Arbitration to take place in London, England.

Pursuant to a novation agreement dated 5 May 2010G between Mitsubishi, AL WAHA and Sahara, AL WAHA novated to Sahara all of its rights and liabilities under and in respect of the Metals Lease Agreement and existing leases entered into between Mitsubishi and AL WAHA under such agreement.

14.2.5.8. Platinum Accounting Agreement

Mitsubishi International Corporation ("Mitsubishi"), AL WAHA, Sahara and UOP Limited ("UOPL") have entered into a letter agreement dated 8 July 2010G setting out the parties' agreement with respect to the platinum leased by Mitsubishi to Sahara under the Metals Lease Agreement (described in paragraph 14.2.5.7 above) (the "Mitsubishi Platinum") and the platinum leased by UOPL to AL WAHA under the UOP Platinum Lease Agreement (described in paragraph 14.2.5.6 above) (the "UOPL Platinum"), in connection with the use of the Mitsubishi Platinum in the existing UOP DeH-14 catalyst (the "Existing Catalyst Load") used in the used in the Oleflex process unit (the "Unit") and the use of the UOPL Platinum in the completely replaced UOP DeH-14 catalyst (the "New Catalyst Load") used in the Unit..

Pursuant to the agreement, the parties agree that as the New Catalyst Load is loaded in the Unit, all right, title and interest to the UOPL Platinum contained thereon will immediately transfer from UOPL to Mitsubishi. At the same time, as the equivalent portion of Existing Catalyst Load is loaded out of the Unit, the parties agree that all right, title and interest to the Mitsubishi Platinum contained thereon will immediately transfer from Mitsubishi to UOPL. Further, upon the complete removal of the Existing Catalyst Load from the Unit, UOPL will be entitled to take possession of the Existing Catalyst Load in order to remove the Mitsubishi Platinum contained thereon.

The agreement does not contain an express expiry date. However, the obligations of the parties under this agreement have been completed.

The agreement is governed by English law and any dispute arising out of or relating to this agreement shall be settled by arbitration under the Rules of the London Court of International Arbitration, such arbitration to take place in London, England.

14.2.5.9. Ethylene Supply Agreement

Sahara has entered into an agreement with AL WAHA dated 30 September 2007G to supply 29,750 metric tons per contract year of ethylene. The initial term of the agreement is from the date of the agreement until (i) the 31 December falling after the fifteenth anniversary of the cracker operations date; or (ii) the 31 December falling after the fifteenth anniversary of the PDH-PP Plant operation date or (iii) the termination of the main supply agreement entered into between Sahara and Saudi Ethylene and Polyethylene Company ("Supplier") whereby the Supplier agrees to supply and sell to Sahara 29,750 metric tonnes per contract year of Ethylene. The agreement is automatically renewed at the end of the initial term for a period of three contract years unless one party gives notice that it does not wish to renew.

Sahara shall be entitled to compensation if AL WAHA fails to accept the annual contract quantity, unless as a result of: force majeure; Sahara failing to deliver the product; or the product failing to conform to specifications. If Sahara fails to provide the contract quantity, then, provided AL WAHA has used reasonable endeavours to mitigate the shortfall, Sahara is required to compensate AL WAHA in relation to the shortfall. Either party may terminate the agreement if the other party becomes insolvent or fails to cure an ongoing material breach within 90 days' notice.

Related to this Ethylene Supply Agreement is an Ethylene Supply Direct Agreement entered into by Sahara, AL WAHA, Saudi Hollandi Bank, as investment agent, and Gulf International Bank (B.S.C) Bahrain office, as offshore security trustee, as a condition precedent to the Islamic facilities being made available to AL WAHA pursuant to the Islamic Facilities Agreement.

14.2.5.10. SEPC Ethylene Supply Agreement

Related to the Ethylene Supply Agreement (described above at 14.2.5.9) is an agreement for the supply of ethylene between SEPC (the "Seller") and Sahara (the "Buyer") dated July 2006G (the "SEPC Ethylene Supply Agreement"), pursuant to which the Seller is to supply the Buyer with 29,750 metric tons of ethylene per contract year produced by the Seller's ethane and propane cracker facility and polyethylene production facility in Jubail Industrial City (the "Cracker Plant"). The initial term of the SEPC Ethylene Supply Agreement is from the date of the agreement until the 31 December that falls after the 15th (fifteenth) anniversary of the date upon which the provisional acceptance certificate is issued in respect of the Cracker Plant (the "Cracker Operations Date"). The agreement is automatically renewable at the end of the initial term for an additional three year contract period (and automatically renewable thereafter for further three year contract periods) unless one of the parties gives notice of its intention not to renew the agreement at least three years prior to the expiry of the initial term or any subsequent term.

SEPC shall be entitled to compensation if Sahara fails to accept the annual contract quantity, unless as a result of: (i) force majeure; (ii) SEPC failing to deliver the product; or (iii) the product failing to conform to specifications. If SEPC fails to provide the contract quantity, then, provided Sahara has used reasonable endeavours to mitigate the shortfall, SEPC is required to compensate Sahara in relation to the shortfall. Either party may terminate the agreement if the other party becomes insolvent or fails to cure an ongoing material breach within 90 days' notice.

14.2.6. Feedstock Agreements

14.2.6.1. Sales Gas Supply Agreement

This is an agreement having an effective date of 1 July 2008G (and running for a term of 20 years from that date) between the parties which provides for Saudi Arabian Oil Company ("Saudi Aramco") to supply AL WAHA with sales gas (in accordance with the specification sheet attached to the agreement) in an amount not to exceed 2,160 MMBTU or the equivalent of 2 MMSCF per calendar day at the government established price (then-current price being USD0.75/MMBTU) (SAR2.8125/MMBTU). The title and risk of loss of such Sales Gas shall pass to AL WAHA at the downstream flange immediately after the custody transfer quality meter. Under this agreement, the parties shall be relieved from the performance of any obligation (excluding the payment obligation for amounts due) during the time of an event of force majeure (to the extent performance of such obligation is prevented or restricted as a result of such event). Force majeure events specifically include Saudi Aramco's inability to perform any part of the agreement as a result of government action (which include the issuance or promulgation laws, rules, orders). Saudi Aramco may also suspend deliveries as directed by the Ministry of Petroleum and Mineral Resources ("MOP&MR"), the regulator, where AL WAHA fails to comply with or fulfil the conditions and obligations listed in AL WAHA's authorization letter from MOP&MR.

14.2.6.2. Propane Supply Agreement

This agreement was entered into between Saudi Aramco and AL-WAHA, having an effective date of 1 July 2008G (and running for a term of 20 years from that date) . The Agreement provides for Saudi Aramco to supply AL WAHA with propane gas (in accordance with the specification sheet attached to the agreement) in an amount not to exceed 22,000 barrels per day at the price calculated pursuant to the formula set out in Article 6 of the agreement. At least one month prior to the beginning of each year, AL WAHA is required to provide Saudi Aramco with a written annual forecast report, setting out the estimated daily average and peak requirement of propane for each quarter. If AL WAHA's average actual propane lifting for four consecutive quarters is less than 22,000 barrels per day, Saudi Aramco has the right to reduce the annual total quantity of propane to be supplied under this agreement by an amount equal to the lifting shortfall. The title and risk of loss of such propane gas shall pass to AL WAHA at the downstream flange immediately after the custody transfer quality meter.

Under this agreement, the parties shall be relieved from the performance of any obligation (excluding the payment obligation for amounts due) during the time of an event of force majeure (to the extent performance of such obligation is prevented or restricted as a result of such event). Force majeure events specifically include Saudi Aramco's inability to perform any part of the agreement as a result of government action (which include the issuance or promulgation of laws, rules, and orders). Saudi Aramco may also suspend deliveries as directed by MOP&MR, where AL WAHA fails to comply with or fulfil the conditions and obligations listed in AL WAHA's authorization letter from MOP&MR.

14.2.6.3. MOP&MR Requirements

MOP&MR issued a letter to AL WAHA, dated 15/3/1429H (corresponding to 23 March 2008G), concerning the completion of ninety percent (90%) of the engineering, supply and construction requirements of the AL WAHA project and allocation conditions set forth by the MOP&MR. The letter authorised AL WAHA to sign agreements with Saudi Aramco for the supplies of fuel and propane necessary for dry gas and propane (as described above). The MOP&MR authorisation is subject to compliance with a number of conditions:

(a) the capacity of the AL WAHA project shall be 450,000 metric tons of polypropylene per year;

(b) providing propane from the products of AL WAHA to conversion industries in the Kingdom, under long term contracts and pursuant to competitive terms, conditions and prices;

(c) consumption of necessary fuel with a maximum limit of 2 million cubic feet of dry gas (methane) per day;

(d) consumption of the necessary propane, with a maximum limit of 22,000 barrels of liquefied propane per day;

(e) refraining from revoking or altering any laboratories or units necessary to produce polypropylene based on which the quantities of fuel and propane were allocated or extended.

Any future failure by AL WAHA to comply with the above conditions may lead to suspension or cessation of the allocation from Saudi Aramco.

14.2.6.4. Propane Pipeline Grid System Contract

Sahara has entered into a Grid System Contract with Petrokemya dated 3 April 2005G, which regulates the reservation by Sahara of a utilization capacity equal to 22,000 barrels per calendar day of the propane pipeline grid system, which is operated by Petrokemya under a MOP&MR license for the transportation of propane from Saudi Aramco's Ju'aymah gas plant to Jubail Industrial City, where Sahara's PDH-PP Plant is located. Sahara pays SAR539 per thousand barrels per calendar day.

The term of the agreement is 30 years, to be automatically renewed in five-year periods unless terminated by MOP&MR or by either party. Petrokemya has the right to suspend performance of its obligations and to terminate the agreement if the MOP&MR license is revoked, during an emergency, force majeure situations, planned shut down for maintenance or for unremedied default by Sahara.

14.2.7. Marketing and Off-take Agreement

14.2.7.1. Off-take Agreement with Basell Sales and Marketing Company BV

AL WAHA has entered into an Off-take Agreement with Basell Sales and Marketing Company BV ("Basell Sales and Marketing") dated 5 June 2007G under which Basell Sales and Marketing agreed to off-take all products from AL WAHA destined for sale outside the Kingdom. The agreement expires on the later of (i) 12 years from the start-up date or (ii) the date upon which Basell Sales and Marketing or one of its affiliates ceases to hold shares in AL WAHA. Following the tenth anniversary of the start-up date both parties and Sahara shall discuss implementation of partial off-take of product by Sahara so that over the next four years, after the twelfth anniversary of the start up date, half of AL WAHA Plant capacity is taken up by Sahara. For these purposes, the start-up date is the calendar day on which at least 1350 metric tones of propylene polymers have been produced in the AL WAHA Plant by continuous operation.

Basell Sales and Marketing must buy a minimum of 450,000 tonnes of product annually. Either party may terminate the agreement if the other party is in material default of its obligations and such default is not remedied within 30 days or if the other party becomes insolvent. Either party may terminate the agreement with one month's notice if a force majeure event continues for more than twelve consecutive months, following consultation with the other party for a period of note less than two months with a view to resolving the matter. Basell Sales and Marketing additionally has the right to terminate the agreement if the Catalyst Supply Agreement ceases to be in effect for any reason.

If AL WAHA fails to supply product, AL WAHA shall pay Basell Sales and Marketing five percent (5%) of the average non-discounted price realised per tonne in respect of sales of product actually made during such contract year multiplied by the amount of the shortfall in tons. No payment is due (i) to the extent Basell Sales and Marketing requested quantities of product less than the off-take commitment; (ii) if product is not supplied because of a "force majeure" event (which shall include any failure of any material piece of equipment at the plant; a delay or failure in supply of fuel, feedstock, catalyst or any other raw material or any utility of any kind necessary for the operation of the plant; a delay in the performance of the contractor or subcontractor; or failure in the transportation of the product from the plant to a customer); or (iii) if the reason for non-supply is the failure by Basell Sales and Marketing to meet the minimum sales price in respect of such product.

Related to this Off-take Agreement is an Off-take Direct Agreement entered into by Basell Sales and Marketing, AL WAHA, Saudi Hollandi Bank, as Investment Agent, and Gulf International Bank (B.S.C) Bahrain office, as offshore security trustee, in relation to the Islamic Facilities Agreement in order to make the Islamic facilities available to AL WAHA. AL WAHA and LyondellBasell Industries B.V. have also entered into a Replacement Off-take Guarantee Agreement where LyondellBasell Industries B.V. irrevocably and unconditionally guarantees to AL WAHA the due and punctual performance of each obligation of Basell Sales and Marketing contained in the Off-take Agreement. Related to this Replacement Off-take Guarantee Agreement is a Replacement Off-take Guarantee Direct Agreement entered into by LyondellBasell Industries B.V., AL WAHA, Saudi Hollandi Bank, as investment agent, and Gulf International Bank (B.S.C) Bahrain office, as offshore security trustee, in relation to the Islamic Facilities Agreement in order to make the Islamic facilities available to AL WAHA. Please refer to 13.1.9.6 for more information.

14.2.8. Services Agreement

14.2.8.1. PDP Supply and Technical In-House Services Agreement

On 13 July 2005G, Sahara and Basell S.p.A. entered into a PDP Supply and Technical In-House Services Agreement, regarding the preparation of the Process Design Package technical documentation for (i) the basic and detailed engineering and procurement of equipment for the construction, erection and operation of a PP Plant, (ii) the preparation of the final safety and operating manual for it, and (iii) the training by Basell S.p.A. of AL WAHA personnel in relation to process, plant operations, maintenance, laboratory testing and main polypropylene applications. On 19 January 2007G, Sahara, Basell S.p.A. and AL WAHA entered into a Deed of Novation, in which AL WAHA assumed the rights and obligations of Sahara, and Basell S.p.A. released and discharged Sahara from any further obligation, claims or liability under the original agreement, except liability associated with confidentiality or obligations associated with restrictions of use.

Under the terms of the agreement Basell agrees to prepare the Plant Documentation and supply it to certain contractors chosen by Sahara and approved by Basell, prior to the grant of a licence to a joint venture company owned by Sahara, Basell and other entities (AL WAHA) for the design, erection and operation of the PP Plant.

All services to be provided under this agreement have been completed.

14.2.8.2. DBSP Support Agreement between Saudi Aramco and Sahara for the Sales Gas and Propane Supply to Sahara Project (PDH-PP Plant)

Sahara will prepare a design basis scoping paper ("DBSP") for certain facilities to be installed or modified within the Royal Commission corridor (tied in with Petrokemya) and Saudi Aramco will provide technical assistance to Sahara during the development of the DBSP.

Sahara agrees to indemnify Saudi Aramco, its affiliates, personnel, or agents or any of them from claims, demands and causes of action asserted against them by any person for personal injury or death or for loss of or damage to property, resulting from the negligence or wilful misconduct of Sahara, its contractors or employees or agents of any of them under the agreement.

14.2.9. Financing Agreements

14.2.9.1. Islamic Facilities Agreement

AL WAHA has entered into an Islamic facilities agreement (the "Islamic Facilities Agreement") and related documents (the "Islamic Facilities Documents") with a consortium of commercial financial institutions (the "Participants") dated 14 November 2006G (as amended by way of an amendment deed dated 13 January 2010G and further amended by way of a waiver and amendment deed dated 17 March 2010G) whereby the Participants have agreed to make available to AL WAHA a facility in the amount of USD276.55 million (SAR1,037.06 million) to finance the AL WAHA Plant. Pursuant to the terms of the Islamic Facilities Documents, AL WAHA and the Participants will co-own certain physical assets relating to the AL WAHA Plant following completion of the AL WAHA Plant. Upon completion of the AL WAHA Plant the Participants will lease the Participants' co-owned assets at an annual rate of LIBOR plus 1.95%. Pursuant to the terms of a separate sale undertaking and a separate purchase undertaking the Participant's co-owned assets will progressively be sold to, and purchased by, AL WAHA over a period of 11 years commencing six months after the project completion date. The Islamic Facilities Agreement initially provided for an AL WAHA Plant completion date of 20 January 2009G. By agreement with the Participants, documented in the waiver and amendment deed between the parties dated 17 March 2010G, the breaches resulting from the failure to meet the AL WAHA Plant completion date of 20 January 2009G were waived and the project completion date was amended to 31 March 2010G. The failure to complete the AL WAHA Plant by 31 March 2010G and the Chapter 11 filing by Basell A.F. SCA both triggered subsequent events of default under the Islamic Facilities Agreement. See also section 2.1.22 (Risk Factors).

Note also that the Islamic Facilities Agreement contains a market disruption clause, which has been invoked and which did result in AL WAHA paying an extra 1.4% (amounting to USD600,000, equivalent to SAR2,250,000) in the first quarter of 2010G, when certain banks applied market disruption clauses, as per the Islamic Finance Agreement.

14.2.9.2. Public Investments Fund Loan

AL WAHA has entered into a term loan agreement of USD250.0 million (SAR937.5 million) with PIF dated 31 October 2007G (the "PIF Loan"). The purpose of the PIF Loan is to assist in the financing of the AL WAHA Plant. The loan is repayable in 20 semi-annual equal instalments commencing 5 May 2011G. Commission is payable on the principal amount outstanding at a rate of LIBOR plus 0.5%. Under the PIF Loan an event of default arises if the AL WAHA Plant has not been completed by 20 July 2010G. See also section 2.1.22 (Risk Factors).

14.2.9.3. Islamic Facilities Security and PIF Security

The Participants and PIF benefit from a security package which is enforceable upon the occurrence of an event of default under the relevant financing agreements. Pursuant to an Undertaking Agreement between amongst others PIF, Al-Waha and the interparty agent dated 5 December 2007G, PIF agreed to be bound by the terms of an interparty deed between, amongst others, Al-Waha, Sahara and the interparty agent dated 14 November 2006G. Under the terms of the Undertaking Agreement and the interparty deed, the interparty agent may only consent to the Participants and PIF enforcing security or accelerating amounts outstanding under the Islamic Facilities Agreement or the PIF Loan if it has obtained instructions from financiers holding two thirds of the outstanding commitments under the Islamic Facilities Agreement and the PIF Loan.

14.2.9.4. The Participants and PIF benefit from the following security:

- in English law charge and assignment over all of AL WAHA's rights, title, benefit and interest to:
  - all monies standing from time to time to the credit of the Offshore Accounts (see section 14.2.9.5);
  - certain investments, including Shari'ah compliant dollar and Riyal-denominated debt securities;
- an English law assignment of all of AL WAHA's rights, title, benefit and interest to the documents listed below and to all monies payable or which may become payable to Al-Waha pursuant to the documents listed below or any insurance related to the documents listed below:
  - Construction Contract (see section 14.2.2);
  - Out of Kingdom and In Kingdom Project Management Consultancy Agreements (see section 14.2.3.2);
  - Oleflex Process & Huels Selective Hydrogenation Process Technology Transfer Agreement Agreements (see section 14.2.4.1);
  - Guarantee Agreement between AL WAHA and UOP LLC Agreements (see section 14.2.4.2);
  - Basell Technology License Agreement (see section 14.2.4.4);
  - PDP Supply and Technical In-House Services Agreement Agreements (see section 14.2.8.1);
  - Polypropylene Catalyst Supply Agreement Agreements (see section 14.2.5.3);
  - Off-take Agreement Agreements (see section 14.2.7);
  - Islamic Swaps (see section 14.2.9.11);
- a Saudi law pledge of all of AL WAHA's rights, title and interest to the Offshore Accounts;
- a Saudi law assignment of AL WAHA's rights, title and interest to the Offshore Accounts; and
- a Saudi law assignment of AL WAHA's rights, title and interest to the residual proceeds due to AL WAHA in relation to the SIDF Security after enforcement by SIDF of its rights to the SIDF Security (see section 14.2.9.8).

14.2.9.5. Accounts Agreement

Pursuant to the terms of the Islamic Facilities Agreement, AL WAHA is required to open a number of onshore bank accounts (the "Onshore Accounts") and offshore bank accounts (the "Offshore Accounts) with Saudi Hollandi Bank (the "Onshore Account Bank") and Gulf International Bank B.S.C. (the "Offshore Account Bank") respectively. The manner in which the Onshore Accounts and Offshore Accounts are operated is subject to the terms of an accounts agreement dated 14 November 2007G between AL WAHA and, amongst others, the Onshore Account Bank and the Offshore Account Bank.

The Accounts Agreement sets out payment and distribution procedures which control the application of funds received by AL WAHA. These controls apply until all of Al-Waha's obligations under the Islamic Facilities Agreement (see section 14.2.9.1), the SIDF Loan (see section 14.2.9.6) and the PIF Loan (see section 14.2.9.2) and have been discharged. The procedures are structured to ensure that Al-Waha has sufficient funds available to it to satisfy its financial obligations and to fund its operating costs and capital expenditure costs while obligations under the Islamic Facilities Agreement, the PIF Loan and SIDF Loan remain outstanding.

14.2.9.6. SIDF Loan

AL WAHA has entered into a term loan agreement of SAR400 million with SIDF on 18 June 2007G in relation to the financing of the AL WAHA Plant (the "SIDF Loan"). The SIDF Loan is repayable in 13 semi-annual instalments commencing 15/08/1432H. Failure to complete the AL WAHA Plant by the first quarter of 2009G triggers an event of default under the SIDF Loan permitting SIDF to declare all amounts outstanding due and payable. Notwithstanding the failure to complete the AL WAHA Plant by the first quarter of 2009G, the SIDF Loan has not been amended but no action has yet been taken by SIDF in respect of such event of default. See also section 2.1.22 (Risk Factors).

14.2.9.7. SIDF Security

The SIDF Loan is secured by a mortgage in favour of SIDF of properties owned by Al-Waha, an assignment of insurance proceeds, an assignment of technology rights and an order note.

The assignment of insurance proceeds provides that, after accelerating the SIDF Loan, SIDF can retain insurance proceeds if such proceeds are not sufficient to repair or reinstate and insured risk or the reinstatement or repair of the insured risk is not technically feasible. If the repair is feasible and the proceeds are sufficient, SIDF must release the proceeds to AL WAHA.

Under the Assignment of Technology Rights, SIDF may require any proceeds obtained following the acceleration of the SIDF Loan, from claims, court orders or judgments relating to intellectual property rights due to AL WAHA under the Basell Technology License Agreement (see section 14.2.4.4) to be paid into an account specified by SIDF. Prior to an enforcement event such proceeds, if any, are paid by to AL WAHA.

14.2.9.8. AL WAHA, Sahara Petrochemicals Company and Basell International Holdings B.V. Mudaraba Agreement

AL WAHA has entered into a Mudaraba Agreement with Sahara and Basell International Holdings B.V. (together with Sahara, the "Investors") dated 4 April 2010G whereby the investment participants agreed to invest USD75,000,000 (SAR281,250,000) with AL WAHA as Mudareb for the design, construction, commissioning and operation of the PDH Plant. According to the terms of the agreement, Sahara and Basell International Holdings B.V. commit to make available maximum investment contributions of USD56,250,000 (SAR210,937,500) and Basell USD18,750,000 (SAR70,312,500) respectively.

14.2.9.9. AL WAHA – Saudi Hollandi Bank Banking Facilities

Saudi Hollandi Bank has approved to provide various banking facilities to AL WAHA. By way of a letter agreement dated 13 April 2010G, Saudi Hollandi Bank agreed to provide banking facilities up to a maximum amount of SAR75 million or USD20 million available for documentary credits, guarantees and project bonds. The facilities are subject to periodic review and may be withdrawn at any time, at Saudi Hollandi Bank's discretion.

14.2.9.10. Direct Agreements

The Participants under the Islamic Facilities Agreement benefit from a number of direct agreements entered into between, among others, AL WAHA, the investment agent under the Islamic Facilities Agreement and the offshore security trustee under the Islamic Facilities Agreement and (the "Direct Agreements"). These Direct Agreements enable the Participants to exercise step-in rights if an event of default occurs under the Islamic Facilities Agreement and AL WAHA is notified that the investment agent intends to take action in accordance with its rights under the relevant financing agreements. If such a notification is provided the investment agent can appoint a representative to exercise the rights of AL WAHA under the related agreement (e.g. the PDP Supply and Technical In-House Services Agreement). The related agreement may subsequently be novated to a substitute entity nominated by the offshore security trustee. The substitute entity is the transferee of AL WAHA's rights and obligations under the relevant agreement.

14.2.9.11. Islamic Swaps

Commencing in September 2006G, AL WAHA has entered into profit rate swap contracts with a number of commercial banks to manage the exposure to volatility in interest rates for a nominal amount ranging from USD16.7 million (SAR62.7 million) to USD803.8 million (SAR1,889.7 million) with no upfront premium. The swaps fixed the finance charge rate on IFA lease repayment at 5.105% per annum and payments under the swaps are made on a six-monthly basis, up to 31 December 2016G. These agreements do not provide any standalone termination provisions that permit AL WAHA to terminate and/or renegotiate the terms of the swaps if the agreements prove to be commercially unfavourable to AL WAHA.

14.2.10. Land Lease

14.2.10.1. Sublease agreement from Sahara

Sahara and the Royal Commission for Jubail and Yanbu (Royal Commission) are parties to a land lease agreement dated 3 July 2006G, pursuant to which the Royal Commission agreed to lease to Sahara a site of 766,959 square meters. The site shall be leased to Sahara for a period of 30 years from the date of the lease (i.e. 3 July 2036).

Sahara and AL WAHA are parties to a sublease agreement dated February pursuant to which Sahara agrees to lease to AL WAHA 403,650 square meters. The sublease agreement incorporates the terms of the head lease. The terms of the sublease match term of the head lease and the rental is the pro-rata share of the rental payable by Sahara under the head lease.

14.3. SAMAPCO

Sahara has entered into a number of agreements for the purpose of developing the SAMAPCO project (see below). Sahara maintains a schedule of costs incurred in relation to these agreements which it expects to be reimbursed for by SAMAPCO once it is incorporated. Agreements which were entered into by Sahara on behalf of SAMAPCO are expected to be novated to SAMAPCO by the end of 2011G.

14.3.1. Joint Venture Agreements

14.3.1.1. Memorandum of Understanding between Sahara and Ma'aden

Sahara has entered into a Memorandum of Understanding ("SAMAPCO MOU") with Ma'aden dated 10 September 2006G. Under the SAMAPCO MOU, the parties set out the framework for establishing SAMAPCO to own, construct and operate the caustic chlorine facility at the Jubail Industrial City, and negotiating key project documents such as licence agreements, EPC agreements, shareholders' agreement, PMC agreement, long term feedstock supply agreement for ethylene with SEPC, feedstock supply agreement for sodium chloride with local supplier, long term caustic soda off-take memorandum of understanding, off-take agreements with third parties for the remaining caustic soda, ethylene dichloride off-take agreements for full or partial production, and agreements for the land and power supply.

Certain conditions precedent exist in respect of the formation of the SAMAPCO which include negotiating and agreeing the agreements referred to above.

14.3.1.2. Amended and Restated Shareholders' Agreement

Sahara entered into a Shareholders' Agreement in March 2011G with Ma'aden in order to operate SAMAPCO for the purpose of establishing and running a plant, required facilities and any plant expansions for the production, manufacture and sale of Caustic Soda and Ethylene Dichloride at Jubail Industrial City. Ma'aden is entitled to require SAMAPCO to enter into a long term contract under which Ma'aden has the right to purchase Caustic Soda (for use by the Ma'aden Alumco Refinery) up to all Caustic Soda produced by the Company in its base name-plate capacity of 250,000MTPA. In addition, Sahara and Ma'aden contemplate the sale of Ethylene Dichloride produced by the plant in both local and international markets.

The term of the agreement shall be for a period commencing with the effective date (being the date of execution of the agreement by both parties) and ending upon the expiry of the articles of association of the company (which is stated to be 30 years from the company establishment date). The term is renewable automatically for additional periods of 30 years unless (i) written notice is delivered by either party to the other that they do not want to continue the agreement at least 2 years prior to expiry of the initial or subsequent term(s) of the agreement; or (ii) the agreement is terminated earlier in accordance with its terms.

Each party shall contribute fifty percent (50%) of the initial share capital of SAMAPCO. The balance of SAMAPCO's profits is to be distributed to the shareholders pro-rata according to the percentage of shares owned by each shareholder.

SAMAPCO is to be managed by a board of managers with six members (including the chairman), three of whom are appointed by Sahara and three of whom are appointed by Ma'aden, advised by steering and executive committees. Each manager appointed to the board (including the chairman) shall serve for a term of 3 years from the date of appointment. The chairman counts as one of the three managers appointed by the parties. The power to appoint the chairman shall rotate between the shareholders every 3 years. The chairman has no casting vote. In the event of a change of shareholding, each shareholder shall have the right to appoint one manager to the board for each full fifteen percent (15%) shareholding owned by the shareholder.

The procedure for the resolution of a deadlock is as follows: (i) referral to the chairmen of the respective boards of both parties if agreement on a matter cannot be reached between shareholders within 14 days (and failure to reach such agreement is likely to have a material adverse effect on the development of the project or ability of SAMAPCO to perform its obligations under the Project Agreements or Financing Agreements (as defined therein)) and such chairmen shall negotiate in good faith to resolve the deadlock; and (ii) if the chairmen cannot reach a decision within 14 days of such referral, either party may refer the relevant matter to a deadlock resolution committee comprising 3 experts (one appointed by Ma'aden, one appointed by Sahara and an independent expert to be appointed by the agreement of both parties (or failing such agreement, by the Board of Grievances at the request of either party).

No party may transfer any of its respective shares prior to the fifth anniversary of the commercial production date nor without the written consent of the other shareholders except that (i) transfers of all (but not some) of a shareholder's shares to an affiliate company is permitted provided that, inter alia, prior written notice to the other shareholders is given; and (ii) Ma'aden may, if directed by the Saudi government, transfer all or any of its shares to any agency or entity in which the Saudi government holds an interest without Sahara's consent. A pre-emption exists in the event that a party wishes to transfer its shares in SAMAPCO to a third party or another shareholder; the selling shareholder must offer to sell the shares subject to an offer to the other shareholders pro rata at the same price as the offer received and on terms no less favourable than those in the offer.

The agreement shall terminate if (i) the company establishment date has not occurred within 365 days of the effective date; (ii) any party files a petition seeking adjudication of its own bankruptcy or insolvency (or such petition is filed against such party) and such petition ceases to be dismissed or stayed within 60 days; (iii) any party is in default of its obligations under the agreement having a material adverse effect on the other party or SAMAPCO and fails to remedy such default within 28 days of written notification of such default by the non-defaulting party; or (iv) if any party is in default of obligation to provide funds to SAMAPCO. Following the company establishment date, the non-defaulting party can elect to purchase all/a portion of the shares held by the defaulting party pro rata to their existing holdings at prices specified in agreement.

The agreement shall be governed by the law of the Kingdom of Saudi Arabia. Disputes shall be resolved as follows: (i) the party wishing to refer a dispute must first notify the other party of the nature and background of the dispute and the proposed basis for settlement (the "Dispute Notice"); and (ii) the other party must respond within 14 days setting out any clarification it feels is relevant and its proposed basis for settlement. The chief executives or presidents of the ultimate parent company of each party must then meet within 30 days of the issue of the Dispute Notice to attempt to settle the dispute. If the dispute remains outstanding 60 days after the Dispute Notice is issued, any party may refer the dispute to the Board of Grievances (or if it does not accept jurisdiction, another Saudi court with jurisdiction).

14.3.2. Construction Contracts

14.3.2.1. Out of Kingdom Contract Agreement

Sahara and Ma'aden (together, the "Owner") have entered into an Out of Kingdom Contract Agreement dated 21 May 2011G (the "Contract Agreement") with Daelim Industrial Co. Ltd (the "Contractor") in respect of the development of the SAMAPCO plant and associated facilities in Jubail Industrial City (the "Plant") and pursuant to which the Contractor undertakes, inter alia, the offshore engineering and the procurement of the imported plant and imported materials for the development of the Plant together with the performance of all other services described therein.

The Contract Agreement has been entered into and supersedes the Out of Kingdom Early Works Agreement dated 3 March 2010G (the "EWA") entered into between the Owner and the Contractor, attached to which were the initialled conditions of contract (the "Conditions of Contract" and together with the Contract Agreement, the "Contract"). The Conditions of Contract, incorporated as Schedule 1 to the Contract Agreement (as amended by Schedule 2 of the Contract Agreement), contain the key contractual terms as well as details of the services to be performed (and the manner of performance of such services) pursuant to the Contract.

In full consideration for the performance by the Contractor of the Services (as such term is defined in the Conditions of Contract), the Owner agrees to pay the Contractor the Contract Price comprising (a) the Net Price in the amount of USD264,213,000 (SAR990,798,750); and (b) the price payable under the equipment supply agreement dated 5 May 2010G (as amended pursuant to an amendment agreement dated 21 May 2010G) entered into between the Owner and Uhde GmbH, which was subsequently novated by the Owner to the Contractor pursuant to a novation agreement dated 21 May 2010G. Pursuant to the EWA, the Owner has already paid to the Contractor the sum of USD51,582,000 (SAR193,432,500). As such, the balance of the Net Price payable under the Contract is USD212,631,000 (SAR797,366,250).

The Owner shall make an advance payment equal to five percent (5%) of the initial Net Price minus the contract price under the EWA on the date specified in the Contract upon (i) receipt of the performance security by the Owner (further details of which are set out below); and (ii) receipt by the Owner of a guarantee in the amount equal to the advance payment issued by a bank approved by the Owner and rated A- or better by Standard & Poor's.

The effective date of the Contract is stated to be 3 May 2011G. The Contractor shall perform the Services in accordance with the Contract so as to enable the Plant to receive initial acceptance by 2 December 2012G (the "Initial Acceptance Date") and to be completed by 2 January 2013G. If the Contractor fails to achieve initial acceptance by the Initial Acceptance Date, the Contractor shall pay delay damages to the Owner for this default calculated at a rate of 0.7% of the Contract Price per week of delay (pro-rated for any part week), subject to the proviso that the total amount of delay damages payable by the Contractor shall not exceed ten percent (10%) of the Contract Price.

The Contract shall be novated by the Owner to SAMAPCO once it is incorporated.

The Contractor shall obtain performance security for proper performance in the amount of ten percent (10%) of the Contract Price, in the form of a letter of guarantee from a bank and in the form approved by the Saudi Arabian Monetary Agency. A form of guarantee is set out as an annex to the Conditions of Contract. The value of the performance security is to be adjusted accordingly within 21 days of any increase or decrease in the Contract Price at any time after the Effective Date by an amount equal to or greater than five percent (5%) of the initial Contract Price, failing which this shall constitute a material breach of the Contract by the Contractor. The performance security shall be valid and enforceable until the Contractor has completed and performed the Services (and remedied any defects).

The Owner is entitled to reject, by giving notice to the Contractor with reasons. any of the imported plant, imported materials, design or workmanship if it is found to be defective or otherwise not in accordance with the Contract following an examination, inspection, measurement or testing.. The Contractor shall then make good the defect and ensure that the rejected item complies with the Contract. Notwithstanding any previous test or certification, the Owner may instruct the Contractor to (i) replace any imported plant or materials which are not in accordance with the Contract; (ii) re-execute any other work which is not in accordance with the Contract; and (iii) execute any work which is urgently required for the safety of the Facility (as defined in the Contract). The Contractor shall comply with such instruction within a reasonable time (or immediately if urgency is specified), failing which the Owner shall be entitled to employ and pay other persons to carry out the work and all costs arising from such failure shall immediately become due and payable by the Contractor to the Owner on demand.

The Owner may also require the Contractor to pay performance liquidated damages to it in respect of any performance shortfall indicated by the fact that the Facility failed to achieve any of the performance guarantees (according to tests carried out before the Works are taken over by the Owner) set out in an annex to the Conditions to Contract due to a failure by the Contractor to perform the Services in accordance with the Contract (even though minimum performance standards have been achieved). Provided that the Contractor has achieved the minimum performance standards in respect of the Works, the Contractor's aggregate liability for performance liquidated damages shall not exceed ten percent (10%) of the Net Price. Alternatively, the Owner may require the Contractor to carry out any re-performance of the Services that may be required to correct such failure and to remedy the shortfall in performance.

The period for notifying the Contractor of defects (the "Defects Notification Period") shall be 24 months from the date that the Works are completed. The Contractor shall (at its own risk and cost, save to the extent caused or contributed to by a negligent or unlawful act or omission by the Owner or improper operation or maintenance of the Works by the Owner) promptly repair, replace or otherwise remedy any defect of which it is notified of by the Owner or becomes aware at any time on or before the expiry of the Defects Notification Period. If the Contractor fails to remedy the defect within a reasonable time, the Owner may fix a time by which the defect is to be remedied and provide the Contractor reasonable notice of such date. If the Contractor fails to remedy the defect by such notified dated and the remedial work was to be executed at the cost of the Contractor, the Owner may (i) carry out the work itself in a reasonable manner and at the Contractor's cost and the Contractor shall pay to the Owner the costs reasonably incurred by the Owner in remedying the defect(s); (ii) agree or determine a reasonable reduction in the Contract Price; or (iii) if the defect deprives the Owner of substantially the whole benefit of the Facility (or any major part of the Facility), terminate the Contract as a whole or in respect of such major part which cannot be put to the intended use, in which case the Owner shall be entitled to recover all sums paid for the Facility (or for such part) plus financing costs and other costs associated with the dismantling of the Facility and clearing the Works site.

The Owner is entitled to terminate the Contract if, inter alia, the Contractor (i) fails to comply with the performance security requirement; (ii) abandons the performance of the Services or otherwise plainly displays an intention not to continue performance of its obligations under the Contract, (iii) fails to comply with the advance payment guarantee obligations, (iv) fails to comply with the provisions in the Contract setting out the manner in which the Services should be proceeded with; (v) becomes bankrupt, enters into liquidation or insolvency or any other proceedings having similar effect; (vi) becomes liable to pay delay damages or performance liquidated damages in a sum equal in aggregate to the limits set out in the Contract; or (vii) commits any material breach of the Contract. In any of these events, the Owner may give notice to the Contractor requiring the Contractor to remedy such event within 14 days and, if the event is not remedied within such period, the Owner may (by further notice to the Contractor) terminate the Contract and expel the Contractor from the Works site, except that in the event of the Contractor's bankruptcy, liquidation, insolvency or other similar proceeding, the Owner may terminate the Contract immediately. The Owner is also entitled to terminate the Contract at any time for its convenience by giving notice to the Contractor of such termination.

If the Owner fails to pay a sum which is due to the Contractor (and which is not in dispute) and such failure is continuing for 90 days following notice of such failure to the Owner by the Contractor, the Contractor is entitled to suspend services unless and until the Contractor receives the relevant payment.

The Contractor may terminate the Contract if, inter alia, (i) the Owner substantially fails to perform its obligations under the Contract; (ii) a prolonged suspension (as detailed in the Contract) affects the whole of the Services; (iii) the Contractor does not receive an amount due within 42 days after the expiry of the time stated in the Contract within which payment is to be made; or (iv) the Owner becomes bankrupt, insolvent or goes into liquidation or enters into proceedings having a similar effect. In any of these events, the Contractor may give notice to the Owner requiring the Owner to remedy such event within 14 days and, if the event is not remedied within such period, the Contractor may (by further notice to the Owner) terminate the Contract, except that in the event of the Owner's bankruptcy, liquidation, insolvency or other similar proceeding, the Contractor may terminate the Contract immediately.

The Contractor shall indemnify the Owner (and its related parties as specified in the Contract, which includes the Owner's personnel) against losses in respect of (i) personal injury of any person (other than the Contractor's personnel) arising, inter alia, in connection with the performance and completion of the Facility and the remedy of defects relating thereto (except to the extent attributable to any negligence, wilful act or breach of Contract by an Owner's indemnitee); and (ii) damage or loss of any real or personal property (other than the Works or the Contractor's equipment) arising, inter alia, in connection with the performance and completion of the Facility and the remedy of defects relating thereto (except to the extent attributable to any negligence, wilful act or breach of Contract by an Owner's indemnitee).

The Owner shall indemnify the Contractor (and its related parties as specified in the Contract, which includes the Contractor's personnel) against losses in respect of personal injury directly caused by the gross negligence or wilful misconduct or breach of Contract by an Owner indemnitee.

The total liability of the Contractor to the Owner under or in connection with the Contract is capped at twenty-five percent (25%) of the Net Price, although this cap does not apply to liability arising under various provisions in the Contract including (i) ownership of intellectual property; (ii) protection of the environment; (iii) rejection for failure to pass tests on completion; and (iv) the indemnities.

The Contract is governed by English law. Except for Contractors claims relating to an entitlement to any extension of the Initial Acceptance Date and/or any additional payment under the Contract (for which there is a separate resolution procedure), the parties shall resolve a dispute in connection with and arising out of the Contract or the execution of the Works and/or performance of the Services ("Dispute") by trying to resolve the Dispute amicably within 30 days, failing which the aggrieved party shall give written notice of the Dispute to the other party. Each party shall nominate a senior officer of its management to discuss and attempt to resolve the Dispute upon receipt of the notice. If this Dispute remains unresolved to the mutual satisfaction of both parties for more than 25 days following delivery of the notification of the Dispute, then either party may request in writing that the Dispute be settled by arbitration. Arbitration shall be conducted in accordance with the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the said rules and the place of the arbitration shall be London.

14.3.2.2. In-Kingdom Contract Agreement

Sahara and Ma'aden (together, the "Owner") have entered into an In Kingdom Contract Agreement dated 21 May 2011G (the "Contract Agreement") with Daelim Saudi Arabia Co. Ltd (the "Contractor") in respect of the development of the SAMAPCO plant and associated facilities in Jubail Industrial City (the "Plant") and pursuant to which the Contractor undertakes, inter alia, the field-engineering, field-procurement, construction, testing, commissioning and completion of the Plant and certain other related works.

The Contract Agreement has been entered into further to and supersedes the In Kingdom Early Works Agreement dated 3 March 2010G (the "EWA") entered into between the Owner and the Contractor, attached to which were the initialled conditions of contract (the "Conditions of Contract" and together with the Contract Agreement, the "Contract"). The Conditions of Contract, incorporated as Schedule 1 to the Contract Agreement (as amended by Schedule 2 of the Contract Agreement), contain the key contractual terms as well as details of the works to be performed (and the manner of performance of such works) pursuant to the Contract.

In full consideration for the execution by the Contractor of the Works (as such term is defined in the Conditions of Contract), the Owner agrees to pay the Contractor the Contract Price of USD223,287,000 (SAR827,326,250 million). Pursuant to the EWA, the Owner has already paid to the Contractor the sum of USD27,106,000 (SAR101,647,500 million). As such, the balance of the Contract Price payable under the Contract Agreement is USD196,181,000 (SAR735,678,750 million).

The Owner shall make an advance payment equal to five percent (5%) of the initial Contract Price minus the contract price under the EWA within 30 days of (i) receipt by the Owner of notice from the Contractor of its intention to mobilise the Works site; (ii) receipt of the performance security by the Owner (further details of which are set out below); and (iii) receipt by the Owner of a guarantee in the amount equal to the advance payment issued by a bank approved by the Owner (and rated A- or better by Standard & Poor's), provided that the advance payment shall not be made prior to the date specified in the Contract as the date for full mobilisation by the Contractor of the Works site.

The effective date of the Contract is stated to be 3 May 2011G. The Contractor shall perform the Works and Services in accordance with the Contract Agreement so as to enable the Plant to receive initial acceptance by 2 December 2012G (the "Initial Acceptance Date") and to be completed by 2 January 2013G. If the Contractor fails to achieve initial acceptance by the Initial Acceptance Date, the Contractor shall pay delay damages to the Owner for this default calculated at a rate of 0.7% of the Contract Price per week of delay (pro-rated for any part week), subject to the proviso that the total amount of delay damages payable by the Contractor shall not exceed ten percent (10%) of the Contract Price.

The Contract shall be novated by the Owner to SAMAPCO once it is incorporated.

Pursuant to the Conditions of Contract, the Contractor is required to deliver to the Owner a duly executed parent guarantee which guarantees the due and punctual performance by the Contractor of its joint and several obligations under the Contract. A form of guarantee is set out as an annex to the Conditions of Contract. The parent guarantee is valid and enforceable against Daelim Industrial Co. Ltd (the "Engineering Contractor") until all of the Contractor's obligations and liabilities under the Contract (including the Conditions of Contract) have been discharged.

The Contractor shall obtain performance security for proper performance in the amount of ten percent (10%) of the Contract Price, in the form of a letter of guarantee from a bank and in the form approved by the Saudi Arabian Monetary Agency. A form of guarantee is set out as an annex to the Conditions of Contract. The value of the performance security is to be adjusted accordingly within 21 days of any increase or decrease in the Contract Price at any time after the Effective Date by an amount equal to or greater than five percent (5%) of the initial Contract Price, failing which this shall constitute a material breach of the Contract by the Contractor. The performance security shall be valid and enforceable until the Contractor has executed and completed the Works (and remedied any defects in the Works).

The Owner may also require the Contractor to pay performance liquidated damages to it in respect of any performance shortfall indicated by the fact that the Plant (i.e. the Works and Services being performed under the Contract) failed to achieve any of the performance guarantees (according to tests carried out before the Works are taken over by the Owner) set out in an annex to the Conditions to Contract (even though minimum performance standards were achieved). Provided that the Contractor has achieved the minimum performance standards in respect of the Works, the Contractor's aggregate liability for performance liquidated damages shall not exceed ten percent (10%) of the Contract Price. Alternatively, the Owner may require the Contractor to carry out any reperformance of the Works that may be required to correct such failure and to remedy the shortfall in performance.

The period for notifying the Contractor of defects (the "Defects Notification Period") shall be 24 months from the date that the Works are completed. The Contractor shall (at its own risk and cost, save to the extent caused or contributed to by a negligent or unlawful act or omission by the Owner or improper operation or maintenance of the Works by the Owner) promptly repair, replace or otherwise remedy any defect of which it is notified by the Owner or becomes aware at any time on or before the expiry of the Defects Notification Period. If the Contractor fails to remedy the defect within a reasonable time, the Owner may fix a time by which the defect is to be remedied and provide the Contractor reasonable notice of such date. If the Contractor fails to remedy the defect by such notified dated and the remedial work was to be executed at the cost of the Contractor, the Owner may (i) carry out the work itself in a reasonable manner and at the Contractor's cost and the Contractor shall pay to the Owner the costs reasonably incurred by the Owner in remedying the defect(s); (ii) agree or determine a reasonable reduction in the Contract Price; or (iii) if the defect deprives the Owner of substantially the whole benefit of the Facility (or any major part of the Facility), terminate the Contract as a whole or in respect of such major part which cannot be put to the intended use, in which case the Owner shall be entitled to recover all sums paid for the Facility (or for such part) plus financing costs and other costs associated with the dismantling of the Facility and clearing the Works site.

The Owner is entitled to terminate the Contract if, inter alia, the Contractor (i) fails to comply with the performance security requirement; (ii) abandons the Works or otherwise plainly displays an intention not to continue performance of its obligations under the Contract, (iii) fails to comply with the advance payment guarantee obligations, (iv) fails

to comply with the provisions in the Contract setting out the manner in which the Works should be proceeded with; (v) becomes bankrupt, enters into liquidation or insolvency or any other proceedings having similar effect; (vi) becomes liable to pay delay damages or performance liquidated damages in a sum equal in aggregate to the limits set out in the Contract; or (vii) commits any material breach of the Contract. In any of these events, the Owner may give notice to the Contractor requiring the Contractor to remedy such event within 14 days and, if the event is not remedied within such period, the Owner may (by further notice to the Contractor) terminate the Contract and expel the Contractor from the Works site, except that in the event of the Contractor's bankruptcy, liquidation, insolvency or other similar proceeding, the Owner may terminate the Contract immediately. The Owner is also entitled to terminate the Contract at any time for its convenience by giving notice to the Contractor of such termination.
If the Owner fails to pay a sum which is due to the Contractor (and which is not in dispute) and such failure is continuing for 90 days following notice of such failure to the Owner by the Contractor, the Contractor is entitled to suspend work unless and until the Contractor receives the relevant payment.

The Contractor may terminate the Contract if, inter alia, (i) the Owner substantially fails to perform its obligations under the Contract; (ii) a prolonged suspension (as detailed in the Contract) affects the whole of the Works; (iii) the Contractor does not receive an amount due within 42 days after the expiry of the time stated in the Contract within which payment is to be made; or (iv) the Owner becomes bankrupt, insolvent or goes into liquidation or enters into proceedings having a similar effect. In any of these events, the Contractor may give notice to the Owner requiring the Owner to remedy such event within 14 days and, if the event is not remedied within such period, the Contractor may (by further notice to the Owner) terminate the Contract, except that in the event of the Owner's bankruptcy, liquidation, insolvency or other similar proceeding, the Contractor may terminate the Contract immediately

The Contractor shall indemnify the Owner (and its related parties as specified in the Contract, which includes the Owner's personnel) against losses in respect of (i) personal injury of any person (other than the Contractor's personnel) arising, inter alia, in connection with the design, execution and completion of the Facility and the remedy of defects relating thereto (except to the extent attributable to any negligence, wilful act or breach of Contract by an Owner's indemnitee); and (ii) damage or loss of any real or personal property (other than the Works or the Contractor's equipment) arising, inter alia, in connection with the design, execution and completion of the Facility and the remedy of defects relating thereto (except to the extent attributable to any negligence, wilful act or breach of Contract by an Owner's indemnitee).

The Owner shall indemnify the Contractor (and its related parties as specified in the Contract, which includes the Contractor's personnel) against losses in respect of personal injury directly caused by the gross negligence or wilful misconduct or breach of Contract by an Owner indemnitee.

The total liability of the Contractor to the Owner under or in connection with the Contract is capped at twenty−five percent (25%) of the Contract Price, although this cap does not apply to liability arising under various provisions in the Contract including (i) ownership of intellectual property; (ii) protection of the environment; (iii) rejection for failure to pass tests on completion; and (iv) the indemnities.

The Contract is governed by English law. Except for Contractor claims relating to an entitlement to any extension of the Initial Acceptance Date and/or any additional payment under the Contract (for which there is a separate resolution procedure), the parties shall resolve a dispute in connection with and arising out of the Contract or the execution of the Works ("Dispute") by trying to resolve the Dispute amicably within 30 days, failing which the aggrieved party shall give written notice of the Dispute to the other party. Each party shall nominate a senior officer of its management to discuss and attempt to resolve the Dispute upon receipt of the notice. If this Dispute remains unresolved to the mutual satisfaction of both parties for more than 25 days following delivery of the notification of the Dispute, then either party may request in writing that the Dispute be settled by arbitration. Arbitration shall be conducted in accordance with the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with the said rules and the place of the arbitration shall be London.

14.3.2.3. Coordination Agreement

Sahara and Ma'aden (together, the "Owner") have entered into a co-ordination agreement dated 21 May 2011G (the "Agreement") with Daelim Industrial Co. Ltd (the "Engineering Contractor") and Daelim Saudi Arabia Co. Ltd (the "Construction Contractor" and together with the Engineering Contractor, the "Contractors") to assist in the co-ordination of the activities of the Construction Contractor and the Engineering Contractor under the In Kingdom and the Out of Kingdom Contract Agreements both dated 21 May 2011G (together, the "Construction Contracts", as summarised at paragraphs 14.3.2.1 and 14.3.2.2 above respectively).

The Contractors agree to be jointly and severally liable to the Owner for the performance of all of the obligations of the Contractors under this Agreement and the Construction Contracts. The Agreement also regulates matters between the parties including the Contractors' responsibilities, default by the Contractors under their respective Construction Contracts, the payment of delay damages and liquidated damages under the Construction Contracts, the provision of performance security under the Construction Contracts and the termination provisions under the Construction

Contracts. The Agreement also provides for aggregate caps on liability for delay damages and liquidated damages, being ten percent (10%) of the Aggregate Net Price (defined in the Agreement as the aggregate of the Contract Price under the Construction Contracts minus the equipment price payable under the Out of Kingdom Contract Agreement). Further, the Agreement provides a liability cap for total aggregate liability under the Construction Contracts of twenty−five percent (25%) of the Aggregate Net Price.

The Agreement requires the Engineering Contractor to provide the Owner with a parent company guarantee (within 14 days of the Effective Date (as defined in the Construction Contracts) in respect of the obligations of the Construction Contractor under the In Kingdom Contract Agreement and this Agreement (a form of which is set out in Annex B to the Agreement).

The Contractors shall, promptly upon the request of the Owner, enter into a direct agreement with the agent or trustee of the Financing Parties (as defined in the Construction Contracts) and the Owner in the form set out in Annex C to the Agreement).

The Agreement is governed by English law. Disputes under this Agreement shall be resolved initially by mutual agreement. In the event that the parties are unable to amicably resolve the matter within 30 days, the aggrieved party shall given written notice of the dispute to the other parties, upon receipt of which each party shall nominate a senior officer of its management to discuss and attempt to resolve the dispute. If the dispute remains unresolved for more than 25 days following delivery of the notice of dispute to the parties, then any party may request in writing that the dispute be resolved by arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce by three arbitrators appointed in accordance with these rules. The place of arbitration shall be London.

The Owner may assign or novate its rights, benefits, obligations and/or liabilities under the Agreement to the Financing Parties (or any agent or trustee of the Financing Parties) and to SAMAPCO (once it is incorporated) without the consent of either Contractor. Neither Contractor may assign or novate its rights, benefits, obligations and/or liabilities under the Agreement without the prior written consent of the Owner.

14.3.3. Project Management Services Agreements.

14.3.3.1. Support Services Agreement with SABIC Terminal Services Company Limited

SAMAPCO (represented by Sahara and Ma'aden) has entered into a Support Services Agreement with SABIC Terminal Services Company Limited ("SabTank") dated 16 June 2010G. Under the agreement, SabTank shall provide support services for engineering, pre-commissioning, start-up and training in relation to SAMAPCO's works, within the area of the King Fahd Industrial Port. .The Support Services Agreement shall be valid for a period of 36 months from the date of signing, being the date of commencement of support services (i.e. until 16 June 2013G).

Sabtank shall not be liable for (a) information and documents provided by SAMAPCO for the design purposes, design deficiencies (even after review by SabTank); and additional costs to SAMAPCO resulting from Sab Tank's review or approvals. SAMAPCO indemnifies SabTank from all actions of SAMAPCO, its contractor and employees that may result in accidents, loss of life, law suits, third party damage, suspension of port operations during design, execution, commissioning and start up of the works.

14.3.3.2. Out of Kingdom and In Kingdom Project Management Consultancy Agreement

Sahara and Ma'aden (together, the "Owner") have entered into an Out of Kingdom Project Management Consultancy Agreement with Jacobs Engineering UK Ltd ("Jacobs UK") dated 25 September 2007G and an In Kingdom Project Management Consultancy Agreement with Jacobs D.C.S.A Saudi Arabia Ltd. ("Jacobs KSA") dated the 25 September 2007G, under which Jacobs UK and Jacobs KSA are required to provide (among other services) certain front end engineering design (FEED) development, project management services and general technical advice and support, outside and inside Saudi Arabia respectively, required for the development of the CA Plant and the EDC Plant.

The term of each agreement began on 25 September 2007G and expires on the earlier of (i) provisional acceptance; or (ii) final resolution of any material disputes between the Owner and either of the (a) EPC Contractor or (b) any process licensor, resulting from the non-performance of the SAMAPCO Project. After provisional acceptance, the parties will enter into a subsequent agreement for the provision of support services by Jacobs KSA during any defect liability period of the EPC Contractor. Furthermore, the parties contemplate that upon completion of the FEED, they may enter into a set new project management consultancy agreements based on lump sum fee structure.

The Owner may terminate each agreement (a) for material breach by Jacobs which is not remedied within 14 days; (b) if Jacobs becomes insolvent, unable to pay its debts, etc; or (c) for convenience by 14 days notice to Jacobs (in the latter case, Jacobs is entitled to compensation from Owner for direct close-out costs, reasonable demobilisation costs, costs of the services and reimbursable costs). The aggregate liability of Jacobs UK and Jacobs KSA under each respective agreement is capped subject to certain carve outs.

14.3.3.3. Project Management Consultancy Agreement between Sahara Petrochemicals Company, Saudi Arabian Mining Company and Fluor Transworld Services Inc.

Sahara Petrochemicals Company and Saudi Arabian Mining Company (together, the "Owner") and Fluor Transworld Services Inc. ("Fluor") have entered into a Project Management Consultancy Services Agreement ("PMCA") dated 30 April 2011G. The object of the PMCA is for Fluor to provide project management consultancy services in relation to the design and construction of the Sahara and Ma'aden Petrochemical Project in the Kingdom of Saudi Arabia (the "Project"). The in-kingdom services will be performed by Fluor Arabia Limited and the out-of-kingdom services will be performed by Fluor. Fluor is not bound to deliver its services under the PMCA within a specified time frame i.e. the PMCA is ongoing until the services required to be provided under it are all completed and delivered.

The Owner has various responsibilities under the PMCA including (i) providing office accommodation for the provision of services; (ii) providing reasonable assistance to Fluor to secure necessary licenses, visas and work permits; (iii) providing data and information in respect of the project as reasonably required by Fluor; (iv) entering into contracts with third parties relating to construction and equipment for the Project; and (v) appointing one or more individuals authorised to act on behalf of Owner.

The base agreement price is US$7,874,484 ("Base Agreement Price"). However, Fluor does not guarantee that it can perform its obligations for this Base Agreement Price and shall submit a change proposal on incurring a sum equal to eighty percent (80%) of the Base Agreement Price. Fluor cannot exceed the Base Agreement Price without the written approval of the Owner.

Fluor will invoice the Owner within ten days of the end of each month and payment by the Owner shall be within thirty days of receipt of such invoice. The Owner will be penalised for late payment at an annual rate equal to two percent per annum above 6 months LIBOR. An advance payment in the sum of USD200,000 (SAR750,000)will be paid by the Owner to Fluor as an interest free loan in return for an advance payment bond.

Fluor warrants that it will perform the services under the PMCA in accordance with the standards of care and diligence normally practiced by recognized project management firms in performing services of a similar nature and in accordance with the other provisions of the PMCA.

Fluor will indemnify and hold the Owner harmless from any and all claims, liabilities and causes of action for injury to or death of any person or for damage or destruction to property (apart from existing facilities or ones built by other contractors) to the extent resulting from any and all negligent acts or omissions of Fluor. The Owner will indemnify, defend and hold Fluor harmless from all claims, liabilities, and causes of action for all loss or damage to (including loss of use) the Project, facilities installed by others or property owned or in custody of the Owner or the Owner's other contractors irrespective of the cause of loss or damage. The indemnities provided by Fluor and the Owner are limited as follows:

(i) each party shall bear full responsibility for the gross negligence or wilful misconduct of all of its personnel;

(ii) Fluor's liability for gross negligence or wilful misconduct of its personnel shall be unlimited in respect of its Senior Supervisory Personnel (Project Director, Site Manager and all managerial levels above the Project Director) however Fluor's liability will be limited to USD2,000,000 (SAR7,500,000) per occurrence for the gross negligence or wilful misconduct of Fluor's personnel who are not Senior Supervisory Personnel; and

(iii) the Owner and Fluor acknowledge that the indemnities, releases from liability and limitations on liability in the PMCA apply even in the event of the default, negligence or strict liability of the party indemnified or released or whose liability is limited, and shall extend to the officers, directors, employees, agents, licensors and related entities of such party.

Fluor shall maintain various insurance policies including (i) worker's compensation and/or all other labour related insurance in accordance with Saudi Arabian laws; (ii0 employer's liability insurance with a value of not less than USD1,000,000 (SAR3,750,000) for each accident; (iii) commercial general bodily injury and property damage liability, including contractual and contractor's protective liability (the combined limit shall not be less than USD1,000,000 (SAR3,750,000) for any one accident); and (iv) automobile insurance policies to include bodily injuries and property damage liability (the limit shall not be less than USD1,000,000 (SAR3,750,000) for any one accident).

The Owner may terminate the PMCA should (i) Fluor become insolvent or bankrupt; (ii) Fluor refuse or neglect to supply Key Personnel (as defined in the PMCA) and/or a sufficient number of properly skilled personnel within Fluor's control; or (iii) Fluor commit a material breach of the PMCA and thereafter fail to remedy such material breach within ten days of being requested to do so in writing by the Owner. If the PMCA is terminated by the Owner then Fluor will be entitled to be compensated for all the services rendered until the effective date of termination.

Fluor can terminate the PMCA should (i) the Owner become insolvent or bankrupt; or (ii) the Owner commit a material breach of the PMCA which the Owner fails to remedy within twenty days of written notice from Fluor in the case of a material breach relating to non-payment of moneys due or within ten days of written notice from Fluor in the case of a material breach that is not related to non-payment. If Fluor terminates the PMCA, it shall be paid for all services rendered up until the effective date of termination.

The PMCA is governed by the laws of England and Wales with disputes to be resolved by way of arbitration pursuant to the rules of the International Chamber of Commerce and to be held in London, England.

14.3.4. Technology and Licence Agreements

14.3.4.1. Umbrella Agreement with Uhde GmbH

Sahara, Ma'aden (together, the "Licensee") and Uhde GmbH ("Uhde") have entered into an Umbrella Agreement on 5 May 2010G which sets out certain rights and obligations in relation to a number of agreements to be entered into between the parties, in respect of the membrane cell technology to be utilised at the SAMAPCO Plant, including fixed liability caps on Uhde's overall liability under such agreements.

14.3.4.2. Process Licence Agreement with Uhde GmbH

Sahara, Ma'aden (the "PLA Licensee") have entered into a Process Licence Agreement with Uhde GmbH ("Uhde") dated 5 May 2010G, under which Uhde grants a non-transferable, irrevocable and non-exclusive licence to use, by itself and through the EPC Contractor, the design and the processes in the plant for the purposes of (a) performing the engineering of, procuring equipment and materials for constructing, operating and maintaining the plant; and (ii) manufacturing the products (caustic soda (NaOH), chlorine (Cl_2), ethylene dichloride (EDC), hydrochloric acid (HCL) and hydrogen (H2)) and selling, using or exporting the products in any country worldwide.

The licence includes the right to increase the licensed capacity of the plant by certain limits set out in the agreement; however, the PLA Licensee must pay certain additional licence fees if the licensed capacity is expanded beyond such limits. The PLA Licensee is not allowed to grant sub-licenses.

The PLA Licensee is also granted a non-exclusive, non-transferable, royalty-free licence to use any and all improvements and any related technical information conceived, developed, learned or acquired by the Licensor during the first 5 years following the effective date of the agreement. The PLA Licensee grants Uhde a reciprocal right relating to improvements disclosed by the PLA Licensee and agrees to grant Uhde a right to grant sub-licenses of these improvement rights.

In consideration for the licence, the PLA Licensee shall pay an amount of EUR880,000 ("Price") which is inclusive of taxes applicable in Saudi Arabia at the time of signing the Agreement.

The Agreement may be terminated in the event that either party violates or fails to perform any of its material obligations under the agreement, and such violation or failure cannot be remedied within sixty (60) days following the terminating Party's written notice. The Agreement further allows either party to terminate at its option by notice with immediate effect if certain insolvency related events are triggered. The PLA Licensee is entitled to terminate the Agreement by (14) days notice without cause. The agreement does not contain any express expiry date.

14.3.4.3. Equipment Supply Agreement with Uhde GmbH

Sahara, Ma'aden and Uhde GmbH ("Uhde") have entered into an Equipment Supply Agreement for the SAMAPCO Plant ("Plant") on 5 May 2010G. The Equipment Supply Agreement was novated by Sahara and Ma'aden to Daelim Industrial (the "Licensee") on 21 May 2010G.

Under the Equipment Supply Agreement, Uhde must procure and supply to the Licensee certain apparatus, machinery, materials and spare parts for the implementation of the CA process and the EDC process in the Plant. Uhde also grants the Licensee a non-exclusive and non-transferable right and licence to use all drawings, manuals and other technical documents delivered by Uhde to the Licensee solely in connection with the design, engineering, procurement of equipment and materials for, construction, start up, operation and maintenance of the Plant. The total consideration for equipment supplied by Uhde to the Licensee is EUR18,106,000 ("Price"). Uhde must provide the Licensee with a warranty bond issued by an international bank in the amount of ten percent (10%) of the Price for the equipment. The warranty bond shall expire the earlier of 13 months after the performance test for the Plant or 21 May 2014G.

The Equipment Supply Agreement provides for a force majeure clause, under which parties are not liable for any delay or failure to perform of its obligations (except with respect to payment of monies) due to causes or circumstances beyond its control (including inter alia action or inaction by any government). Either party may terminate (by notice with immediate effect) in case the force majeure event lasts for 180 consecutive days.

Either party may terminate the Agreement (by notice) in case the other party commits a material breach of its obligations and such breach is not remedied within 60 days of receipt of the notice. The Licensee may further terminate by 14 days notice without cause and in such case Uhde must be entitled to compensation for work performed until termination. In addition, the Agreement allows either party to terminate at its option by notice with immediate effect if certain insolvency related events are triggered. The agreement does not contain any express expiry date.

14.3.4.4. Performance Guarantee with Uhde GmbH

Sahara, Ma'aden (together, the "Licensee") and Uhde GmbH ("Uhde") have entered into a performance guarantee agreement on 5 May 2010G under which Uhde guarantees fulfilment of certain performance guarantees (the "Performance Guarantees") in relation to the performance of the SAMAPCO Plant (the "Plant"). The Performance Guarantees are subject to the Licensee's fulfilment of its scope of work and that the construction and operation of the Plant are effected according to Uhde's specifications provided to the Licensee and that erection of cell elements, electrolyser and EDC reactor, technological Plant check, commissioning of the Plant including electrolysers and EDC reactor, start up and performance test of the Plant have been done in the presence of Uhde's personnel and the Plant is well maintained, undisturbed, safe and operable condition.

This guarantee furthermore depends on the Licensee making available continuously raw materials, auxiliary materials, utilities, catalysts and chemicals and operating personnel in the necessary qualification and number.

The Performance Guarantees are proven in a Performance Test run of 72 hours to be performed by the Licensee under Uhde's supervision, consecutively without interruption, producing the guaranteed quality of caustic soda (NaOH), chlorine (Cl_2) and ethylene dichloride (EDC), hydrochloric acid (HCL) and hydrogen (H2) (the Products). If for reasons not attributable to Uhde, no successful Performance Test can be done during a period of 2 months from the start-up of the Plant or 60 days from the effective date (whichever is earlier), the Performance Guarantees are deemed to be fulfilled.

If after the third Performance Test, the Performance Guarantees cannot be met, Uhde shall at its option and to the exclusion of any further claims by the Licensee, pay to the Licensee certain capped liquidated damages or carry out necessary modifications to the Plant within it scope of work to achieve certain guaranteed performance.

The Agreement provides for a force majeure provision, under which the parties are not liable for any delay or failure to perform their obligations (except with respect to payment of monies) due to causes or circumstances beyond their control (including inter alia action or inaction by any government). Uhde is entitled to terminate (by notice with immediate effect) in case the force majeure event lasts for 180 consecutive days.

Either party may terminate the Agreement (by notice) in case the other party commits a material breach of its obligations and such breach is not remedied within 60 days of receipt of the notice. In addition, the Agreement includes a clause which allows either party to terminate at its option by notice with immediate effect if certain insolvency related events are triggered.

The effective date of the Agreement is upon the date when the last of the following conditions is fulfilled: (a) execution by Licensee and Uhde; and (b) effectiveness of PDP Agreement, Licence Agreement and Technical Services Agreement. The agreement does not contain any express expiry date.

14.3.4.5. Process Design Package Agreement with Uhde GmbH

Sahara, Ma'aden (together, the "Licensee") and Uhde GmbH ("Uhde") have entered into an amended Process Design Package Agreement dated 5 May 2010G pursuant to which Uhde has agreed to grant the Licensee certain rights with respect to caustic soda and ethylene dichloride processes.

Under the Agreement, the Licensee is responsible for correct incorporation of the process design package during the implementation of the Plant. Furthermore, Uhde grants the Licensee a royalty-free, non-transferable licence to use the process design package for the design, construction, financing, operation and maintenance of the Plant.

The Licensee shall to pay Uhde an amount of EUR1,930,000 in consideration for the performance of Uhde's obligations under the Agreement and the process design package or any portion of it produced by Uhde.

The Agreement provides for a force majeure clause, under which the parties are not liable for any delay or failure to perform their obligations (except with respect to payment of monies) due to causes or circumstances beyond their control (including inter alia action or inaction by any government). Parties are entitled to terminate (by notice with immediate effect) in case the force majeure event lasts for 180 consecutive days.

Either party may terminate the Agreement (by notice) in case the other party commits a material breach of its obligations and such breach is not remedied within 60 days of receipt of the notice. Licensee may further terminate by 14 days notice without cause and in such case Uhde must be entitled to compensation for Services performed until termination. The agreement does not contain any express expiry date.

14.3.4.6. Technical Services Agreement with Uhde GmbH

Sahara, Ma'aden (together, the "Licensee") and Uhde GmbH ("Uhde") have entered into an amended Technical Services Agreement dated 5 May 2010G, under which Uhde has agreed to provide certain technical services to the Licensee.

The scope of the technical services provided by Uhde under the agreement comprise: (a) provision of engineering review (Phase 1); (b) training of the Licensee's personnel in reference plants of Uhde and Vinnolit (Phase 2); and (c) delegation of Uhde's and Vinnolit's personnel for advisory services during erection, commissioning and Performance Tests (Phase 3).

The Agreement provides for a force majeure clause, under which parties are not liable for any delay or failure to perform their obligations (except with respect to payment of monies) due to causes or circumstances beyond their control (including inter alia action or inaction by any government). Either party may terminate (by notice with immediate effect) in case the force majeure event lasts for 180 consecutive days.

The Agreement may be terminated in the event that either party commits a material breach under the agreement, and such breach is not remedied within 60 days following the terminating Party's written notice. The Agreement further allows either party to terminate at its option by notice with immediate effect if certain insolvency related events are triggered.

The Licensee is entitled to terminate the Agreement by 14 days notice without cause. The agreement does not contain any express expiry date.

14.3.5. Feedstock Agreements

14.3.5.1. Ethylene Supply Agreement with SEPC

Sahara, Ma'aden (together, the "Owner") and Saudi Ethylene and Polyethylene Company ("SEPC") have entered into an Ethylene Supply Agreement dated 7 Shaban 1428H (corresponding to 20 August 2007G) ("Effective Date") for the supply of 85,000 metric tonnes per contract year of ethylene produced by SEPC's manufacturing facility.

The initial term of the Agreement starts on the Effective Date and ends on the 31 December falling after the 20th anniversary of the date on which the Owner's Plant is mechanically complete and ready to commence commissioning unless the Agreement is terminated earlier in accordance with its terms. The Agreement is automatically renewed thereafter for an additional term of three contract years unless either party gives notice of its intention not to renew at least one year prior to the expiry of the term.

As of the first delivery date, during each contract year throughout the term of the agreement, SEPC must sell and deliver to the Owner, and the Owner must purchase and receive 85,000 metric tonnes of ethylene (or a pro rated amount for the first contract year). The annual contract quantity is divided into instalments of substantially equal volumes in each month of the relevant contract year. It may be reduced in a year in which the Owner undertakes a scheduled maintenance of its Plant pro rata with the length of the maintenance period. Neither the Owner nor SEPC may schedule more than 3 periods of scheduled maintenance in respect of the SEPC Plant or the Owner Plant in any contract year. Furthermore, SEPC must provide the Owner with access to and use of an 8.5% of the operating storage capacity for ethylene at its manufacturing facility.

The purchase price is payable for each metric ton of ethylene delivered which complies with certain specifications and is calculated monthly according to a certain formulae based on a cost plus model. Payments made under the Agreement must be in USD and are invoiced monthly with a due date of 45 days from the last day of the month in which the Product was delivered.

If a party fails to (a) make any payment to the other when due under the Agreement (except for an any amount subject to dispute); or (b) becomes subject to a termination event, it shall be in default (and following notice to remedy such default by the non-defaulting party without the default being remedied within 30 days of the notice), the non-defaulting party may by notice (at its option) do all or any combination of the following whilst the default remains standing:

In case a party fails to make any payment to the other when due under the Agreement (except for an any amount subject to dispute) or becomes subject to certain termination events (set out in the Agreement), certain rights are triggered in favour of the non-defaulting party (to apply at its option) including, the right to (a) withhold any money due to the defaulting party; (b) (in case the non-defaulting party is SEPC) withhold any deliveries of the ethylene; or (c) take such other measures as it may be entitled to protect or enforce its rights.

If SEPC supplies any ethylene that does not meet the requisite specifications the Owner may either: (a) reject such ethylene, in which case such product will be treated as an undelivered quantity by SEPC under the Agreement; or (b) accept such ethylene, in which case the parties must agree upon a price payable by the Owner for such product.

Claims in relation to shortage in quantity or defects in quality must be made within 30 days of the Owner becoming aware of such shortage or defect.

If the Owner does not accept ethylene supplied by SEPC (as part of the annual contract quantity) in relation to a pre-agreed monthly plan other than as a result of (a) force majeure; (b) SEPC failing to deliver ethylene at the requisite delivery point; or (c) the ethylene failing to conform to the requisite specifications, the Owner must compensate SEPC for (i) additional storage space in excess of the Owner's storage entitlement under the agreement, (ii) to the extent any unlifted quantity is sold by SEPC to third parties, the difference between the net proceeds of such sales and the price that would have been paid by the Owner for the un-lifted quantity if the sales price is lower than such price (based on the pricing formulae set out in the Agreement), and (iii) to the extent the un-lifted quantity directly results in reducing production of SEPC's manufacturing facility, costs in relation to such lost production.

The Agreement provides for a force majeure clause, under which parties are not liable for any delay or failure to perform their obligations (except for making payments as provided under the Agreement) due to force majeure, which includes (i) any mechanical breakdown or failure of machinery which results in an emergency shutdown; and (ii) cessation or material reduction of supplies in the Jubail area affecting petrochemical producers generally including feedstock, fuel, water, cooling water, power, industrial gases, and other utilities needed in the production of the Cracker Project .

Either party may immediately terminate the Agreement upon notice in writing to the other party (a) in certain insolvency-related events; or (b) failure to cure a material breach of the agreement after a 90 day cure period notice; or (c) if the Owner has been unable to obtain sufficient financing for the Project in a form satisfactory to the Owner.

14.3.5.2. Sodium Chloride Supply Agreement

This Sodium Chloride Supply Agreement was entered into between the International Salt Mining Company (the Seller), the Saudi Arabian Mining Company (Ma'aden) (Ma'aden) and the Sahara Petrochemicals Company (Sahara) on 28 August 2011 (the Agreement).

Ma'aden and Sahara are acting on behalf of a company to be incorporated in the Kingdom of Saudi Arabia (the Buyer).

The Agreement is for the supply of up to 465,000 metric tonnes of commercial grade sodium chloride each year for a period of ten years, with an option to extend the term with the consent of the Parties. From the date on which the Buyer's caustic soda and ethylene dichloride plant achieves commercial operation (the Plant Operations Date), the minimum supply rate shall be 292,000 metric tonnes per year.

The price shall be SAR 80 per metric tonne. The price shall increase by SAR 2 per metric tonne on each anniversary, beginning with the third anniversary, of the Plant Operations Date. The parties shall also discuss in good faith how the price may be adjusted in response to tax changes, etc.

Payment must be made within 45 calendar days of receipt of an invoice, invoices being issued within 5 calendar days of the end of each month.

The Seller warrants that it has the ability to make delivery, and the Buyer has the ability to return any sub-standard goods. Provision is made for an independent inspector to be appointed by the Parties.

The maximum amount of compensation payable from either Party to the other in a calendar year is SAR 1,000,000.

Either Party may immediately terminate the Agreement, by notice delivered to the other Party, in the event that:

- the other Party becomes insolvent; or
- having been given 90 calendar days notice to cure, the other Party continues to be in material breach of a provision of the Agreement.

Either Party may assign its interests under the Agreement to its lenders with the consent of the other Party. The Seller may subcontract the performance of its obligations under the Agreement with the consent of the Buyer, though it shall remain responsible for the proper performance thereof.

The Agreement may be novated by the Buyer to SAMAPCO.

The Parties must, during the term of the Agreement, maintain such insurance in respect of their respective plants as normal commercial practice and prudence would dictate, and as required by law.

Any dispute arising out of, or in connection with, the Agreement which is not resolved amicably shall be finally settled by the Board of Grievances in Dammam or, where the Board of Grievances does not accept jurisdiction, another Saudi Arabian court with jurisdiction.

The Agreement shall be governed by and construed in accordance with the laws of the Kingdom of Saudi Arabia.

14.3.5.3. Saudi Aramco Sales Gas Allocation Letter dated 24 June 2009G

Saudi Arabian Oil Company ("Saudi Aramco") has issued a letter to Sahara dated 24 June 2009G informing Sahara that the Ministry of Petroleum and Mineral Resources (the "Ministry") has agreed to allocate 1.8 MMSCFD of sales gas ("Sales Gas") as fuel to the SAMAPCO project in Jubail Industrial City until 30 June 2010G.

The allocation of Sales Gas is subject to the fulfilment of certain conditions by Sahara, including (i) implementation of the specified SAMAPCO project scope; (ii) the submission to Saudi Aramco of copies of various agreements to be entered into in connection with the SAMAPCO project, including (a) the signed ethylene supply agreement by 31 December 2009G (see paragraph 14.3.5.1); (b) the signed joint venture agreement by 31 December 2009G (see paragraph 14.3.1.2); (c) the signed engineering procurement construction contract by 31 December 2009G; and (d) the signed off-take agreement by 30 April 2010G; and (iii) the start up date of the SAMAPCO project being no later than the end of the fourth quarter of 2012G. Sahara shall provide quarterly reports updating Saudi Aramco on the progress of the deliverables and the conditions set out in the letter. Any deviation from these conditions shall require the prior approval of the Ministry. Sahara's failure to secure such approvals, fulfil the conditions or submit the deliverables by the dates set out in the letter will result in the revocation or non-renewal of the allocation by the Ministry.

The letter states that Sahara's fulfilment of the conditions set out therein shall be the basis for any further extension of the Sale Gas allocation beyond 30 June 2010G.

Certain agreements will need to be entered into with Saudi Aramco prior to the commencement of delivery of Sales Gas, including (i) a design basis scoping paper support agreement; (ii) an engineering and construction support agreement; and (iii) a Sales Gas supply agreement.

14.3.5.4. Saudi Aramco Sales Gas Allocation Letter dated 25 October 2010G

Saudi Arabian Oil Company ("Saudi Aramco") has issued a letter to Sahara dated 25 October 2010G informing Sahara that the Ministry of Petroleum and Mineral Resources (the "Ministry") has agreed to allocate 1.8 MMSCFD of sales gas ("Sales Gas") as fuel to the SAMAPCO project in Jubail Industrial City until 31 October 2011G.

The allocation of Sales Gas is subject to the fulfilment of certain conditions by Sahara, including (i) implementation of the specified SAMAPCO project scope; (ii) the submission to Saudi Aramco of copies of various agreements to be entered into in connection with the SAMAPCO project, including (a) the signed joint venture agreement by 31 December 2010G (see paragraph 14.3.1.2); and (b) the signed off-take agreement by 30 April 2011G; and (iii) the start up date of the SAMAPCO project being no later than the end of the fourth quarter of 2012G. Sahara shall provide quarterly reports updating Saudi Aramco on the progress of the deliverables and the conditions set out in the letter. Any deviation from these conditions shall require the prior approval of the Ministry. Sahara's failure to secure such approvals, fulfil the conditions or submit the deliverables by the dates set out in the letter will result in the revocation or non-renewal of the allocation by the Ministry.

The letter states that Sahara's fulfilment of the conditions set out therein shall be the basis for any further extension of the Sale Gas allocation beyond 31 October 2011G.

Certain agreements will need to be entered into with Saudi Aramco prior to the commencement of delivery of Sales Gas, including (i) an engineering and construction support agreement; and (ii) a Sales Gas supply agreement.

14.3.6. Marketing and Off take Agreements

14.3.6.1. Caustic Soda Supply Agreement

On 25 April 2011G, Sahara and Saudi Arabian Mining Company ("Ma'aden"), acting jointly and on behalf of a limited liability company to be established in Saudi Arabia ("SAMAPCO"), have entered into a caustic soda supply agreement with Ma'den (the "Agreement"), as purchaser under the Agreement (the "Purchaser").

Under the Agreement, SAMAPCO will sell and deliver aqueous caustic soda solution, with certain specifications set out in the Agreement (the "Product"), to the Purchaser each contract year. The Purchaser will purchase the Product as from the commercial operation date of the Purchaser's facilities subject to the terms and conditions set out in the Agreement.

The Agreement expires on the earlier of (i) 30 years after the Commercial Production Date (as defined in the Agreement) or (ii) the termination of the Agreement pursuant to its terms. The period for the supply of the Product begins on the Purchaser's facilities commercial production date.

Following the period starting from the Purchaser's facilities commercial operation date and ending (365) days thereafter ("Ramp-up Period"), the Purchaser will purchase the maximum output of the Product by SAMAPCO's plant on the Commercial Production Date of 250,000 dry metric ton per contract year (the Off-take Quantity). During the Ramp-up Period, the Purchaser will purchase 77,000 dry metric ton of the Product.

If the SAMAPCO plant produces a greater quantity of the Product than the Off-take Quantity, and to the extent that such quantity does not result from an expansion of the SAMAPCO plant, the Purchaser shall have a right of first refusal to purchase up to one hundred percent (100%) of such excess quantity.

SAMAPCO grants (inter alia) certain warranties with respect to the Product's conformity with the specifications set out in the Agreement.

The Product is sold at a captive price as provided for in the shareholders agreement between Sahara and Maaden and it is calculated according to a certain pricing formula set out in the Agreement.

A non-defaulting party is entitled to terminate the Agreement if a termination event occurs and continues. Termination events include breach of material obligations under the Agreement without remedying such breach (for a certain period of time), failure to off-take by the Purchaser or supply by SAMAPCO for a continuous period of six months and the occurrence of certain insolvency events set out in the Agreement in respect of one of the parties.

The Agreement provides for a reciprocal indemnity and hold harmless provisions with respect to third party claims relating to death or personal injury of officers, employees, agents or subcontractors of the other party, arising out of the performance of the Agreement.

The Agreement allows either party to assign its rights and benefits under the Agreement to the relevant party's lenders without prior consent of the other party.

The Purchaser is entitled to novate the Agreement to 'Ma'aden Bauxite and Alumina Company' ("MBAC") provided that MBAC has (in the reasonable opinion of SAMAPCO and its lenders) the technical and financial capability to perform the obligations of the Purchaser at least equal to that of the Purchaser. SAMAPCO (i.e. Sahara and Ma'aden) is also entitled to novate the Agreement to 'Sahara and Ma'aden Petrochemicals Company' when incorporate following the date of the Agreement.

Disputes arising out of or in connection with the Agreement are first referred to senior executives appointed by the parties whom will endeavor to amicably resolve the dispute. If they fail (and unless the parties agree otherwise), the dispute is then referred to an expert determination as set out in certain provisions of the Agreement; any other disputes should be referred to the Board of Grievances.

The Agreement is governed by the laws of the Kingdom of Saudi Arabia.

14.3.7. Services Agreement

14.3.7.1. DBSP Support Agreement between Saudi Aramco and Sahara for the Sales Gas Delivery System for the Sahara EDC Project

Sahara and the Saudi Arabian Oil Company ("Saudi Aramco") have entered into an agreement effective 1 June 2010G pursuant to which) Sahara and its engineering contractor will prepare the design basis scoping paper ("DBSP") for the Sales Gas delivery system and coordinate with Saudi Aramco and others for the work related to the scope. Saudi Aramco will provide technical assistance to Sahara during the development of the DBSP as well as providing standards, specifications and technical guidelines to be used by Sahara in the development of the DBSP.

This agreement is one of the agreements requested by Saudi Aramco as a pre-condition to the Sales Gas allocation under the Sale Gas Allocation Letter dated 24 June 2009G (see paragraph 14.3.5.3).

14.3.8. Financing Agreements

14.3.8.1. SIDF Letters of Financing in relation to SAMAPCO

SIDF have issued two letters dated 2 November 2010G in relation to SIDF's approval of extending two deferred loans in respect of financing the development of the SAMAPCO Plant. The borrower named in both letters is the SAMAPCO Plant. The loan amounts for each of the EDC Plant and CA Plant are SAR300 million and SAR600 million respectively.

The commitment by SIDF to extend the relevant loans expires on 3 May 2011G. The loan is subject to a number of terms and conditions including (among others): (i) mortgage of all project assets to SIDF; (ii) procurement of parent company guarantees (i.e. from each of Sahara fifty percent (50%) and Ma'aden fifty percent (50%)); and (iii) SIDF being named as beneficiary of intellectual property rights in respect of production processes and technology used in the project. Furthermore, the borrower must not undertake any of the following without SIDF's prior written consent at all times during the term of the loan: (i) dispose of, or declare payment of, any dividends exceeding twenty−five percent (25%) of the paid up capital or the total loan instalments during that year, which ever is lesser; (ii) spend or commit to payment of capitalization expenses exceeding SAR77,000,000 per annum; and (iii) pay rents exceeding SAR38,500,000 per annum. Furthermore, the letters specify that SAMAPCO project production must commence by the first quarter 2013G.

14.4. SAAC

14.4.1. Construction Contracts

14.4.1.1. Early Works Agreement (Onshore)

This early works agreement (the “SAAC Onshore Early Works Agreement”), dated 14 October 2010G, is between SAAC, Linde Arabian Contracting Co., Ltd. and Samsung Saudi Arabia Ltd. (together, the “Consortium”) and relates to the construction of the Acrylic Acid Project plant at Madinat Al-Jubail Al-Sinaiyah, Kingdom of Saudi Arabia.

Negotiations relating to the construction contract to be entered into between the parties (the “Draft Contract”) are at an advanced stage, and the parties are entering this agreement in order to permit the Consortium to proceed expeditiously with the early works and to maintain the established programme dates. Certain terms of the Draft Contract (annexed to this agreement) apply to the SAAC Onshore Early Works Agreement. Once the Draft Contract is finalised and executed, and certain financing documents have been entered into (including the performance bank guarantee mentioned below) (the “Effective Date”), this SAAC Onshore Early Works Agreement shall be superseded and replaced by such contract (and any payments made under the SAAC Onshore Early Works Agreement shall be credited as having been paid under such contract).

SAAC undertakes to inform the Consortium promptly in the event that financing agreements for the project cannot be concluded or if, for any other reason, it decides not to enter into the Draft Contract.

The parties agree that the following terms will be incorporated into the finalised construction contract:

(i) the contract price shall be SAR630,671,325;

(ii) the commencement date shall be 1 October 2010G; and

(iii) the date for Mechanical Completion shall be 29 months from the commencement date (i.e. 28 February 2013G).

The fees payable by SAAC to the Consortium under this SAAC Onshore Early Works Agreement amounts to SAR95,320,505 (the “SAAC Onshore Early Works Sum”).

SAAC has agreed to procure that TSOC issue shareholder guarantees securing (a) SAAC’s obligations to pay cancellation charges (see below), and (b) SAAC’s payment obligations towards the Consortium equalling two continuous months of the Consortium providing services under this agreement upon execution of the agreement. Such guarantees will expire on the earlier of: (i) the date on which all payments under the guarantee equal the guaranteed amount; (ii) readiness for disbursement of loans, such date being the date on which all of the conditions precedent in the executed financing documentation have been fully satisfied or waived; or (iii) six months from the termination of this SAAC Onshore Early Works Agreement provided the Draft Contract has not been executed.

During the term of this SAAC Onshore Early Works Agreement, SAAC will implement interim insurance arrangements (i.e. Marine Cargo, Third Party Liability and Erection/Construction All Risk insurance policies).

A performance bank guarantee equalling ten percent (10%) of the SAAC Onshore Early Works Sum shall be provided as security for the Consortium’s obligations and liabilities under this SAAC Onshore Early Works Agreement. No payments will be due to the Consortium until this bank guarantee has been provided.

During the term of this SAAC Onshore Early Works Agreement, the Consortium will implement interim insurance arrangements (i.e. Contractor’s Equipment All Risk insurance, motor vehicle third party liability, workmen’s compensation and employer’s liability insurance policies).

The total aggregate liability of SAAC to the Consortium under the SAAC Onshore Early Works Agreement shall under no circumstances (except in respect of liabilities arising as a result of infringement of third party IP rights with fault for such infringement attributable to SAAC detailed in the Draft Contract) exceed the SAAC Onshore Early Works Sums for the work performed plus any applicable cancellation charges.

The total aggregate liability of the Consortium to SAAC under the SAAC Onshore Early Works Agreement shall not under any circumstances exceed an amount equal to twelve percent (12%) of the SAAC Onshore Early Works Sum, but this does no prevent, limit or exclude liability of the Consortium in the case of fraud, fraudulent misrepresentation or wilful misconduct or in respect of the indemnity obligations of the Consortium relating to: (i) claims made against the Sponsors/SAAC by any suppliers or subcontractors of the Consortium; and (ii) claims arising out of or in connection with the Consortium’s performance of the work.

The parties shall not be liable to each other for any loss of anticipated profits or for any direct or indirect consequential loss or damages, save in relation to liability arising from fraud or wilful misconduct (and in respect of the liability of the Consortium, liability arising as a result of material breach).

SAAC shall be liable for cancellation charges and costs incurred by the Consortium if: (i) the SAAC Onshore Early Works Agreement is terminated by SAAC (unless for material breach) or the Consortium; and (ii) the conditions precedent set out in the Draft Contract are not satisfied or waived on or before 31 May 2011G (or if the SAAC Onshore Early Works Agreement is extended on or before 31 July 2011G), provided that such cancellation charges and costs are due and payable under relevant purchase orders and do not exceed certain USD currency caps detailed in this agreement. The conditions precedent for these purposes are: (i) the provision by the Consortium of relevant guarantees (e.g. performance bank guarantee, advance payment bank guarantee); (ii) the finance agreements having been executed; and (iii) the direct agreement (between the Consortium and the lenders under the finance agreements) having been executed. Although (i) and (iii) may be waived by SAAC, there is clearly scope for the Consortium to hinder the conditions precedent being met while still being reimbursed for cancellation charges.

This agreement may not be assigned by the Consortium without the written consent of SAAC. SAAC may not assign its interests under this agreement without the written consent of the Consortium (not to be unreasonably withheld or delayed).

The term of this SAAC Onshore Early Work Agreement expires on the earlier of (a) the Effective Date of the Draft Contract (once executed, in whatever form), or (b) 30 April 2011G. SAAC may extend such term up until 30 June 2011G by notifying the Consortium on or before 15 March 2011G. Upon such extension, the SAAC Onshore Early Works Sum shall be increased to SAR141,843,718. Further extensions may be agreed between the parties by mutual written agreement.

SAAC may terminate the SAAC Onshore Early Works Agreement prior to 30 April 2011G (or 30 June 2011G as the case may be) at any time, with immediate effect for any reason and at its full discretion.

The Consortium may terminate the SAAC Onshore Early Works Agreement if: (i) SAAC fails to procure the shareholder guarantees detailed above; (ii) SAAC does not make any payment of an amount equal to the sum of SAR3,750,000 million due and payable to the Consortium in accordance with the Payment Schedule within 60 days of the due date; (iii) SAAC fails to commence (within 30 days of notice) rectification of a breach of any of its material obligation such that the Consortium is substantially prevented from performing its services; or (iv) SAAC commits an act of bankruptcy.

14.4.1.2. Early Works Agreement (Offshore)

This early works agreement (the "SAAC Offshore Early Works Agreement"), dated 14 October 2010G, is between SAAC, Linde Arabian Contracting Co., Ltd. and Samsung Saudi Arabia Ltd. (together, the Consortium) and relates to the construction of the Acrylic Acid Project plant at Madinat Al-Jubail Al-Sinaiyah, Kingdom of Saudi Arabia.

Negotiations relating to the engineering and procurement contract to be entered into between the parties (the "Draft Contract") are at an advanced stage, and the parties are entering this agreement in order to permit the Consortium to proceed expeditiously with the early works and to maintain the established programme dates. Certain terms and conditions of the Draft Contract (annexed to this agreement) apply to the SAAC Offshore Early Works Agreement. Once the Draft Contract is finalised and executed, and certain financing documents have been entered into (including the performance bank guarantee mentioned below) (the "Effective Date"), this SAAC Offshore Early Works Agreement shall be superseded and replaced by such contract (and any payments made under the SAAC Offshore Early Works Agreement shall be credited as having been paid under such contract).

SAAC undertakes to inform the Consortium promptly in the event that financing agreements for the project cannot be concluded or if, for any other reason, it decides not to enter into the Draft Contract.

The parties agree that the following terms will be incorporated into the finalised engineering and procurement contract:

(i) the contract price shall be payable in multi currency amounts comprising the sum of USD160,247,033.00 (SAR600,926,373.75) and the sum of EUR10,686,413;

(ii) the commencement date shall be 1 October 2010G; and

(iii) the date for Mechanical Completion shall be 29 months from the commencement date (i.e. 28 February 2013G).

The fees payable by SAAC to the Consortium under this SAAC Offshore Early Works Agreement shall be payable in the following multi currency amounts: the sum of USD69,620,258.0 (SAR261,075,967.5) and the sum of EUR4,775,236 (collectively, the "SAAC Offshore Early Works Sums").

SAAC has agreed to procure that TSOC issues shareholder guarantees securing (a) SAAC's obligations to pay cancellation charges (see below), and (b) SAAC's payment obligations towards the Consortium equaling two continuous months of the Consortium providing services under this agreement upon execution of the agreement. Such guarantees will expire on the earlier of: (i) the date on which all payments under the guarantee equal the guaranteed amount; (ii) readiness for disbursement of loans, such date being the date on which all of the conditions precedent in the executed financing documentation have been fully satisfied or waived; or (iii) six months from the termination of this SAAC Offshore Early Works Agreement provided the Draft Contract has not been executed.

During the term of this SAAC Offshore Early Works Agreement, SAAC will implement interim insurance arrangements (i.e. Marine Cargo, Third Party Liability and Erection/Construction All Risk insurance policies).

A performance bank guarantee equaling ten percent (10%) of the SAAC Offshore Early Works Sum shall be provided as security for the Consortium's obligations and liabilities under this SAAC Offshore Early Works Agreement. No payments will be due to the Consortium until this bank guarantee has been provided.

During the term of this SAAC Offshore Early Works Agreement, the Consortium will implement interim insurance arrangements (i.e. Contractor's Equipment All Risk insurance, motor vehicle third party liability, workmen's compensation and employer's liability insurance policies).

The total aggregate liability of SAAC to the Consortium under the SAAC Offshore Early Works Agreement shall under no circumstances (except in respect of liabilities arising as a result of infringement of third party IP rights with fault for such infringement attributable to SAAC detailed in the Draft Contract) exceed the SAAC Offshore Early Works Sums for the work performed plus any applicable cancellation charges.

The total aggregate liability of the Consortium to SAAC under the SAAC Offshore Early Works Agreement shall not under any circumstances exceed an amount equal to twelve percent (12%) of the SAAC Offshore Early Works Sum, but this does no prevent, limit or exclude liability of the Consortium in the case of fraud, fraudulent misrepresentation or wilful misconduct or in respect of the indemnity obligations of the Consortium relating to: (i) claims made against the Sponsors/SAAC by any suppliers or subcontractors of the Consortium; and (ii) claims arising out of or in connection with the Consortium's performance of the services; and (iii) claims arising out of personal injury to or death of personnel of the Consortium.

The parties shall not be liable to each other for any loss of anticipated profits or for any direct or indirect consequential loss or damages, save in relation to liability arising from fraud or willful misconduct (and in respect of the liability of the Consortium, liability arising as a result of material breach).

SAAC shall be liable for cancellation charges and costs incurred by the Consortium if: (i) the SAAC Offshore Early Works Agreement is terminated by SAAC (unless for material breach) or the Consortium; and (ii) the conditions precedent set out in the Draft Contract are not satisfied or waived on or before 31 May 2011G (or if the SAAC Offshore Early Works Agreement is extended on or before 31 July 2011G), provided that such cancellation charges and costs are due and payable under relevant purchase orders or subcontracts and do not exceed certain USD currency caps detailed in this agreement. The conditions precedent for these purposes are: (i) the provision by the Consortium of relevant guarantees (e.g. performance bank guarantee, advance payment bank guarantee); (ii) the finance agreements having been executed; and (iii) the direct agreement (between the Consortium and the lenders under the financing agreements) having been executed. Although (i) and (iii) may be waived by SAAC, there is clearly scope for the Consortium to hinder the conditions precedent being met while still being reimbursed for cancellation charges.

This agreement may not be assigned by the Consortium without the written consent of SAAC. SAAC may not assign its interests under this agreement without the written consent of the Consortium (not to be unreasonably withheld or delayed).

The term of this SAAC Offshore Early Works Agreement expires on the earlier of (a) the effective date of the Draft Contract (once executed, in whatever form), or (b) 30 April 2011G. SAAC may extend such term up until 30 June 2011G by notifying the Consortium on or before 15 March 2011G. Upon such extension, the SAAC Offshore Early Works Sum shall be increased as follows: the sum of USD69,620,258.0 (SAR261,075,967.5) shall be increased up to USD80,827,439.00 (SAR303,102,896.25) and the sum of EUR4,775,236 shall be increased up to EUR5,719,298. Further extensions may be agreed between the parties by mutual written agreement.

SAAC may terminate this agreement prior to 30 April 2011G (or 30 June 2011G as the case may be) at any time, with immediate effect for any reason and at its full discretion.

The Consortium may terminate this agreement if (i) SAAC fails to procure the shareholder guarantees detailed above (ii) SAAC does not make any payment of an amount equal to the sum of USD2,500,000 (SAR9,375,000) due and payable to the Consortium in accordance with the Payment Schedule within 60 days of the due date; (iii) SAAC fails to commence (within 30 days of notice) rectification of a breach of any of its material obligation such that the Consortium is substantially prevented from performing its services; or (iv) SAAC commits an act of bankruptcy.

14.4.2. Land Lease

14.4.2.1. Land Lease Agreement

This Land Lease Agreement was entered into between the Royal Commission for Jubail and Yanbu (the Royal Commission) and Saudi Acrylic Acid Company Limited (SAAC) (agreement number 000-D96) dated 26 June 2011 (the Agreement).

The lease relates to 130,112.7 square meters of land located at Lot 2, Block 8, Section F of the Primary Industries Park in Jubail 1 in Jubail Industrial City (the Premises), over which SAAC has been authorised to construct a facility to manufacture acrylic acid and derivatives (the Facility).

The term of the lease is 30 years, renewable under mutually agreed terms.

The Company shall pay an annual rent of SAR 585,507.15. The Royal Commission shall have the right to adjust the rental rate to conform to any future changes imposed by the Royal Commission. In the event that a part of the Premises is not developed by the Company, it may be subject to an escalating rental rate as detailed in the Agreement.

The Company shall not sublease, assign or charge the Premises without the prior written consent of the Royal Commission.

The Royal Commission may assign all or part of the Agreement, provided that the assignee shall assume the Royal Commission's obligations.

Beginning at a mutually agreeable time, the Royal Commission shall furnish, or cause to be furnished, to the Company the utilities and services detailed below. The Royal Commission shall not be responsible for any disruption to any of the below, nor for any loss to the Company arising therefrom. The Company shall procure any other required services.

The Company shall be responsible for extending all utilities from the nearest interface point(s) to the Company's premises. The Company shall be responsible for the design, engineering, construction and maintenance of any required equipment, including that which is located outside the Property (with any equipment located outside the Property becoming, without charge, the property of the Royal Commission).

- Material Handling: The Royal Commission shall provide rights-of-way from the boundary of the Premises to the boundary of the area under the jurisdiction of the Royal Commission.
- Solid Waste Disposal: The Royal Commission will provide for periodic collection of any solid waste other than industrial waste.
- Power: Electric power provision shall be coordinated with the Saudi Electricity Company (SEC).
- Telecommunication: The Company shall apply through the Royal Commission for radio channels necessary for the construction and operation of the Facility. The Company shall coordinate with the Saudi Telecommunication Company in relation to other telecommunications services.
- Water: The Company shall co-ordinate with Marafiq in relation to water interface points.

The Agreement shall be terminated if any of the following occurs:

- The Premises or the Facility is abandoned by the Company;
- Any sublease is entered into without the prior written approval of the Royal Commission;
- The Company ceases to be a validly existing legal entity;
- The authorisations issued by the authorising ministry or authority with respect to the Facility cease to be in full force and effect;
- The Company fails to make rent payments for a period exceeding three months;
- The Company fails to comply with any material term of the Agreement.

The Company shall maintain a minimum comprehensive third party liability insurance of SAR 10,000,000.

The Agreement will be interpreted, administered and performed in accordance with the laws of the Kingdom of Saudi Arabia

14.5. SAMCO

TSOC has entered into a number of the agreements listed below alone (without R&H) which are for the benefit of SAMCO and for which TSOC may bear costs or other liability which may not be properly apportioned post incorporation of SAMCO (i.e. may be borne entirely by TSOC instead of being apportioned between TSOC and SAMCO's other shareholder, SAAC).

Under the SAMCO joint venture agreement between TSOC and R&H, described under section 14.5.1.1 below, any development expenses for the development of the project incurred between 15 April 2008G and the formation of SAMC shall be borne seventy−five percent (75%) by TSOC and twenty−five percent (25%) by R&H (Pre-Operating Expenses). SAMCO shall reimburse the parties for their portion of the Pre-Operating Expenses within two weeks of formation. However, the agreement is silent as to the apportionment of costs following the incorporation of SAMCO. For example, where an agreement is entered into on the basis that it will be novated to SAMCO upon its incorporation but such novation has not occurred, the allocation of costs incurred post-incorporation (i.e. not Pre-Operating Expenses) is unclear.

The SAMCO agreements entered into by TSOC or SAAC on SAMCO's behalf will be novated to SAMCO by the end of October 2011G.

14.5.1. Joint Venture Agreements

The joint venture agreement between TSOC and R&H, dated 15 April 2008G, described under section 14.5.1.1 below, envisaged SAMCO being twenty−five percent (25%) owned by R&H and seventy−five percent (75%) owned by TSOC. However TSOC and Sahara subsequently entered into the SAAC Side Agreement (see section 14.5.1.2 below) to form SAAC, which is the entity which currently holds the seventy−five percent (75%) shareholding in SAMCO rather than TSOC. Sahara's management confirmed that the joint venture agreement between TSOC and R&H has been novated to SAAC so that SAAC and R&H are the actual parties to the agreement.

14.5.1.1. Joint Venture Agreement

TSOC and Rohm & Hass entered into a Joint Venture Agreement, dated 15 April 2008G, to establish and operate a company in Saudi Arabia, under the name Saudi Acrylic Monomers Company, for the manufacture, market and sell acrylic acid, acrylic esters, and glacial acrylic acid. The agreement provides that immediately after the effective date, the parties will establish a steering committee which will direct and supervise all aspects of work on the project prior to company formation. This steering committee shall consist of six (6) members, four (4) of which are to be appointed by TSOC, and two (2) by Rohm & Hass. The purpose of the company to be formed is to engage in the following commercial activities, subject to the terms and conditions of this agreement:

(a) to establish manufacturing facilities;

(b) to manufacture the Products from raw materials; and

(c) to sell, market, distribute and deliver the Products within and outside the Kingdom.

The initial capital of SAMCO will be SAR787,500,000, with TSOC owning seventy−five percent (75%) (59,062 shares each with a value of SAR10,0000), and Rohm & Hass owning twenty−five percent (25%) (19,688 shares each with a value of SAR10,000). Profits will be distributed to the shareholders pro-rata and the agreement provides for a right of pre-emption in the event that the paid in capital of SAMCO is increased and in case a party wishes to transfer its shares in SAMCO. The company will be managed by a board of managers, which shall consist of eight (8) members. TSOC will be entitled to appoint six (6) members and Rohm & Hass, so long as it holds no less than fifteen percent (15%) of the shares of the company, shall be entitled to appoint two (2) members. As major business decisions, including the amendment of articles of association of SAMCO, the sale of all or a substantial part of SAMCO's business, and the acquisition or disposition of real estate assets, must be adopted by an affirmative vote representing eighty−six percent (86%) or more of the issued shares in SAMCO. As R&H holds twenty−five percent (25%), R&H could block certain such major business decisions. The agreement provides for procedures and restrictions with respect to the functioning of each of the steering company, the shareholders' meetings, and the board of managers. The agreement also provides for a deadlock procedure and dispute resolution provisions. The agreement also provides for confidentiality and non-compete provisions which both parties must abide by.

The agreement shall remain in full force and effect with respect to each party until such time as the agreement is terminated or until that party ceases to have a shareholding interest in the company or the company is dissolved and liquidated, which ever occurs first. The agreement terminates automatically where certain events (including company formation, acquisition of requisite licences) have not occurred within twelve months after the date of this agreement. Rohm & Hass may withdraw in certain circumstances and TSOC would have to indemnify and hold harmless Rohm & Hass for any losses, liabilities, and expenses related to SAMCO that arise subsequent to the issuance of the withdrawal notice. Either party may terminate where the other has defaulted, events of default including both events of insolvency and unremedied breaches. Neither party may assign its rights or transfer any of its rights or obligations under this agreement to a third party, provided, however, that either party shall have the right to do so to an affiliate with the prior written consent of the other party, such consent not to be unreasonably withheld or delayed, except as otherwise agreed or in certain circumstances provided for within the agreement.

14.5.1.2. SAAC LC – Agreement between Tasnee & Sahara

This is an agreement entered into 7 March 2009G by and between Sahara and Tasnee in relation to TSOC's, Tasnee's, and Sahara's intention to establish SAAC, which intends to be a majority investor in an acrylic acid complex comprising of butanol, acrylic acid, esters, SAPCO, utility and offsite projects. The parties intend SAAC to form a joint venture with Rohm & Hass for the manufacturing of acrylic acid and esters.

Under the agreement, the parties agree that they shall co-operate to form SAAC in accordance with the articles of association in Exhibit 1 and the laws of the KSA, all in accordance with this agreement. The full initial capital of the company will be SAR1,000,000,000, with TSOC owning sixty−five percent (65%), Tasnee owning twenty percent (20%), and Sahara owning fifteen percent (15%). In order to expedite the formation of an acrylic acid joint venture with Rohm & Hass (i.e. SAMCO), SAAC shall be formed with an initial capital of SAR550,000,000.

The parties acknowledge that Tasnee and the Kanoo group were cooperating for an acrylic acid project before the Ministry of Petroleum and Mineral Resources directive for TSOC to be a partner in SAAC. Recognizing their past relationship, the parties agree to transfer to the Kanoo group all or a portion of (as agreed in the Kanoo settlement) of Tasnee's direct shareholding of twenty percent (20%) of SAAC to the Kanoo group, who may be interested in being one of the shareholders of SAAC. Thirty-five percent of all of Tasnee's twenty percent (20%) of the shares in the event that the Kanoo settlement does not take place and this agreement is terminated, or the remainder of Tasnee's shares after the Kanoo settlement, shall be transferred to and purchased by Sahara at par value.

This agreement remains in full force and effect with respect to each party until such time as this agreement is terminated pursuant to section 3.2 of the agreement (i.e. if the Kanoo settlement between Kanoo and Tasnee about Kanoo's interest in SAAC has not occurred or has not been completed by 31 December 2010G, this agreement may be terminated by either Sahara or Tasnee upon written notice to the other), or that party ceases to have a shareholding interest in SAAC, or SAAC is dissolved and liquidated, whichever occurs first.

14.5.2. Construction Contracts

14.5.2.1. Engineering Service Agreement

This Engineering Services Agreement ("PDP"), effective 10 December 2008G, is between TSOC and Fluor Transworld Services, Inc. ("Fluor") and is related to the Acrylics Acid & Esters Project ("AAEP") in Jubail Industrial City, Saudi Arabia. Flour has been contracted to perform engineering services to prepare a Process Design Package, all outside of the KSA, and as described at length in Exhibit A of this agreement. In essence, this agreement is to provide services for the development of a PDP document generally in line with Rohm & Hass work process terminology in relation to the manufacturing facility SAMCO proposes to establish (i.e. the AAEP mentioned above), which will include, among other things, a capital cost estimate. The PDP services do not include procurement activities performed by Fluor, although the agreement may be changed such that Fluor would assist in the procurement of long lead and possibly proprietary equipment items from approved vendors. The current total estimated cost is USD7,101,068 (SAR26,629,005) for approximately 48,000 man hours.

14.5.2.2. Open Book Estimate (EPC) Agreement

This agreement, dated 24 September 2009G, is between SAMCO, Linde AG, Linde Engineering ("Linde"), and Samsung Engineering Co Ltd. ("Samsung") (together, the "Consortium").

SAMCO has engaged the Consortium to develop, from 8 October 2009G, an Open Book Estimate ("OBE") in respect of the engineering, procurement and construction of the AA Plant. The objective of the OBE is to provide SAMCO with an estimate that accurately reflects the base cost to execute the AA Plant project, with a view to subsequently converting such estimate into a Lump Sum Turn Key contract for EPC execution. The anticipated delivery date of the OBE is 31 March 2010G.

The service fee payable by SAMCO to the Consortium in consideration for the services consists of EUR 3,480,000 payable to Linde and USD2,630,000 (SAR9,862,500) payable to Samsung. The Consortium is required to provide SAMCO with a performance bond equal to ten percent (10%) of the service fee. The Consortium is also required to provide advance payment bonds (one from each of Linde and Samsung) equal to an advance payment amount paid by SAMCO to Linde and Samsung as part of the service fee.

The total cumulative and aggregate liability of the Consortium shall not exceed ten percent (10%) of the service fee (not including the Consortium's obligation to correct any deficiencies for which the Consortium is responsible).

SAMCO may at any time, with immediate effect, terminate the Consortium's engagement under this agreement. The Consortium may terminate the agreement if: (i) the services have been suspended following 60 days' notice to SAMCO as a result of SAMCO failing to comply with its payment obligations, and such suspension lasts more than 30 days; (ii) SAMCO substantially fails to perform its obligations under the agreement; or (iii) SAMCO enters into any insolvency proceedings.

14.5.2.3. Early Works Agreement (Onshore)

This Early Works Agreement (the "SAMCO Onshore Early Works Agreement"), dated 14 October 2010G, is between SAMCO, Linde Arabian Contracting Co., Ltd. and Samsung Saudi Arabia Ltd. (together, the "Onshore Consortium") and relates to the construction of the AA Plant.

Negotiations relating to the agreement for the construction of the AA Plant ("AA Plant Contract") are at an advanced stage, and the parties have entered into this agreement in order to permit the Onshore Consortium to proceed expeditiously with the works indicated in the SAMCO Onshore Early Works Agreement and to maintain the established programme dates. Once the AA Plant Contract is finalised and executed, and certain financing documents have been entered into this SAMCO Onshore Early Works Agreement shall be superseded and replaced by such contract (and any payments made under the SAMCO Onshore Early Works Agreement shall be credited as having been paid under such contract).

The parties agree that the following terms will be incorporated into the final and definitive AA Plant Contract:

(a) the contract price shall be SAR938,089,820;

(b) the commencement date shall be 1 October 2010G; and

(c) the date for mechanical completion shall be 29 months from the commencement date (i.e. 28 February 2013G).

The fees payable by SAMCO to the Onshore Consortium under this SAMCO Onshore Early Works Agreement amount to SAR129,271,728 (the "SAMCO Onshore Early Works Sum"). For each week that mechanical completion is achieved earlier than 28 February 2013G, the Onshore Consortium will receive US 1,500,000 up to a maximum of four weeks or US6,000,000. A performance bank guarantee equal to ten percent (10%) of the SAMCO Onshore Early Works Sum shall be provided as security for the Onshore Consortium's obligations and liabilities under this SAMCO Onshore Early Works Agreement. No payments will be due to the Onshore Consortium until this bank guarantee has been provided.

The total aggregate liability of SAMCO to the Onshore Consortium under SAMCO Onshore Early Works Agreement shall under no circumstances (except in respect of liabilities arising as a result of infringement of third party IP rights with fault for such infringement attributable to SAMCO detailed in the AA Plant Contract), exceed the SAMCO Onshore Early Works Sums for the work performed plus any applicable cancellation charges.

The total aggregate liability of the Onshore Consortium to SAMCO under the SAMCO Onshore Early Works Agreement shall not under any circumstances exceed an amount equal to twelve percent (12%) of the SAMCO Onshore Early Works Sums, but this does no prevent, limit or exclude liability of the Onshore Consortium in the case of fraud, fraudulent misrepresentation or wilful misconduct or in respect of the indemnity obligations of the Onshore Consortium relating to: (i) claims made against the sponsors/SAMCO by any suppliers or subcontractors of the Onshore Consortium; and (ii) claims arising out of or in connection with the Onshore Consortium's performance of the work.

The parties shall not be liable to each other for any loss of anticipated profits or for any direct or indirect consequential loss or damages, save in relation to liability arising from fraud or wilful misconduct (and in respect of the liability of the Onshore Consortium, liability arising as a result of material breach).

SAMCO shall be liable for cancellation charges and costs incurred by the Onshore Consortium if: (i) the SAMCO Onshore Early Works Agreement is terminated by SAMCO (unless for material breach) or the Onshore Consortium; and (ii) the conditions precedent set out in the AA Plant Contract are not satisfied or waived on or before 31 May 2011G (or if the SAMCO Onshore Early Works Agreement is extended on or before 31 July 2011G), provided that such cancellation charges and costs are due and payable under relevant purchase orders and do not exceed certain multi-currency caps detailed in this agreement. The conditions precedent for these purposes are: (i) the provision by the Onshore Consortium of relevant guarantees (e.g. performance bank guarantee, advance payment bank guarantee); (ii) the finance agreements having been executed; and (iii) the direct agreement (between the Onshore Consortium and the lenders under the finance agreements) having been executed. Although (i) and (iii) may be waived by SAMCO, there is clearly scope for the Onshore Consortium to hinder the conditions precedent being met while still being reimbursed for cancellation charges.

The term of this SAMCO Onshore Early Works Agreement expires on the earlier of (a) the Effective Date of the AA Plant Contract (once executed), or (b) 30 April 2011G. SAMCO may extend such term up until 30 June 2011G by notifying the Onshore Consortium on or before 15 March 2011G. Upon such extension, the SAMCO Onshore Early Works Sum shall be increased to SAR212,668,063. Further extensions may be agreed between the parties by mutual written agreement.

SAMCO may terminate this agreement prior to 30 April 2011G (or 30 June 2011G as the case may be) at any time, with immediate effect for any reason and at its full discretion.

The Onshore Consortium may terminate this agreement if: (i) SAMCO fails to procure the shareholder guarantees detailed above; (ii) SAMCO does not make any payment of an amount equal to the sum of SAR3,750,000 due and payable to the Onshore Consortium in accordance with its payment schedule within 60 days of the due date; (iii) SAMCO fails to commence (within 30 days of notice) rectification of a breach of any of its material obligation such that the Onshore Consortium is substantially prevented from performing its services; or (iv) SAMCO commits an act of bankruptcy.

14.5.2.4. Early Works Agreement (Offshore)

This Early Works Agreement (the "SAMCO Offshore Early Works Agreement"), dated 14 October 2010G, was entered into between SAMCO, Linde AG, Linde Engineering Division and Samsung Engineering Co., Ltd. (together, the "Offshore Consortium"), and relates to the engineering and procurement activities to be conducted in relation to the AA Plant.

Negotiations relating to the construction contract to be entered into between the parties (the "Draft Contract") are at an advanced stage, and the parties have entered into this agreement in order to permit the Offshore Consortium to proceed expeditiously with the Early Works and to maintain the established programme dates. Upon execution of the AA Plant Contract and certain financing documents, the SAMCO Offshore Early Works Agreement shall be superseded and replaced by such contract (and any payments made under the SAMCO Offshore Early Works Agreement shall be credited as having been paid under such contract).

The Offshore Consortium agree that the following terms will be incorporated into the finalized engineering and procurement contract:

(a) the contract price shall be USD196,465,585.00 (SAR736,745,943.75) and EUR218,542,105;

(b) the commencement date shall be 1 October 2010G; and

(c) the date for Mechanical Completion shall be 29 months from the commencement date (i.e. 28 February 2013G).

The fees payable by SAMCO to the Offshore Consortium under this SAMCO Offshore Early Works Agreement amount to USD69,143,242.0 (SAR259,287,157.5) and EUR81,983,614 (the "SAMCO Offshore Early Works Sum").

The following equipment purchased by SAMCO or its affiliates will be transferred to the Offshore Consortium by novation of letters of commitments and/or purchase orders: (i) Crystallisation Unit; (ii) Acrylic Acid Reactor; (iii) Process Air Compressor); (iv) Thermal Oxidizer; and (v) Acid Recovery Unit. Following novation, the Offshore Consortium will assume full responsibility and liability for all novated equipment. Payments made by SAMCO for the above equipment will be credited to SAMCO's payment obligations under the executed Draft Contract.

A performance bank guarantee equal to ten percent (10%) of the SAMCO Offshore Early Works Sum shall be provided as security for the Offshore Consortium's obligations and liabilities under this SAMCO Offshore Early Works Agreement. No payments will be due to the Offshore Consortium until this bank guarantee has been provided.

The total aggregate liability of SAMCO to the Offshore Consortium under this agreement shall under no circumstances (except in respect of liabilities arising as a result of infringement of third party IP rights with fault for such infringement attributable to SAMCO detailed in the Draft Contract) exceed the SAMCO Offshore Early Works Sums for the work performed plus any applicable cancellation charges.

The total aggregate liability of the Offshore Consortium to SAMCO under this agreement shall not under any circumstances exceed an amount equal to twelve percent (12%) of the SAMCO Offshore Early Works Sum, but this does not prevent, limit or exclude liability of the Offshore Consortium in the case of fraud, fraudulent misrepresentation or wilful misconduct or in respect of the indemnity obligations of the Offshore Consortium relating to: (i) claims made against the Sponsors/SAMCO by any suppliers or subcontractors of the Offshore Consortium; (ii) claims arising out of or in connection with the Offshore Consortium's performance of the services; and (iii) claims arising out of personal injury to or death of personnel of the Offshore Consortium.

SAMCO shall be liable for cancellation charges and costs incurred by the Offshore Consortium if: (i) the SAMCO Offshore Early Works Agreement is terminated by SAMCO (unless for material breach) or the Offshore Consortium; and (ii) the conditions precedent set out in the Draft Contract are not satisfied or waived on or before 31 May 2011G (or if the SAMCO Offshore Early Works Agreement is extended on or before 31 July 2011G), provided that such cancellation charges and costs are due and payable under relevant purchase orders and do not exceed certain multi-currency caps detailed in this agreement. The conditions precedent for these purposes are: (i) the provision by the Offshore Consortium of relevant guarantees (e.g. performance bank guarantee, advance payment bank guarantee); (ii) the finance agreements having been executed; and (iii) the direct agreement (between the Offshore Consortium and the lenders under the finance agreements) having been executed. Although (i) and (iii) may be waived by SAMCO, there is clearly scope for the Offshore Consortium to hinder the conditions precedent being met while still being reimbursed for cancellation charges.

The term of this SAMCO Offshore Early Work Agreement expires on the earlier of (a) the Effective Date, or (b) 30 April 2011G. SAMCO may extend such term up until 30 June 2011G by notifying the Offshore Consortium on or before 15 March 2011G. Upon such extension, the SAMCO Offshore Early Works Sums shall be increased to USD80,995,205.00 (SAR303,732,018.75) and EUR 105,032,224. Further extensions may be agreed between the parties by mutual written agreement.

SAMCO may terminate this agreement prior to 30 April 2011G (or 30 June 2011G as the case may be) at any time, with immediate effect for any reason and at its full discretion.

The Consortium may terminate this agreement if: (i) SAMCO fails to procure the shareholder guarantees detailed above; (ii) SAMCO does not make any payment of an amount equal to the sum of USD2,500,000 (SAR9,375,000) due and payable to the Consortium in accordance with the Payment Schedule within 60 days of the due date; (iii) SAMCO fails to commence (within 30 days of notice) rectification of a breach of any of its material obligation such that the Consortium is substantially prevented from performing its services; or (iv) SAMCO commits an Act of Bankruptcy.

14.5.3. Project Management Services Agreements

14.5.3.1. Management Services Agreement (PMC) between TSOC and Fluor Arabia (Onshore)

This Management Services Agreement (“Onshore PMC”), effective 15 April 2008G, is between TSOC and Fluor Arabia Limited (“Fluor Arabia”) and relates to the ancillary plants and facilities that support the AAEP in Jubail Industrial City, Saudi Arabia. Flour Arabia has been contracted to perform project management and construction management services inside the KSA with respect to the ancillary plants and facilities that support the AAEP (i.e. the butanol and synthesis gas plant, intermediate storage and port facilities, utilities and common facilities), and as described at length in Exhibit A of this agreement.

Fluor Arabia agrees to perform project management services within the KSA with an integrated management team (“IMT”) relating to certain direct assistance to TSOC and to the direction, coordination, and approval of construction work performed by the EPC contractors for the project.

The project is managed by an IMT composed of both TSOC and Fluor Arabia personnel, and the work is divided into two phases: (i) the pre-award EPC contracts, and (ii) the post-award EP contracts. Activities in the pre-award phase include: setting up the core of the IMT organization, identifying scope of work, establishing the project execution plan, developing preliminary project schedules for licence agreements, FEED and EP contracts, preparation of the EPC invitation to bid, and EPC contract negotiation and award. Key activities undertaken by the IMT during the post-award phase include managing the EPC contractor’s onshore work in terms of safety, quality, schedule and cost, managing the EPC contractor to carry out all required onshore work and services, including construction and commission of the plant and provision of all deliverable information, monitoring procurement activities by the EPC contractor, overseeing performance test runs and arranging provision of end-of-job documentation from the EPC contractor. Included in this agreement are project management, engineering, procurement, construction and commissioning services.

In no event shall the liability of Fluor Arabia to TSOC exceed sixteen percent (16%) of the total compensation paid to Fluor. Fluor Arabia shall not assign this agreement in whole or in part or any monies due or to become due hereunder without the prior written consent of TSOC and any such assignment without such prior consent shall be void. TSOC shall have the right of assigning and novating this agreement to any other organization of which TSOC is the majority shareholder and which has sufficient net worth to comply with its obligations under this agreement, including but not limited to the payment obligations hereunder.

This agreement may be terminated by TSOC in its sole discretion at any time, and Fluor Arabia will be paid all unpaid compensation to the date of termination. In the event Fluor Arabia fails to comply with the provisions of this agreement, and fails to commence to rectify such failure within seven days of receipt of notification of such failure, TSOC may terminate Fluor Arabia’s right to proceed with the services and deduct from their unpaid compensation such amount that TSOC in good faith claims has arisen as a result of such failure.

14.5.3.2. Management Services Agreement (PMC) between TSOC and Fluor B.V. (Offshore)

This Management Services Agreement (“Offshore PMC”), effective 15 April 2008G, is between TSOC and Fluor B.V. (“Fluor BV”) and relates to the AAEP in Jubail Industrial City, Saudi Arabia. Flour BV has been contracted to perform project management services, all outside of the KSA, and as described at length in Exhibit A of this agreement.

TSOC desires to construct a petrochemical complex in Jubail Industrial City, KSA. The complex shall include a world scale acrylic acid and esters plant, butanol and synthesis gas plant, superabsorbent polymer plant, and related auxiliary utilities, intermediate storage and port facilities. Exhibit A covers the scope of services required for the acrylic acid and esters plant; i.e. the facility that is included in this project. The project is managed by an IMT composed of both TSOC and Fluor BV personnel, and the work is divided into two phases: (i) the pre-award EPC contracts, and (ii) the post-award EP contracts. Activities in the pre-award phase include: setting up the core of the IMT organization, identifying scope of work, establishing the project execution plan, developing preliminary project schedules for PDP, FEED, and EP contracts, preparation of the EPC invitation to bid. Key activities undertaken by the IMT during the post-award phase include managing the EP contractor's work in terms of safety, quality, schedule, and cost, managing the EP contractor to carry out all the engineering requirements, procurement and other activities, monitoring procurement activities, and arranging for provision of end-of-job documentation from the EPC contractor. Included in this agreement are project management, engineering, and procurement services.

In no event shall the liability of Fluor BV to TSOC exceed sixteen percent (16%) of the total compensation paid to Fluor. Fluor BV shall not assign this agreement in whole or in part or any monies due or to become due hereunder without the prior written consent of TSOC and any such assignment without such prior consent shall be void. TSOC shall have the right of assigning and novating this agreement to any other organization of which TSOC is the majority shareholder and which has sufficient net worth to comply with its obligations under this agreement, including but not limited to the payment obligations hereunder.

This agreement may be terminated by TSOC in its sole discretion at any time, and Fluor Arabia will be paid all unpaid compensation to the date of termination. In the event Fluor BV fails to comply with the provisions of this agreement, and fails to commence to rectify such failure within seven days of receipt of notification of such failure, TSOC may terminate Fluor BV's right to proceed with the services and deduct from their unpaid compensation such amount that TSOC in good faith claims has arisen as a result of such failure.

14.5.3.3. Licence Agreement

TSOC and Rohm & Hass entered into an agreement on and with an effective date of 15 April 2008G for SAMCO to obtain a licence from Rohm & Hass to use certain Rohm & Hass intellectual property for the purpose of manufacturing acrylic monomers (i.e. acrylic acid, including crude and glacial acrylic acid and butyl acrylic) at the plant in Jubail Industrial City and selling such acrylic monomers. The licence fee will be USD20 million (SAR75 million), and no additional royalty or licence fees will be due, even where additional trains are constructed or the capacity of the plant is increased.

With respect to manufacturing, Rohm & Hass grants to SAMCO an exclusive, non-transferable licence to use Rohm & Hass Technology (meaning that intellectual property, including patents, data, know-how, trade secrets, processes and confidential information owned or under the control of Rohm & Hass at the kick-off date relating directly to the manufacture and production of acrylic monomers, including the most current, proven commercial process, as of the effective date). SAMCO has no right to assign, novate, or transfer any licence, or grant sublicenses, except with the express written permission of Rohm & Hass. With respect to sales, Rohm & Hass grants SAMCO (i) an exclusive, non-transferable licence to use Rohm & Hass Technology for the use and sales of acrylic monomers within the GCC countries, and (ii) a non-exclusive, non-transferable licence to Rohm & Hass Technology for the sales of acrylic monomers produced at the plant in Jubail Industrial City to third-party merchants outside of the GCC countries, to the extent not inconsistent with relevant marketing and offtake agreements. Rohm & Hass also grants SAMCO a nonexclusive, non-transferable, licence in the territory to use certain of its names and logos in conjunction with the advertising of SAMCO or the products produced by SAMCO using Rohm & Hass technology. SAMCO has no right to assign, novate, transfer, or grant sublicenses, in whole or in part, without Rohm & Hass's express written consent. However, the entire agreement will be wholly assigned and novated by TSOC and SAMCO upon the issuance of SAMCO's commercial registration by MOCI. Any improvements made solely by an employee of SAMCO (or TSOC), or solely by an employee of Rohm & Hass, will remain solely owned by SAMCO (or TSOC) or Rohm & Hass respectively. Any improvements made by both employees will be jointly owned. Included in the Rohm & Hass Technology is such improvements owned or acquired by Rohm & Hass for a period of 10 years, subject to certain exceptions. Rohm & Hass will provide technical assistance (including up to 6000 man hours per year) during the design, construction, and start-up of the plant. Rohm & Hass will also provide health and safety training, and environmental training but SAMCO will be solely responsible for the safe operation of the plant.

Rights and obligations of SAMCO shall terminate automatically in the event that the parties have mutually agreed to abandon the development of the plant or SAMCO is not formed on the one-year anniversary of the effective date, other than by certain reasons, including delay caused by Rohm & Hass. Neither the licence agreement nor the rights or licences granted under it are assignable or otherwise transferable by one party without the prior written consent of the other party, except that SAMCO will be entitled to pledge, charge, assign, and encumber its rights under the agreement in connection with any financing of the plant. The term of the agreement is perpetual unless terminated by of the parties according to the applicable provisions.

The Licence and Technology Transfer Agreement was amended by TSOC and Rohm & Hass on 13 April 2009G. The parties are evaluating the use of alternative technology (non- Rohm & Hass) in respect of the production of glacial acrylic acid ("FGAA"). Given that Rohm & Hass technology would no longer be used in the production of FGAA, the agreement has been amended to delete any performance guarantees provided by Rohm & Hass in respect of FGAA and performance guarantees relating to the production of technical grade glacial acrylic acid have been inserted. This amendment is contingent on alternative technology being used for the production of FGAA. The original performance guarantees will apply and remain in effect if such alternative technology is not utilized.

The License and Technology Transfer Agreement was further amended on July 15, 2010G by TSOC and Rohm & Hass. This amendment increases the performance guarantees for technical grade acrylic acid production.

14.5.4. Feedstock Agreement

14.5.4.1. Propylene Supply Agreement with SEPC

SEPC has entered an Propylene Supply Agreement with TSOC dated 15 April 2008G for the supply of 100,000 metric tons per contract year (or an amount in excess of this if agreed to in writing by the parties in respect of the relevant contract year) to TSOC, with the first delivery date taking place no later than 31 March 2011G (TSOC is currently seeking to extend this date to 30 June 2013G). TSOC will also be entitled to thirty−five percent (35%) of the storage capacity of the SEPC Plant. Any such propylene so stored will be deemed to have been timely and properly delivered. This agreement is from the effective date until the 31st of December that falls after the 15th anniversary of the date upon which the provisional acceptance certificate is issued by the EPC contractor in connection with the construction of the acrylic acid plant and is automatically renewable for subsequent three-contract-year terms, unless either party gives notice of its intention not to renew at least three contract-years prior to the expiry of the initial term or three years prior to any subsequent term.

The purchase price is an amount equal to the SEPC's actual propylene manufacturing costs during the pricing period plus five percent (5%) return on certain components of such manufacturing costs (including actual catalyst and chemicals costs, utilities costs, fixed cash costs for operating labour, supervision, maintenance, direct and indirect costs and reasonable overheads and financing costs, actual depreciation and amortization charges, and a portion of the actual propane costs) as set out in a formula in section 6 of the agreement. If TSOC does not accept delivery of propylene from SEPC in accordance with the monthly plan, TSOC shall compensate SEPC in respect of such un-lifted propylene, provided that such failure is not a result of: (i) SEPC's failure to deliver; (ii) a force majeure event; or (iii) the propylene failing to conform with the specifications, and provided that SEPC has used reasonable efforts to mitigate any losses. A reciprocal provision provides that SEPC shall compensate TSOC in respect of any failure by SEPC to deliver propylene in accordance with the monthly delivery plan, and such failure is not the result of either: (i) a force majeure event; or (ii) TSOC's failure to lift. The compensation includes amounts required to compensate TSOC to the extent that it has purchased replacement propylene from a third party. Force majeure events include laws and regulations of government or governmental authorities of the Kingdom of Saudi Arabia. In no other event, other than as explained above, shall either party be liable to the other party for any consequential, punitive, incidental or indirect damages of any kind or nature whatsoever, howsoever caused.

Either party may immediately terminate this agreement by notice delivered to the other party in the event of insolvency or liquidation for in the event of an unremedied material breach.

Neither party may assign this agreement or any rights or obligations under this agreement without the prior written consent of the other party, provided that TSOC may assign, transfer or otherwise dispose of its interests in this agreement for the purposes of securing financing from lenders from whom TSOC is seeking finance for the acrylic acid project (i.e. SAMCO), subject to certain restrictions. Also, TSOC may freely assign all of its rights and obligations of this agreement to SAMCO upon or after its formation without the consent of SEPC. This will serve as a novation, with SAMCO being deemed to be a party to this agreement and TSOC being relieved of all its rights and obligations under the agreement.

14.5.5. Marketing and Off-take Agreement

14.5.5.1. Marketing and Off-take Agreement Term Sheet

This marketing and offtake agreement terms sheet (the "Term Sheet"), which has been initialled by TSOC and RandH, sets out the terms on which offtake and marketing agreements will be entered into with respect to products produced by SAMCO. TSOC and RandH (and/or one or more of their affiliates) will be the "marketers" and the "offtakers".

The Term Sheet contemplates that the following four agreements will be entered into: (i) an offtake agreement between SAMCO and RandH; (ii) an offtake agreement between SAMCO and TSOC; (iii) a marketing agreement between SAMCO and RandH; and (iv) a marketing agreement between SAMCO and TSOC. Each agreement will run for a term of 10 years following the commencement of plant operations and will be automatically renewable for successive three year terms unless either party gives notice of termination to the other at least one year prior to the expiration of the initial term or any subsequent term.

The Term Sheet specifies the marketers' and offtakers' commitments, the pricing mechanisms and the relevant territories involved. The territories in which the parties will market and sell their commitments are Saudi Arabia, UAE, Oman, Kuwait, Bahrain and Qatar in respect of TSOC and worldwide (except for the GCC) in respect of

RandH. The available amount of each product produced by SAMCO shall be apportioned as follows:

(i) fifty percent (50%) will be reserved as "RandH Captive Commitment", which RandH shall be obligated to offtake in full each calendar year;

(ii) up to twenty−five percent (25%) will be reserved for TSOC to be divided between the "TSOC Captive Commitment" (up to fifteen percent (15%)) and the "TSOC Merchant Allocation". TSOC shall be obligated to offtake in full the TSOC Captive Commitment in each calendar year; and

(iii) the remainder of the available amount will be reserved for merchant sales by RandH.

Where RandH and TSOC fail to offtake the full amount of their captive commitments and merchant commitments, SAMCO will use commercially reasonable efforts to market the unlifted product in the relevant territories. SAMCO will be reimbursed by the relevant offtaker/marketer in respect of all reasonable costs incurred in marketing and selling the unlifted product plus an amount equal to the difference between expected proceeds and actual proceeds (if any).

14.5.6. Land Lease

14.5.6.1. Land Sub-lease Agreement

SAMCO and SAAC have entered into a sublease agreement dated 13 July 2011 pursuant to which SAAC agrees to lease to SAMCO:

- 92,800 square meters for the duration of the head lease, less one day; and
- 21,195 square meters until the date of issue of the Project's Provisional Acceptance Certificate.

The sublease agreement incorporates the terms of the head lease. The rent payable is the pro-rata share of the rent payable by SAAC under the head lease.

14.6. SAPCO

14.6.1. Joint Venture Agreement

14.6.1.1. Shareholders' Agreement

This joint venture agreement was entered into between Saudi Acrylic Acid Company (SAAC) and Evonik Stockhausen Nederland B.V. (Evonik) on 15 August 2011 (the Agreement).

The Agreement is for the formation of the joint venture company (the Company), the purpose of which is to invest in facilities in Jubail Industrial City in Saudi Arabia to produce and sell super absorbent polymers (SAP), with an initial capacity of 80,000 metric tons of SAP per annum (the Plant).

Evonik Stockhausen, an affiliate of Evonik, is the owner of technologies, processes, know-how and patent rights in relation to the manufacture of SAP.

Under the terms of a separate JV agreement, SAAC and an affiliate of Evonik intend form a distribution company (the Distribution Company) which shall sell SAP to:

- Evonik Stockhausen, pursuant to the Evonik Off-take Agreement; and
- the Distribution Company, pursuant to the Distribution Company Marketing Agreement.

The share capital of the Company shall be SAR 416,400,000 to be divided into 41,640 cash shares of SAR 10,000 each. SAAC shall hold 75% of the shares and Evonik shall hold 25% of the shares. A party may not pledge its shares or otherwise use such shares as security without obtaining the prior written consent of the other party.

Existing shareholders shall have a right of pre-emption to subscribe to any newly issued shares by way of capital increase pro-rata to their current shareholding. Existing shareholders shall also have a right of pre-emption over share transfers to third parties, but must offer to purchase all shares that are proposed for transfer.

A shareholder may, having given written notice to the Company and each other party, transfer their shares to affiliates provided that:

- the transfer is of all its shares;
- the transferor provides a guarantee (to the other shareholders) of the performance by the relevant affiliates of the transferor's obligations under the Agreement; and
- the transferee transfers back all of the shares to the transferor prior to the transferee ceasing to be an affiliate.

Evonik or SAAC: (i) may (having given notice); or (ii) shall (if so requested by the non-transferring party), transfer all of its shares to any new owner of substantially all of Evonik Stockhausen's SAP business (in the case of Evonik) or substantially all of its acrylic acid and SAP business (in the case of SAAC), provided that:

- such transfer complies with anti-trust regulations;
- (in the case of (i) above) such transfer does not have a material adverse effect on the business of the Company; and
- (in the case of (i) above) the transferee is not a competitor of the other party.

Share transfers are also subject to any conditions contained in any of the Company's financing or loan documents.

Neither Evonik nor SAAC may, without obtaining the prior written consent of the other party, transfer any of its shares (other than to affiliates or a transfer pursuant to an event of default) to a third party prior to the fifteenth anniversary of the date of Start-Up (as defined in the EPC Contracts).

Evonik will lose any right of veto in respect of decisions of the Company (other than those prescribed by law) in the event that its shareholding falls below 25%.

Evonik shall have a tag-along rights with respect to any offer for the shares of SAAC, whereby Evonik's shares (or its pro-rata proportion in relation to the proportion of SAAC's shares which are being sold) shall be purchased either by the third party purchaser, or by SAAC itself, at the price which is the greater of the offer price or the fair market value of the shares.

In the event that either a party becomes insolvent or a party is in default of an obligation having a material adverse effect on the Company, the non-defaulting part(y)(ies) may decide to either:

  - call the defaulting party's shares (at 80% of book value for events of default occurring prior to the second anniversary of the Start-Up date, or 80% of fair market value thereafter); or
  - wind up the Company.

If the non-defaulting parties cannot agree on a single course of action, then any non-defaulting party which elects to purchase the shares of the defaulting party may do so. A shareholder which is an affiliate of a defaulting party shall be considered a defaulting party.

A party shall also be considered a defaulting party if it undergoes a change of control whereby the new controlling shareholder of that party is a competitor of the other party. However, in such circumstances, the party undergoing this type of change of control shall not, merely by virtue of such change of control, be considered to be in breach of the Agreement or liable for damages to the other party. In these circumstances, any purchase of shares shall be effected at fair market value.

Financing requirements of the Company not covered by its share capital shall be procured by way of loans or other banking facilities from the Saudi Industrial Development Fund, the Saudi Public Investment Fund, other commercial banks or export credit agencies.

The Company shall maintain an equity ratio of at least 30%.

The board of directors shall comprise of 8 members, with SAAC having the right to appoint 6 members and Evonik having the right to appoint 2 members. SAAC, Evonik or any other person who becomes a shareholder in the Company shall be entitled to appoint one member or one additional member, as the case may be, for each increment of 12.5% of the share capital that is acquired, and shall lose the right to appoint one member for each increment of 12.5% of the share capital that is forfeited.

Decisions of the board are passed by a majority of the members (the agreement oes not state whether absolute or simple majority), except for certain reserved matters which require the approval of all of the Evonik-appointed members. Note that Evonik will lose any right of veto in respect of the decisions of the Company (other than those prescribed by law) in the event that its shareholding falls below 25%.

The board shall have a chairman who shall be a director appointed by SAAC, and a managing director who shall be nominated by SAAC and appointed by the board. The managing director shall run the day-to-day business of the Company in accordance with the powers delegated to him in the Articles or separately by the board or shareholders.

Shareholder resolutions for certain reserved matters must be passed by shareholders representing 86% of the share capital (or any such greater threshold required by law).

SAAC shall provide the Company with land suitable and sufficient for the Plant, as well as providing certain utility services to operate the Plant pursuant to a Utilities Services Agreement.

The Company and Tasnee Company of the Kingdom of Saudi Arabia shall enter into an Administrative and Operational Services Agreement in relation to the site at Jubail Industrial City.

The Company and the Distribution Company, once formed, shall enter into the Distribution Company Marketing Agreement.

The Company and SAMCO shall enter into the GAA Supply Agreement (i.e. a glacial acrylic acid supply agreement).

It is proposed that the Company, once formed, and the relevant affiliates of SAAC and Evonik enter into:

- the Licence and Engineering Agreement;
- the Land Sublease Agreement;
- the Technical Application Services Agreement;
- the Novation Agreements; and
- the Mitigation Agreement.

The Company shall enter into the following third party agreements:

- EPC Contracts; and
- the Caustic Soda Agreement.

Either party may terminate the agreement if the commercial registration of the Company is not issued within 9 months of the 'Effective Date' (as defined in the Agreement) or such other date agreed in writing by the parties.

Prior to the formation of the Company, either party may terminate the agreement by notice to the other party in the event that the other party is in breach of any of its material obligations and fails to cure such breach within 30 days of receiving notice of such breach from the terminating party.

Subsequent to the formation of the Company, the agreement shall remain binding with respect to each party unless a party ceases to be a shareholder or the Company is liquidated.

If any party notifies the other part(y)(ies) that it does not wish to continue the Company, then the Company shall be dissolved and liquidated upon the expiration of its then-current term. However, if one or more of the other parties wish to continue the Company, they shall be entitled to purchase or arrange the purchase of the shares of the party or parties who do not wish to continue at a fair market value price.

The agreement is governed under the laws of England and Wales. Any disputes arising out of the agreement shall be settled by arbitration in accordance with LCIA rules, to be held in London in the English language with 3 arbitrators.

14.6.2. Construction Contract

14.6.2.1. Engineering Services Agreement

This Engineering Services Agreement (BEP), effective 15 January 2010G, is between SAAC and Fluor B.V. ("Fluor") and is related to the SAP project. Fluor has been contracted to perform engineering services to prepare a process design package and front end engineering design (referred to as the "Basic Engineering Package"), all outside of the KSA, and as described at length in Exhibit A of this agreement. On the basis of the SAP reference package, by 30 January 2010G) Fluor is to deliver a comprehensive technical document package that will serve as the basis of the open book estimate activities of the selected EPC Contractor for the combined AA Plant and SAP Plant.

The current total estimated cost for the development of the BEP services is €2,938,000 for approximately 31,769 man hours. Fluor should have provided SAAC, within six weeks of 26 February 2009G, a due performance bank guarantee in the amount of ten percent (10%) of the estimated total remuneration. Fluor shall be reimbursed for its involvement in the preparation of the SAP Reference Package on the terms and conditions set out in Exhibit B of this agreement.

In no event shall the liability of Fluor exceed ten percent (10%) of the total compensation paid to it by SAAC. Fluor will not be liable for any special, indirect or consequential damages arising from the performance or non-performance of the services.

This agreement may be terminated by SAAC in its sole discretion at any time, and Fluor will be paid all unpaid compensation to the date of termination. SAAC will also deal directly with all vendors and subcontractors and will remain contractually and commercially responsible. In the event Fluor fails to comply with the provisions of this agreement, and fails to commence to rectify such failure within seven days of receipt of notification of such failure, SAAC may terminate Fluor's right to proceed with the services and deduct from Fluor's unpaid compensation such amount that SAAC in good faith claims has arisen as a result of such failure.

14.6.3. Marketing and Off-take Agreement

14.6.3.1. Marketing and Off-take Agreement between SAPCO and Evonik

SAPCO has entered into a marketing and offtake agreement with Evonik Stockhausen ("Evonik"), whereby Evonik agrees to offtake an agreed amount of product from SAPCO's plant (the "Product").

The term of the agreement shall be from the execution date until 10 years after commercial operations date (being the date on which the plant has successfully passed all performance tests in accordance with the EPC contract, as notified by SAPCO to Evonik), unless terminated earlier in accordance with the terms of the agreement. The initial term shall be automatically extended for rolling 1 year terms unless either party gives notice of termination 6 months prior to the expiry of the initial term or any renewed term. After the initial term, Evonik shall no longer have a 'buyer annual commitment' (i.e. the obligation to offtake an agreed amount of Product from the plant from the commercial operations date until the expiry of the initial term).

In marketing and selling the Product in any particular geographic market, or for any particular application or market segment, or to any particular customer, Evonik shall not discriminate with respect to prices or other terms and conditions offered as between the Product and comparable products of equivalent specifications produced by affiliates of Evonik.

Evonik agrees to pay SAPCO all amounts due in respect of Product delivered in the relevant month within 90 days from the date of the invoice issued by SAPCO (such invoice not to be issued prior to the date of delivery of the last relevant parcel of Product in the relevant month).

Evonik shall assume all credit risks of the sale and delivery of Product to customers, including the risk of customer default and delayed payment. However, the cost of insurance Evonik takes out against customer credit risk shall be deductible (together with the marketing and offtake fee) from the price paid by Evonik to SAPCO.

If either party delays any payment beyond the due date for such payment, the other party shall be entitled to charge interest at a rate of two percent (2%) above one-month LIBOR on any outstanding sums.

Either party may terminate the agreement with 90 days' written notice to the other party if the other party (i) is in material default and such default is not remedied within 30 days of written notice of the default being received; or (ii) ceases to do business, becomes unable to pay its debts as they due fall or is otherwise deemed insolvent, under receivership or administration, or makes any arrangement with its creditors or similar action in consequence of debt, or an order is made for its dissolution or liquidation, or any similar action or proceeding is taken or suffered in any jurisdiction and not discharged within 30 days.

The non-defaulting party may elect to have the termination phased over a period of up to 12 months, with amounts purchased and offtaken reducing pro rata on a monthly basis over such period.

The agreement shall terminate automatically upon the termination of the licence from Evonik to SAPCO under which SAPCO manufactures SAP.

Either party shall have the right to terminate the agreement at any time by giving 30 days' notice to the other party in the event that Evonik's shareholding in SAPCO falls below twenty−five percent (25%) of the issued share capital of SAPCO, provided that SAPCO shall not have the right to terminate in such circumstances where Evonik's fall in shareholding is as a result of expropriation or is otherwise not attributable to any act or omission of Evonik.

14.7. NPG

14.7.1. Joint Venture Agreement

14.7.1.1. Heads of Agreement

Sahara, Sojitz Corporation ("SJZ") and Mitsubishi Gas Chemical Co. Inc. ("MGC") have entered into a Heads of Agreement (the "Agreement") effective 9 March 2011G. The Agreement sets out the intentions of the parties to form a joint venture company ("JV Company") in Jubail Industrial City, Saudi Arabia, for the investment in facilities to produce Neopenthyl Glycol project ("NPG") with a capacity of 50,000 metric tons of NPG per annum (the "Plant") utilizing certain technologies, process and know-how for manufacturing NPG owned by MGC ("Proprietary Technology"), (the "NPG Project").

The parties intend to form an integrated project management team ("IMT") to mutually agree and coordinate, agree upon and assign the following engineering activities (a) preparation of a basic engineering package ("BEP"); (b) preparation of an open book estimate ("OBE") and engineering, procurement and construction of the Plant ("EPC").

The share capital of the JV Company will be divided as follows:

- Sahara & other local Saudi partners: sixty−three percent (63%); and
- MGC & SJZ (or a special purpose vehicle between them): thirty−seven percent (37%).

The JV Company will have an equity ratio of thirty percent (30%). The debt portion of the NPG Project capital is intended to be sourced from SIDF and commercial banks. The parties have agreed that the pre-formation budget will be USD5.00 million (SAR18.75 million).

The JV Company is expected to enter into long term supply agreements for supply of iso-butyraldehyde ("IBAL") from SAAC at certain expected prices. Sahara shall ensure that SAAC sells and delivers to the JV Company an adequate quantity of IBAL per year, but at least 33,000 metric tons per year. The JV Company may select a supply source of IBAL other than SAAC for the benefit of the JV Company.

In addition, the JV Company is expected to enter into a long term supply agreement for the supply of methanol or formaldehyde and hydrogen from third parties in Jubail Industrial City. In the event Chemanol is a shareholder in the JV Company, the supply of formaldehyde should be negotiated on a cost plus fifteen percent (15%) basis.

The JV Company shall lease land acquired by Sahara in Jubail Industrial City for setting up the NPG Project at competitive prices and conditions as provided to other companies operating in Jubail Industrial City. Sahara shall deliver to the JV Company the required utilities and services to operate the Plant at full capacity at competitive prices and conditions.

The Agreement provides for certain arrangements between the parties for the purposes of off-take and distribution, under which MGC and SJZ will enter into a bankable marketing agreement with the JV Company for the sale of eighty percent (80%) of NPG volume produced at the Plant outside the Territory (see definition below) subject to certain compensation set out in the Agreement. Likewise, Sahara will enter into a bankable marketing agreement with the JV Company for the sale of up to twenty percent (20%) of NPG volume produced at the Plant within the Territory subject to certain compensation. In case Sahara cannot sell the volumes in the Territory, MGC and SJZ shall off take the balance quantity for global sale. The JV Company will assume responsibility for market risk and price difference for the unsold quantity by Sahara.

Under the Agreement, MGC grants the JV Company the right and license to use the Proprietary Technology to (i) engineer, build, own, operate and maintain the Plant; (ii) to produce 50,000 metric tons per annum of NPG; and (iii) to sell NPG produced in the Plant. The license is exclusive in the sense that MGC shall not grant or enter into discussion to grant any further similar license in certain countries in the Middle East region (the "Territory"). Such exclusivity shall hold good if Sahara is willing to expand the NPG business upon MGC's request. The exclusivity period shall expire 10 years from the effective date of the relevant technology transfer agreement. The license fee shall be USD5.25 million (SAR19.6875 million) for 50,000 metric tons per annum subject to the financial model after a detailed feasibility study. MGC will further provide a process design package and support for engineering activities, BEP, OBE and EPC (without additional costs).

The Agreement provides that the JV Company will be under joint control of the parties with special minority protection rights in favour of SJZ and MGC. The minority protection rights are set out in a schedule to the Agreement and are rather exhaustive. These rights include blocking minority with respect to (among other typical protections) declaration of less than all of the profits of the JV Company as dividends; the sale of all or a substantial part of the JV Company's business relating to NPG; entry into, amendment or termination of any agreements between the JV Company and any person; and the transfer of the share of the JV Company to the other parties including the new owner.

The Agreement indicates that the parties have entered into a separate confidentiality agreement dated 20 January 2010G which the parties are bound to. Furthermore, the Agreement provides that no announcements should be made in respect of the subject matter of the Agreement or the NPG Project without prior consent of the parties.

The Agreement includes a clause regarding limitation on liability in relation to indirect, special or consequential damages. It also includes an exclusivity period under which the parties were not allowed to discuss or negotiate the Project or similar projects in the Territory with any third party without prior written consent. Such exclusive negotiations shall end on 31 December 2011G.

The Agreement expires on the earlier of (i) execution of the relevant Project Agreements; (ii) any party informs the other parties in writing of terminating the Agreement; or (iii) 31 December 2011G.

The Agreement is governed by the laws of England and Wales. Disputes arising out of or in connection with the Agreement shall be referred to arbitration in accordance with the rules of the London Court of International Arbitration and shall take place in London, England. The parties waive sovereign immunity in relation to enforcement of arbitral awards.

14.7.1.2. MOU between Sahara and Chemanol in relation to the NPG project

Sahara and Methanol Chemicals Company ("Chemanol") have entered into a Memorandum of Understanding dated 7 May 2011G (the "MOU") in relation to the envisaged joint venture company that shall own, construct and operate a 50,000 tons per annum neopentyl glycol ("NPG") plant at Jubail Industrial City ("NPG Project" or the "JV Company").

Sahara has also entered into a Heads of Agreement with Mitsubishi Gas and Sojitz Corporation (the "Japanese Partners") on [1 May 2011G] (the "HoA") under which all the key terms of the NPG Project have been negotiated and agreed. According to the HoA, Sahara will own sixty−three percent (63%) of the NPG Project.

Under the MOU, Sahara is willing to dilute fifteen percent (15%) out of its sixty−three percent (63%) ownership in favor of Chemanol against commitment by Chemanol of long term supply of formalin (40 KTA at forty−four percent (44%) strength) on cost-plus fifteen percent (15%) basis, with the cost being calculated starting from natural gas to formalin. The terms and conditions of the formalin supply will be formalised through a formalin supply agreement.

Sahara procures that the Japanese Partners shall adhere to the provisions of the MOU and any other future agreement between Sahara and Chemanol.

Chemanol is in possession of a Sales Gas Allocation Letter No. O/65/05 dated 6 March 2005G issued by Saudi Aramco, under which it is entitled a certain allocation of sales gas feedstock in relation to a methanol project and derivatives ("Chemanol Allocation Letter"). The methanol project shall include, among other products, neo pentyl glycol. The MOU provides that Chemanol has an interest to participate in the NPG project to fulfill its commitment to Ministry of Petroleum and Mineral Resources.

Chemanol has the option to exit the NPG Project if not found feasible within six months from the date of the MOU. In such case, it will consider the supply of required formaldehyde for the NPG Project on an arms-length basis.

The MOU is governed by the laws and regulations of Saudi Arabia.

The information disclosed by the parties under the MOU as well as the terms and conditions of the MOU are subject to (and governed by) the confidentiality agreement entered into between the parties on 13 June 2010G.

The provisions of the MOU are legally binding and are subject to execution of the shareholders' agreement and all other ancillary documents.

14.8. Butanol JV

14.8.1. Joint Venture Agreement

14.8.1.1. Heads of Agreement

This agreement, dated 26 January 2011G, is between Dow Saudi Arabia Company ("Dow"), SAAC, Saudi Aramco, SABIC and Saudi Kayan Petrochemical Company ("Saudi Kayan"), and relates to the Butanol JV.

SAAC, Saudi Kayan and the Project Parties (Dow and Saudi Aramco) (together, the "Sponsors") are considering various structures to implement off-take arrangements in respect of the proposed Butanol Plant, which includes the formation of a joint venture company. Pending the negotiation and execution of a joint development agreement ("JDA"), the parties set out in this agreement the basic principles for evaluating, designing, engineering, financing, constructing, operating and maintaining the plant, in order to: (i) facilitate the progression of a feasibility study and a front-end engineering and design for the plant to further develop the final technical configuration and cost of the project; (ii) commit to an N-bal technology licence and any other relevant technology licences; and (iii) further consider an ownership structure and the basis on which the plant will be financed.

The proposed initial design capacity of the plant is expected to be: (i) 330,000 metric tons per annum of n-butanol ("N-bal"); and (ii) such volumes of associated co-products as may be produced. The plant will be built on SAAC's site at Jubail Industrial City on either an OBE basis or an LSTK basis. Each of the Sponsors shall in respect of any year be entitled to receive its participation share (subject to withdrawals and further contributions, in the following proportions: SAAC (33.33%), Saudi Kayan (33.33%) and Project Parties together (33.33%)) of the actual capacity for such year.

The Sponsors agree that "Selector 30" N-bal technology is the most efficient N-bal technology available for the production of 330,000 metric tons per annum of N-bal. However, on the basis that SAAC would like to utilize 10:1 N-bal technology for the purpose of optimizing certain co-products, the Sponsors agree to utilize 10:1 N-bal technology rather than "Selector 30" N-bal technology provided that SAAC is solely responsible for any and all incremental costs, expenses, claims, liabilities etc. incurred in respect of the project as a consequence of such choice of technology.

The structure for financing the project, and any ancillary matters, shall be agreed in the JDA. The Sponsors anticipate that the initial capital cost of the plant will be approximately USD480 million (SAR1,800 million) (+/- thirty percent (30%)).

Promptly after the Effective Date (26 February 2011G), the Sponsors shall establish a joint steering committee ("JSC") to direct and supervise all aspects of the project. Unless otherwise agreed, SAAC and Saudi Kayan will each be entitled to appoint two members to the JSC, and each of Dow and Saudi Aramco will be entitled to appoint one member to the JSC. All decisions of the JSC shall be taken unanimously and must be in writing. Once the JSC has been formed, the Sponsors and the JSC will appoint SAAC as the "Operator" for the duration of the agreement to: (i) implement any decision of the JSC; (ii) enter into certain agreements on behalf of the Sponsors in respect of the project; and (iii) manage the day-to-day activities relating to the project arising out of and limited to the implementation of any decisions of the JSC, subject in each case to the prior written approval of the JSC.

Upon the formation of a JV company or the implementation of an alternative ownership structure, the Operator and the Sponsors shall immediately pass such resolutions and do all acts that are necessary to transfer to the owning entity of the plant any agreement already entered into by SAAC as Operator. Costs incurred by SAAC as Operator from the Effective Date until the signing of the JDA, as approved by the JSC, shall constitute "Pre JDA Costs", and will be borne by the Sponsors in proportion to their respective Participation Shares.

The Sponsors shall indemnify SAAC for any costs, expenses, liabilities, losses etc. incurred by it as a result of actions undertaken by it as Operator (other than cases involving fraud, negligence, wilful misconduct, ultra vires actions etc.) in proportion to their participation shares. However, the maximum aggregate liability of SAAC, Saudi Kayan and the Project Parties in this respect shall be limited to USD1.5 million (SAR5.625 million) (unless an increase is approved by the JSC).

The parties have agreed under this agreement that to the extent SAAC and/or Saudi Kayan (or their affiliates) do not require any amount of their participation share of product for captive use, SABIC shall have the sole and exclusive right to off-take and market such product. SABIC and Saudi Kayan have an existing marketing agreement in place. SABIC proposes that it shall enter into a further off-take and marketing agreement with SAAC in respect of product not required by SAAC or its affiliates for captive use. The marketing fee to be included in such off-take and marketing agreement would be six percent (6%) of the First on Board (as defined in the International Chamber of Commerce, Incoterms of 2000G) revenue (sales revenue less all logistics costs) for such product.

The term of this agreement runs from 26 January 2011G until the earlier to occur of: (i) the date on which the parties agree in writing to terminate the agreement; (ii) the date on which a "Termination Notice" is issued; (iii) the date on which the JDA is executed; or (iv) 31 July 2011G. Termination Notices may be issued in the event that a Sponsor wishes to withdraw from this agreement ("Withdrawing Sponsor"). Such Sponsor would issue a withdrawal notice to the other Sponsors ("Non-Withdrawing Sponsors") and provide a copy to SABIC. Within 30 days of the date of such notice, the Non-Withdrawing Sponsors would either provide the Withdrawing Sponsor with: (i) a "Continuation Notice" where the Non-Withdrawing Sponsors wish to continue to participate in the project; or (ii) a "Termination Notice" where none or only one of the Non-Withdrawing Sponsors wish to continue to participate in the project. If Saudi Kayan is a Withdrawing Sponsor then SABIC shall also automatically cease to be a party (unless otherwise agreed).

None of the parties may assign their rights or obligations under this agreement, or delegate the performance thereof to a third party, except that: (i) the Sponsors may do so with the prior written consent of the other Sponsors (not to be unreasonably withheld or delayed); and (ii) Saudi Aramco and Dow may do so to each other or to the special purpose company established under the JDA (if applicable).

14.8.2. Technology and Licence Agreements

14.8.2.1. Licence Agreement between Davy Process Technology Limited, Dow Global Technologies LLC and SAAC

Davy Process Technology Limited ("Davy"), Dow Global Technologies LLC ("DGTL") and SAAC have entered into a Licence Agreement, dated 20 June 2011G (the "Licence Agreement").

The Licence Agreement is in relation to the SAAC's project to own, design, procure, construct, operate and maintain an oxo alcohols plant at Al-Jubail, Kingdom of Saudi Arabia that will employ the 'LP Oxo SELECTOR 30 Process' of Davy and DGTL (as fully described in the Agreement) (the "Davy Process") and have an hourly design production capacity of a total of either:(a) 41.25 metric tons of Product Normal Butanol and 1.3 metric tons of Product Iso Butanol, which hourly design production capacity equates to an annual capacity of a total of 330,000 metric tons per year of Product Normal Butanol and 10,400 metric tons per year of Product Iso Butanol based on 8,000 operating hours per year; or (b) 41.25 metric tons of Product Normal Butanol and up to a maximum of 4.375 metric tons of Product Normal Butyraldehyde, with a commensurate reduction in Product Normal Butanol and 1.38 metric tons of Product Iso Butyraldehyde, which hourly design production capacity equates to an annual design production capacity of a total of 330,000 metric tons per year of Product Normal Butanol and 35,000 metric tons per year of

Product Normal Butyraldehyde with a commensurate reduction in Product Normal Butanol and 11,000 metric tons per year of Product Iso Butyraldehyde based on 8,000 operating hours per year (the “Plant”).

Under the Agreement, Davy and DGTL (together, the “Licensor”) grants SAAC a non-exclusive, perpetual and irrevocable licence to design, procure, construct the Plant with hourly design production capacities of Product Normal Butanol, Iso Butanol, Normal Butyraldehyde and Iso Butyraldehyde as well as to use or sell in any country up to the same amounts of Products subject to the terms of the Agreement.

Furthermore, the Licensor will (*amongst other things*):

(a) disclose to SAAC certain Licensor know-how related to the Davy Process, as more fully described in the Agreement (the “Licensor’s Know-How”) as well as know how described in the BEP Agreement (please see section 14.8.2.2 below);

(b) provide training to a certain number of SAAC’s personnel on operation of the Davy Process;

(c) exchange information on Improvements and Major Advances to the Davy Process with SAAC; and

(d) provide the performance guarantees and the patent indemnity as each set out in the Agreement with respect to operation of the Davy Process in the Plant.

The licence and non-assert granted to SAAC under the Agreement allows it to construct and operate a single Plant per the description set out above.

The Agreement provides for certain production quantity limits per annum, beyond which SAAC must obtain a new royalty-bearing licence from Licensor before it exceeds the maximum annual production limit, set out in the Agreement.

In addition, the Licensor grants SAAC irrevocable, royalty free, perpetual and non-exclusive licence to use Licensor Improvements for Davy Process in the Plant. SAAC is required to disclose its Improvements during the Improvements Period to the Licensor, and it equally grants Licensor irrevocable, royalty free, perpetual and non-exclusive licence throughout the world to use SAAC’s Improvements and to make and sell any product arising therefrom without accounting therefore to SAAC, subject to the provisions of the Agreement.

In consideration of the disclosures made to SAAC and the rights granted to it as well as the obligations undertaken by Licensor under the Licence Agreement, SAAC will make payments in the total amount of US$47,740,000 (“Contract Price”) in five non-refundable instalments to Davy and DGTL (50:50%) in the proportions detailed in the Agreement.

Late payments by SAAC under the Agreement shall bear interest at a rate equal to two percent (2%) above the Three-Month LIBOR, compounded daily, from the date when the payment is due and payable until the date when it is paid in full.

In the event of any delay in payment falling due under the Licence Agreement or the BEP Agreement, Davy shall be entitled to suspend the delivery of any remaining basic engineering documentation still outstanding for a period equal to such delay. If such suspension continues for more than 90 days, Davy shall be entitled to terminate the Agreement in accordance with its terms after notifying SAAC.

SAAC has a one-off right to reduce the size and capacity of the Plant with a proportionate reduction in the total fees payable under the Agreement, subject to certain conditions stated in the Agreement, including that the amount of reduction shall not be more than 80,000 metric tons per year of Product Normal Butanol and to no more than 2,667 metric tons per year of Product Iso Butanol.

The Licensor guarantees that the Plant will perform in accordance with a number of performance guarantees detailed in the Agreement according to certain performance tests. Unless the failure of a performance guarantee is proved not to be caused by any error or omission in the information provided by Licensor, the Licensor will provide new and correct information at its own cost.

If the Performance Test Guarantees are not demonstrated within 12 months from the date when the Plant first produces either Product Normal Butanol or Product Iso Butanol, extended by any periods of delay in demonstrating the Performance Test Guarantees directly attributable to Licensor, or within 60 months from the Effective Date extended as aforesaid, whichever occurs first, Licensor shall have no further liability for the performance of the Plant.

SAAC is entitled to certain liquidated damages detailed in the Agreement in case of failure by the Licensor to achieve the Performance Test Guarantees, subject to the terms of the Agreement.

Licensor’s maximum aggregate liability under the Agreement (excluding the indemnities granted by Licensor as set out below) is capped at one hundred percent (100%) of the Contract Price payable by SAAC. Consequential damages, including loss of profits, loss of contract and loss of catalysts are carved out of the parties’ liability.

Costs incurred by Licensor in making modification to the Plant to meet performance guarantees are creditable against Liquidated Damages to the extent that they are payable.

Licensor indentifies SAAC against damages, costs and expenses adjudged or decreed against and damages and royalties actually paid by SAAC on account of any infringement in the Plant of any valid patent subject to a number of conditions specified in the Agreement, including conditions related to such patent, as well as requiring SAAC to give prompt notice to Licensor of any claim of infringement. Furthermore, the Licensor will obtain the right for SAAC to continue to use the Davy Process in the Plant at its expense (or offer to provide non-infringing technology that is acceptable to SAAC).

Licensor's maximum cumulative aggregate liability for the above-mentioned indemnity is capped at one hundred percent (100%) of the Contract Price.

The Agreement provides for additional reciprocal indemnities by the parties to each other against (inter alia) claims for death of or injury to the relevant party's Related Persons and for loss of or damage of their property and property of their Affiliates and consequences thereof arising out of or in connection with the Agreement.

In addition, the Licensor indemnifies SAAC and its Related Persons against claims by or on behalf third parties for death or injury to persons and for loss of or damage of property arising from any act or omission of SAAC's personnel in performance of the training due pursuant to the Agreement or SAAC's presence at any site belonging to Davy or DGTL, unless caused by the Gross Negligence or Wilful Misconduct of SAAC.

Licensor is entitled to terminate the Agreement (a) if certain insolvency-related events are triggered by SAAC, such as proceedings in bankruptcy; (b) if SAAC does not make certain instalments required pursuant to the Contract Price, upon expiry of a 90 days notice by Licensor stating such nonpayment; (c) if the suspension by Licensor (mentioned above) continues for more than 90 days within a 30 day notice after such 90 days; or (d) if SAAC commits any material breach of the Agreement (unless as specified in Clause 15.2(b) therein) and in case of a breach which can be remedied, if Licensor have given 60 days notice thereof and on expiry of the notice the breach is not remedied.

SAAC is likewise entitled to terminate the Agreement if (a) if certain insolvency-related events are triggered by Licensor, such as proceedings in bankruptcy; or (b) if Licensor commits any material breach of the Agreement and in case of a breach which can be remedied, if Licensor have given 60 days notice thereof and on expiry of the notice the breach is not remedied.

The Agreement is governed by English law. Any dispute between the parties in connection with the Agreement shall be resolved by arbitration in London before three arbitrators and in accordance with the Arbitration Rules of the International Chamber of Commerce.

In the event that a Force Majeure continues for a period of more than 12 months, either party may terminate the Agreement by written notification.

14.8.2.2. BEP Agreement between Davy and SAAC

Davy Process Technology Limited ("Davy") and Saudi Acrylic Acid Company ("SAAC") have entered into a BEP Agreement dated 20 June 2011G (the "BEP Agreement").

Under the BEP Agreement, Davy will undertake the process design and basic engineering in accordance with the Project Design Basis to prepare the basic engineering package (the "BEP") described in Appendix 1 of the Agreement.

The BEP will be supplied by Davy to SAAC in respect of the plant intended to be owned, designed, constructed, operated and maintained by SAAC for the production of normal butanol, iso-butanol, normal butyraldehyde and iso-butyraldehyde at Al-Jubail in Saudi Arabia, using Davy's hydrofomylation and ancillary processes, as more fully described in the BEP Agreement (the "Plant").

Subject to the terms of the Agreement, Davy will also provide—or will procure that its affiliate Davy Process Technology International Limited ("DPTIL") will provide—one hundred man-days of engineering services to project management contractor ("PMC") or the Detailed Engineering Contractor ("DEC") to assist either of them in working with BEP to carry out the detailed engineering of and the procurement of equipment and materials for the Plant. In addition, Davy may provide reasonable additional engineering services to PMC or DEC to further assist either of them with BEP to carry out the detailed engineering of and the procurement of equipment and materials for the Plant subject to certain conditions set out in the Agreement.

The BEP will be delivered to SAAC in accordance with the documentation delivery schedule set out in Appendix 4 of the Agreement, with phase 4 documentation being the last deliverable expected to be provided by Davy by the end of week 34 starting from the Monday of the first full week after the completion of the Kick-off Meeting (which shall be held at a time mutually agreed between the relevant parties including the PMC). The delivery schedule is subject to change (by 2 or 3 additional weeks) if the project schedule overlaps with the Christmas period between 24 Dec 2011G and 02 Jan 2011G or the Easter period (on a certain date to be confirmed).

SAAC will be responsible for the detailed, engineering, procurement, construction and testing of the Plant in accordance with the requirements of the BEP, good engineering practice, appropriate international codes and standards and applicable local laws and regulations. SAAC will also be responsible for the design and engineering of the OSBL (outside battery limits) non process facilities and equipment necessary to support the operation of the Plant.

In consideration of the preparation and delivery of the BEP and the design reviews pursuant to the Agreement and one hundred man-days of additional engineering services, SAAC shall make payments in the total amount of UK£ 2,690,000 (the “Price”) in 4 non-refundable instalments, the details of which are set out in the Agreement.

For additional engineering services to PMC or DEC requested by SAAC (and performed by Davy in London, UK), SAAC shall pay Davy for each man-hour chargeable certain man-hour rates set out in the Agreement based on the category of the professional person providing the service (i.e. project manager, project engineer, etc). The man-hour rates chargeable for additional engineering services performed by Davy at the premises of PMC or DEC are different (more) than such man-hour rates chargeable for additional engineering services performed by Davy in London, UK.

Late payments by SAAC under the Agreement shall bear interest at a rate equal to two percent (2%) above the Three-Month LIBOR, compounded daily, from the date when the payment is due and payable until the date when it is paid in full.

In the event of any delay in payment falling due under the Agreement or the License Agreement, Davy shall be entitled to suspend performance of the work and services under the Agreement for a period equal to such delay. If such suspension continues for more than 90 days, Davy shall be entitled to terminate the Agreement in accordance with its terms after notifying SAAC.

Davy’s entire liability to SAAC under the Agreement and SAAC’s entire remedies in connection with the Agreement and for breach of the Agreement shall be the following:

(a) Davy shall correct within a jointly agreed schedule and reasonable time, at its own cost, any errors or omissions in the BEP and additional engineering services set out in certain clauses of the Agreement, which are proven to be due to Davy’s failure to comply with the standard of performance set out in the Agreement;

(b) for failure to meet the delivery dates for each individual Phase of the BEP as set out in the Agreement for reasons attributable to Davy, Davy will pay SAAC agreed and liquidated damages (“Liquidated Damages”) of UK£35,000 per complete week for late delivery provided that the maximum amount of Liquidated Damages due under this Clause 5.4.1 of the Agreement, shall not exceed three percent (3%) of the Price;

(c) payment of Liquidated Damages by Davy shall not relieve it of its obligations to deliver the BEP but such payment shall be in full and final satisfaction and discharge of Davy’s obligation to deliver the BEP by the scheduled delivery dates and Davy shall have no further liability to SAAC for delay in delivery of the BEP;

(d) the indemnities set out in Clauses 12.1 and 12.3(b) of the Licence Agreement; and

(e) in all other cases in damages or other remedies in accordance with the governing law of the Agreement.

Except for Davy’s liability under Clauses 12.1 and 12.3(b) of the Licence Agreement incorporated under Clause 5.1 of this Agreement, (i) the total liability of Davy under or arising out of this Agreement (whether in contract, tort or otherwise) shall not exceed in the aggregate one hundred percent (100%) of the amounts received by Davy of the Price; and (ii) Davy’s liability to SAAC (whether in contract, tort or otherwise) shall terminate 30 days after the date on which SAAC issues to Davy a Certificate of Acceptance as provided for in the License Agreement, or 36 months of the Effective Date whichever occurs first.

The Effective date of the Agreement is: (i) the date on which the Agreement was signed with respect to Clauses 3.1(a), 3.3, 3.6 and 3.7 of the Agreement; and (ii) the date of fulfilment of the two conditions set out below with respect to the effectiveness of the remaining provisions of the Agreement:

(a) the License Agreement has come into effect as confirmed by exchange of letters between the parties; and

(b) Davy has received from SAAC the down-payment set out under clause 3.1 of the Agreement.

Unless terminated in accordance with its terms, the Agreement shall continue in full force and effect until both parties have properly fulfilled their obligations under the Agreement whereupon the Agreement will expire.

If the Agreement does not come into effect within 60 days after the date on which was signed (i.e. 20 June 2011G), either party may revoke and void the Agreement.

If either party fail to perform or fulfil any of its substantive obligation or condition in the time and manner set out in the Agreement, and if such default continues for 90 days after notice thereof from the non-defaulting party, then the non-defaulting party shall have the right to terminate the Agreement by written notice of termination.

Furthermore, Davy shall have the right to terminate the Agreement if the suspension of performance of the work and services by Davy continues for a period more than 90 days in the event of any delay in payment falling due under the Agreement or the License Agreement (as mentioned above).

The BEP Agreement shall automatically terminate if the Licence Agreement is terminated.

The BEP Agreement contains reciprocal provisions which allow either party to terminate the Agreement if certain insolvency events are triggered with respect to the other party, including insolvency, assignment of the Agreement or assets for the benefit of its creditors, bankruptcy proceedings, etc.

In the event of termination of the Agreement, SAAC shall remunerate Davy for actual hours expended and costs incurred in the execution of the BEP less all amounts previously paid to Davy by SAAC.

The Agreement is governed by English law. Any dispute between the parties in connection with the Agreement shall be resolved by arbitration in London before three arbitrators and in accordance with the Arbitration Rules of the International Chamber of Commerce.

In the event that a Force Majeure continues for a period of more than 12 months, either party may terminate the Agreement by written notification.

14.9. U&O Facilities

14.9.1. Construction Contract

14.9.1.1. Engineering Services Agreement

This Engineering Services Agreement (PDP), effective 26 February 2009G, is between TSOC and Fluor B.V. ("Fluor") and is related to the U&O Facilities. Fluor has been contracted to perform engineering services to prepare a process design package ("PDP"), all outside of Saudi Arabia, and as described at length in Exhibit A of this agreement. In essence, Fluor is required to provide project management, engineering and design services necessary to realise the PDP for the U&O Facilities.

The current total estimated cost for the development of the PDP services is €1,338,000 for approximately 13,000 man hours. Fluor should have provided TSOC, within six weeks of 26 February 2009G, a due performance bank guarantee in the amount of ten percent (10%) of the estimated total remuneration.

In no event shall the liability of Fluor exceed ten percent (10%) of the total compensation paid to it by TSOC. Fluor will not be liable for any special, indirect or consequential damages arising from the performance or non-performance of the services.

This agreement may be terminated by TSOC in its sole discretion at any time, and Fluor will be paid all unpaid compensation to the date of termination. TSOC will also deal directly with all vendors and subcontractors and will remain contractually and commercially responsible. In the event Fluor fails to comply with the provisions of this agreement, and fails to commence to rectify such failure within seven days of receipt of notification of such failure, TSOC may terminate Fluor's right to proceed with the services and deduct from Fluor's unpaid compensation such amount that TSOC in good faith claims has arisen as a result of such failure.

Fluor may not assign this agreement to any party without the consent of TSOC. TSOC may however assign or novate this agreement to any organization in which TSOC is the majority shareholder, and which has sufficient net worth to comply with the obligations under this agreement.

15. UNDERWRITING

15.1. Underwriter

The Underwriter for the Offering is Saudi Fransi Capital Limited (hereinafter referred to as the "Underwriter"). A total of 146,265,000 Shares will be underwritten which represents one hundred percent (100%) of the Offering.

15.2. Summary of the Underwriting Agreement

15.2.1. Underwriting of the Offering and the sale of New Shares

In accordance with the provisions of the underwriting agreement signed between Sahara and the Underwriter:

- the Company undertakes to issue and allocate all unsubscribed underwritten Offer Shares to the Underwriter on the date of allocation; and
- the Underwriter commits to buy all underwritten Offer Shares that were not subscribed by Eligible Shareholders at the rights issue price on the date of allocation.

The Company agrees to comply with all the provisions of the underwriting agreement.

15.2.2. Offering Costs and Fees

The Company shall pay the underwriting fees to the Underwriter. In addition to that the Company will pay any other related costs and fees to the Underwriter.

16. SUBSCRIPTION TERMS AND CONDITIONS

Eligible Shareholders must carefully read the Subscription Terms and Conditions prior to completing the Subscription Application Form, as the execution of the Subscription Application Form constitutes acceptance and agreement to the Subscription Terms and Conditions.

16.1. Subscription to the Offered Shares (New Shares)

Eligible Shareholders wishing to subscribe to the Offer Shares must submit a Subscription Application Form during the Offer Period. Subscription Application Forms can be obtained from any of the following Receiving Banks:

Eligible Shareholders who have not subscribed to the Offering ("Non-Participating Shareholders") will not be granted any benefits or privileges for their rights other than the Compensation Amount, if any, as detailed below. However, they will keep ownership of the same number of Existing Shares. Shareholders who do not exercise their pre-emption rights will experience a reduction of their ownership percentage of Existing Shares and a reduction of total value of their Existing Shares.

Each Eligible Shareholder must agree to the terms and conditions and complete all sections of the Subscription Application Form. If a submitted Subscription Application Form is not in compliance with the terms and conditions, the Company shall have the right to reject, in full or in part, such application and the applicant shall accept any number of Offer Shares allocated. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Banks, the Subscription Application Form will be considered void. Any amendment or withdrawal of a Subscription Application Form is not permitted, and once the Company accepts it, it becomes a binding contract between the applicant and the Company.

16.2. Non-Participating Shareholders

Non-Participating Shareholders will experience a reduction of their ownership percentage of Existing Shares and the total value of their Existing Shares. In accordance, and in compliance, with CMA instructions and requirements, Non-Participating Shareholders may be entitled to receive a Compensation Amount, if any, calculated as set out below, but will still keep ownership of the same number of Existing Shares as they had prior to the Offering. In the event that the highest bid price is the same as the Offer Price, Non-Participating Shareholders will not receive any compensation.

The compensation amount (if any) for Non-Participating Shareholders will be calculated as follows:

(a) From the proceeds realized from the sale of the Additional Shares:

Offer Shares remaining as a result of Non-Participating Shareholders not having exercised their pre-emptive right prior to the Extraordinary General Assembly meeting approving the Rights on 4/1/1433H (corresponding to 29/11/2011) (the "Additional Shares") shall be allocated to Eligible Shareholders requesting subscription in a number of shares exceeding their rights entitlement according to the price inserted in the Subscription Application Form. Priority in allocation shall be to Eligible Shareholders subscribing at the highest price as per the prices set out in this section of the prospectus. In case requests for subscription, at any of the prices set out below, exceed the shares available for sale, allocation among subscribers shall be made pro rata the percentages of the shares they own in the Company. The Underwriter shall take up any of the New Shares that are unsubscribed to during the subscription period, if any. As for Eligible Shareholders who are entitled to fractional shares, the combined amount of fractional Rights Issue Shares will be accumulated in one portfolio and then sold at market price and the proceeds of such sale shall be distributed to such shareholders in proportion to the fraction each such shareholder is entitled to. The amounts payable for each share sold (after deducting the Offer Price which will revert to the Company), are the amounts which will be distributed to Non-Participating Shareholders ("Compensation Amount").

(b) The Compensation Amount:

The Compensation Amount due for each Offer Share shall be calculated by dividing the Compensation Amount, if any (after deducting the Offer Price which will revert back to the Company), by the total number of Offer Shares which were not subscribed to by the Shareholders and in that manner the Compensation Amount will be determined for each share. The Compensation Amounts shall be paid to Shareholders that did not participate in the Rights Issue, within 30 days from refund and depositing the shares in the protfolio.

16.3. Completing the Subscription Application Form

Eligible Shareholders must specify the number of Offer Shares they are applying to subscribe to in the Subscription Application Form, stating the full payable subscription amount. The number of Offer Shares that the Eligible Shareholders may subscribe to shall be calculated by multiplying the number of Existing Shares owned by them on the Record Date by the number of Offer Shares each Eligible Shareholder is entitled to in return for each Existing Share held by them on the Record Date, which is 0.5.

16.4. Taking up additional entitlements to Rights

Eligible Shareholders registered in the Company's register by the end of the last trading day closing before the Extraordinary General Assembly that approves the capital increase, shall have the right to subscribe in additional numbers of Shares to cover those Shares which the priority right to subscribe was not exercised on ("Additional Shares"). Subscription for Additional Shares will only be by one of the following prices:

- the Offer Price;
- the Offer Price plus an amount equal to 30% of the difference between the Company's Share price at the close of trading on Tadawul immediately preceding the commencement of the Extraordinary General Assembly meeting that approves the Rights Issue and the amended Share price after the Extraordinary General Assembly meeting multiplied by the eligibility ratio (2), rounded to the nearest unit of the difference in share price;
- the Offer Price plus an amount equal to 60% of the difference between the Company's Share price at the close of trade on Tadawul immediately preceding the commencement of the Extraordinary General Assembly meeting that approves the Rights Issue and the amended Share price after the Extraordinary General Assembly meeting multiplied by the eligibility ratio (2), rounded to the nearest unit of the difference in share price; or
- the Offer Price plus an amount equal to 90% of the difference between the Company's Share price at the close of trade on Tadawul immediately preceding the commencement of the Extraordinary General Assembly meeting that approves the Rights Issue and the amended Share price after the Extraordinary General Assembly meeting multiplied by the eligibility ratio (2), rounded to the nearest unit of the difference in share price.

The prices for additional shares will be as follows: SAR10 per share, SAR12 per share, SAR14 per share and SAR16 per share. Eligible Shareholders cannot choose more than one price for additional shares.

Any Offer Shares remaining after excess subscription by Eligible Shareholders on expiry of the Offering Period shall be taken up by the Underwriter at the price of SAR10.

16.5. Taking up full entitlements to Rights

Eligible Shareholders wishing to take up all of their Offer Shares must submit a completed Subscription Application Form, together with the subscription monies for their full entitlement and the required accompanying documents, to the Receiving Banks during the Offer Period.

The full entitlement of an Eligible Shareholder is calculated by multiplying the number of Existing Shares held by at the Record Date 0.5. Partial entitlements are not applicable and any entitlement should be rounded down where necessary. The subscription monies payable by an Eligible Shareholder for their full entitlement is calculated by multiplying SAR10 by the number of Offer Shares to which they are entitled to subscribe for by virtue of their shareholding.

16.6. Taking up no entitlement to Rights

If an Eligible Shareholder does not wish to take up any of their rights to the Offer Shares, then no action is required and he shall be considered a Non-Participating Shareholder in relation to those Offer Shares which he is entitled to subscribe for. Any Offer Shares not taken up by a Eligible Shareholder during the Offer Period will be taken up by other Eligible Shareholders.

16.7. Taking up some entitlements to Rights

If an Eligible Shareholder wishes to take up some, but not all, of their entitlements, they must submit a Subscription Application Form, together with the applicable subscription monies and the required accompanying documents, during the Offer Period. Information on the calculation of rights and subscription monies is set out above. An Eligible Shareholder who only takes up some, but not all, of their entitlement shall be considered as a Non-Participating Shareholder with regard to the number of Offer Shares not taken up to which they are entitled by virtue of their shareholding and shall be entitled to a Compensation Amount (if any) in respect of the Offer Shares not taken up.

16.8. Accompanying documents with the Subscription Application Form

The Subscription Application Form must be submitted accompanied by the following documents, as applicable. The Receiving Bank employee will verify all copies against the originals and will return the originals to the Applicant:

- original (and copy) of the applicant's national identification card or residency permits (in the case of individuals);
- original (and copy) of the family identification card (family members - in the case of individuals);
- original (and copy) of a power of attorney, Certificate of Guardianship or Certificate of Dependency (in the event of authorising another person to subscribe);
- original (and copy) of a Certificate of Guardianship (for individuals under the age of majority);
- original (and copy) of the Commercial Registration of the Juristic Person along with the identification card of the authorised signatory;
- original (and copy) of a Certificate of Guardianship (for orphans - in the case of individuals);
- original (and copy) of a Certificate of Death (for Saudi widow sons from a non-Saudi father);
- original (and copy) of the Inheritance Certificate (in the case of heirs);
- original (and copy) of the identification card of the agent (in the event of authorising another person to subscribe by a power of attorney);
- original (and copy) of the Share Certificate (in the case of subscribers who own Share Certificates); and
- original (and copy) of the passport for GCC nationals.

The subscription monies must be paid, in full, at the time of submitting the Subscription Application Form, to a branch of the Receiving Bank by authorizing a debit to the Eligible Shareholder's account held with the Receiving Bank or by bank draft cheque, pursuant to Saudi Arabian Monetary Agency instructions.

A proxy is limited to family members (parents and children only). If a Subscription Application Form is submitted on behalf of another person, the name of the person signing on behalf of the Applicant should be stated in the Subscription Application Form, accompanied by an original and a copy of a valid power of attorney. The power of attorney must be issued before a notary (for those who are in Saudi Arabia) or must be legalised by the Saudi Embassy or Saudi Consulate in the relevant country (for those who reside outside Saudi Arabia).

16.9. Submission of the Subscription Application Form

The Receiving Banks will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia from 11/1/1432H (corresponding to 16/12/2011G) for a period of 9 days to 19/1/1432H (corresponding to 14/12/2011G). Subscription Application Forms can be submitted through the Receiving Banks during the Offer Period through telephone banking, or Automated Teller Machines or through any of the services offered by the Receiving Banks that offer such services. Further instructions are set out in the Subscription Application Form.

Once the Subscription Application Form is signed and submitted, the Receiving Bank will stamp it and provide the Eligible Shareholder with a copy of the completed Subscription Application Form.

Eligible Shareholders agree to subscribe for that number of Offer Shares specified in the Subscription Application Form submitted by the Eligible Shareholder for an amount equal to:

- regarding Offer Shares to which they are entitled by virtue of their shareholding: the number of shares intended to subscribe for multiplied by the Offer Price, SAR10 per Offer Share;
- regarding Additional Shares: an amount equalling the number of Additional Shares applied for multiplied by one of the bid prices stated under section "Taking Up Additional Entitlement to Rights" and in the Application Form.

Each Eligible Shareholder shall have purchased the number of Offer Shares allotted to them upon:

- delivery by the Eligible Shareholder of the Subscription Application Form to the Receiving Bank;
- payment, in full, of the subscription monies by the Eligible Shareholder to the Receiving Bank; and
- delivery to the Eligible Shareholder by the Receiving Bank of the allotment letter specifying the number of Offer Shares allotted to such Eligible Shareholder.

16.10. Acknowledgements of Subscribers

By completing and delivering the Subscription Application Form, the Applicant:

- agrees to subscribe for the Offer Shares for that number of Offer Shares specified in the Subscription Application Form;
- represents and warrants that they have read the entire Prospectus and understands all of its contents;
- accepts the By-Laws of the Company;

- acknowledges that the Company has the right to reject any or all ineligible/incomplete applications;
- accepts the number of Offer Shares allocated to them and accepts all other subscription instructions and terms mentioned in this Prospectus and the Subscription Application Form; and
- undertakes not to cancel or amend the Subscription Application Form after submitting it to a Receiving Bank.

The Applicant retains the right to bring a claim against the Company for damages caused by incorrect material information contained in the Prospectus or the omission of material information that should have been included in the Prospectus and could have affected the Applicant's decision to invest in the Offer Shares.

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

16.11. Allocations and Refunds

The Receiving Banks shall open and operate a temporary trust account named "Sahara Rights Offering Account" in which Receiving Banks shall deposit all amounts received from the Eligible Shareholders who subscribed to the New Shares.

The New Shares shall be allocated to Eligible Shareholders who apply to subscribe for the same pro rata to their Existing Shares on the Record Date.

The number of (1) shares shall be allocated as a minimum for each (2) Existing Shares owned by the Eligible Shareholders on the Record Date, who apply for the same, and who properly complete the subscription procedures for the Rights Issue Offering.

If all the New Shares are not subscribed to in accordance with the equation set out above, the remaining number of New Shares will be allocated to Eligible Shareholders who apply to subscribe for more than their allocated shares pro rata to the number of Existing Shares owned by them at the Record Date and who offer the highest price, as per the prices set out in this Section of the Prospectus.

If the applications for subscription at any of the prices set out above are in excess to the number of New Shares available for sale, the available shares will be distributed among the subscribers pro rata to the number of Existing Shares owned by them at the Record Date.

The underwriter shall take up any of the New Shares that are unsubscribed for during the subscription period, if any.

As for Eligible Shareholders who are entitled to fractional shares, all fractional New Shares will be combined into one portfolio to be sold at market value, and then any excess monies over the Offer Price of the New Shares shall be distributed amongst Eligible Shareholders at the Record Date, according to their fractional entitlements.

A final announcement will be made in respect of the final number of shares allocated for each Eligible Shareholder and the refund of excess subscription monies (if any) , without any commissions or deductions by the Lead Manager or Receiving Banks. The allocation process and refund of excess subscription monies shall be announced by no later than 26/1/1433H, corresponding to 21/12/2011G.

Excess of subscription monies shall be returned in full without any fees or deductions by depositing such excess monies in the accounts of subscribers at the receiving bank. Eligible shareholders shall contact the branch of the receiving bank where the subscription request has been made to obtain any additional information.

16.12. Miscellaneous

The terms and conditions and any receipt of the Subscription Application Forms or contracts resulting therefrom shall be governed by, and interpreted and implemented in accordance with, the laws in force in Saudi Arabia. This Prospectus has been released in the Arabic language only.

16.13. Registration in the Saudi Stock Exchange

Application has been made to the Capital Market Authority for the Offer Shares to be registered and admitted to the Official List of the Saudi Stock Exchange. It is expected that Registration will be approved and that dealing in the Offer Shares will commence on the Saudi Stock Exchange after completion of the final allotment of the Company's shares. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative only and may be changed or extended subject to the approval of the Capital Market Authority.

Although the existing Shares of the Company are registered in the Official List and listed in the financial market "Tadawul", there can be no dealing with the New Shares until the New Shares have been allocated to the subscribing Eligible Shareholders and lodged in their accounts in Tadawul. It is completely forbidden to deal with the New Shares before allocation and any subscribers engaging in forbidden dealing activities bear complete responsibility in this regard and the Company bears no responsibility in this case.

16.14. The Saudi Arabian Stock Exchange (Tadawul)

Tadawul was founded in 2001G as the successor to the Electronic Share Information System. In 1999G, full electronic trading in Saudi Arabian equities was introduced. As of 28/11/2011, the market capitalization had reached SAR1.213 and 149 companies were listed and traded on Tadawul.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order to settlement. Trading occurs each business day (Saturday to Wednesday) between 11.00 am to 3.30 pm. After close of exchange trading, orders can be entered, amended or deleted until 8.00 pm (the system is not available between 8.00 pm and 10.00 am the next business day). From 10.00 am, new entries and inquiries can be made. For the opening phase (starting at 11.00 am), the system starts by opening procedures, it then establishes the opening prices and determines the orders to be executed in accordance with the matching rules. In the holy month of Ramadan, different timing applies, as advised by the CMA.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limited orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, in particular, the Tadawul website and Tadawul information link. The Tadawul information link makes Tadawul accessible in real time to information providers such as Reuters.

Exchange transactions are settled on a T + 0 basis, meaning that ownership transfer takes place immediately after the trade has been executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public.

Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

16.15. Trading on the Official List

It is expected that dealing in the New Shares will commence on Tadawul upon finalisation of the allocation process. Tadawul will announce the start date of trading once determined. Dates and times included in this Prospectus are indicative only and may be changed or extended subject to the approval of the CMA.

New Shares can only be traded after they have been allocated and credited to the accounts of each Eligible Shareholder at Tadawul, the New Shares have been registered in the Official List and the New Shares admitted to trading on Tadawul. Pre-trading in New Shares is strictly prohibited and Eligible Shareholders entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's Head Office in Jubail Industrial City between 8.30 am to 5.00 pm 14 days before the commencement of the subscription and throughout the subscription period.

- the Company's Articles of Association
- the Company's By-Laws
- Commercial Registration Certificate
- Board of Directors' resolution pertaining to the increase of capital
- audited financial statements for the years ended 31 December 2008G, 2009G and 2010G
- market study reports prepared by [Jacobs Consultancy, Chemical Market Resources, Inc., Chemical Market Associates, Inc. and Business Monitor International]
- CMA's approval of the Offering
- a copy of all contracts summarised in section 14 (Summary of Material Contracts)
- a copy of all approvals and licences referred to in this Prospectus

18. AUDITED FINANCIAL STATEMENTS

SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY

(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2008

Deloitte.

BOODAI

Deloitte & Touche
Bakr Abulkhair & Co.
P. O. Box 182, Dammam 31411
Kingdom of Saudi Arabia

P. O. Box 67243
Riyadh 11596
Kingdom of Saudi Arabia

AUDITORS' REPORT

To the stockholders
Sahara Petrochemical Company
(Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Scope of Audit

We have audited the consolidated balance sheet of Sahara Petrochemical Company (Saudi Joint Stock Company) and Subsidiary as of December 31, 2008 and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended, and notes 1 to 23 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and Subsidiary as of December 31, 2008, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company and Subsidiary, and comply with the relevant provisions of the Regulations for Companies and the articles of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co

Nasser M. Al-Sagga
License No. 322

BOODAI CPA

Dr. Adel Abdulaziz Boodai
License No. 303

11 Muharram, 1430
January 8, 2009

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SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY

(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2008

	Note	2008 SR 000	2007 SR 000
ASSETS			
Current assets			
Cash and cash equivalents	3	453,036	81,162
Other receivables and prepayments		3,322	1,946
Total current assets		456,358	83,108
Non-current assets			
Investment in associate	4	732,947	760,886
Cost of projects under development	5	22,839	11,226
Projects under construction	6	3,390,364	2,092,733
Property and equipment	7	5,482	1,467
Intangible assets	8	112,860	98,497
Total non-current assets		4,264,492	2,964,809
TOTAL ASSETS		4,720,850	3,047,917
LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST			
Current liabilities			
Due to banks	9	589,032	229,000
Advances against Islamic facilities		15,560	-
Retentions payable		130,925	-
Accounts payable and other liabilities	10	93,634	78,205
Zakat and income tax payable	14	-	1,623
Total current liabilities		829,151	308,828
Non-current liabilities			
Long term loans	11	957,670	200,000
Advances against Islamic facilities	12	659,620	112,530
Profit rate swap	17	148,547	-
End-of-service indemnities	13	7,606	3,688
Retentions payable		-	85,587
Total non-current liabilities		1,773,443	401,805
Stockholders' equity and minority interest			
Share capital	1	1,875,000	1,875,000
Statutory reserve	16	69	69
Change in fair value of cash flow hedge position	17	(167,987)	(28,074)
Retained earnings		62,102	103,248
Total stockholders' equity		1,769,184	1,950,243
Minority interest		349,072	387,041
Total stockholders' equity and minority interest		2,118,256	2,337,284
TOTAL LIABILITIES, STOCKHOLDERS' EQUITY AND MINORITY INTEREST		4,720,850	3,047,917

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

SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY

(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 SR 000	2007 SR 000
Revenues			
Murabaha and other income		65	14,392
Share of income from associate	4	3,323	2,365
Total revenues		3,388	16,757
Costs and expenses			
General and administrative expenses	15,18	40,168	12,381
Pre-operative expenses		3,776	4,980
Total costs and expenses		43,944	17,361
Net loss before minority interest and zakat		(40,556)	(604)
Minority interest		944	(2,735)
Net loss before zakat		(39,612)	(3,339)
Zakat	14	(1,534)	(1,773)
NET LOSS		(41,146)	(5,112)
Earning (loss) per share for the year (in SR)	22		
Loss per share for the year		(0.22)	(0.03)
Loss per share from continuing main operation (in SR)		(0.22)	(0.11)
Earning per share from other operations (in SR)		-	0.08
Weighted average number of shares		187,500,000	187,500,000

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

SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY

(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2008

	Share capital SR 000	Statutory reserve SR 000	Change in fair value of cash flow hedge position SR 000	Retained earnings SR 000	Total SR 000
January 1, 2007	1,500,000	48,343	-	435,086	1,983,429
Issuance of bonus shares	375,000	(48,343)	-	(326,657)	-
Net loss for the year	-	-	-	(5,112)	(5,112)
Transfer to statutory reserve	-	69	-	(69)	-
Change in fair value of cash flow hedge position	-	-	(28,074)	-	(28,074)
December 31, 2007	1,875,000	69	(28,074)	103,248	1,950,243
Net loss for the year	-	-	-	(41,146)	(41,146)
Change in fair value of cash flow hedge position	-	-	(139,913)	-	(139,913)
December 31, 2008	1,875,000	69	(167,987)	62,102	1,769,184

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

SAHARA PETROCHEMICAL COMPANY AND SUBSIDIARY

(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 SR 000	2007 SR 000
OPERATING ACTIVITIES		
Net loss before zakat	(39,612)	(3,339)
Adjustments for:		
Depreciation	1,033	305
Write-off of property and equipment, net	29	-
End-of-service indemnities	4,021	1,653
Share of income from associate	(3,323)	(2,365)
Minority interest	(944)	2,735
Loss on disposal of property and equipment	9	-
Changes in operating assets and liabilities:		
Other receivables and prepayments	(1,376)	(769)
Accounts payable and other liabilities	15,429	(6,598)
Cash used in operations	(24,734)	(8,378)
End-of-service indemnities paid	(103)	(34)
Zakat and income tax paid	(401)	(4,419)
Net cash used in operating activities	(25,238)	(12,831)
INVESTING ACTIVITIES		
Additions to property and equipment	(5,152)	(1,296)
Additions to cost of projects under development	(11,613)	(12,231)
Proceeds from disposal of property and equipment	66	12
Additions to projects under construction	(1,252,293)	(1,199,889)
Additions to intangible assets	(14,363)	(46,163)
Net cash used in investing activities	(1,283,355)	(1,259,567)
FINANCING ACTIVITIES		
Due to banks	360,032	229,000
Proceeds from long term loans	757,670	200,000
Advances against Islamic facilities	562,650	112,530
Reimbursement of income tax from minority shareholder	115	-
Net cash from financing activities	1,680,467	541,530
Net change in cash and cash equivalents	371,874	(730,868)
Cash and cash equivalents, January 1	81,162	812,030
CASH AND CASH EQUIVALENTS, DECEMBER 31	453,036	81,162

Non-cash transactions:

1. Cost of projects under development transferred to projects under construction amounted to nil (2007 - SR 1.53 million)

2. Cost of project under construction includes retentions payable amounting to SR 45.34 million (2007 - SR 65.36 million)

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

1- ORGANIZATION AND ACTIVITIES

Sahara Petrochemical Company (“the Company”) is a Saudi Joint Stock Company registered under commercial registration number 1010199710 dated 19 Jumada I, 1425 (July 7, 2004). The authorized, issued and fully paid share capital of the Company, amounting to SR 1,500 million, was divided into 150 million shares of SR 10 each.

During March 2007, the Board of Directors proposed to increase the share capital of the Company through transfer of SR 375 million from retained earnings and statutory reserve by issuing 37.5 million bonus shares (one share for every four shares held by the existing stockholders) and also by issuing 100 million rights shares totalling SR 1,000 million to be issued to the existing shareholders (two shares for every three shares held by the stockholders). This would increase the capital of the Company to SR 2,875 million, with amounts raised being for the purpose of funding the new projects. In July 2007, the stockholders of the Company in their extraordinary general assembly meeting approved the proposal of Board of Directors to increase the share capital by SR 375 million through capitalization of the statutory reserves and part of retained earnings (one share for every four shares held by the existing stockholders at the date of the extraordinary general meeting). The legal formalities for increase in share capital by issuance of bonus shares were completed in July 2007. The rights issue has been postponed and consequently the bridge loan facility has been extended.

Al Waha Petrochemical Company (“the Subsidiary”), a Saudi limited liability company registered under commercial registration number 2055007751 and with a share capital of SR 1,547.6 million, is owned 75% by the Company and 25% by Basell Arabie Investments.

The principal activities of the Company and its Subsidiary (“the Group”) are to invest in industrial projects in the petrochemical and chemical fields and to own and execute projects necessary to supply raw materials and utilities. The Group 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 Group will be transferred to separate companies when they are established.

The Company also owns a 32.55% share (initial contribution – SR 781.2 million) in Tasnee and Sahara Olefins Company (the “Associate”), a closed Saudi Joint Stock Company, an associated company.

The Company’s principal place of business is at Jubail Industrial City, Kingdom of Saudi Arabia.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company and its Subsidiary:

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its Subsidiary controlled by the Company prepared up to the end of year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated in preparing the consolidated financial statements.

Accounting convention

The financial statements are prepared under the historical cost convention.

Revenue recognition

Income from murabaha placements and deposits are recognized on an accrual basis.

Expenses

General and administrative expenses generally comprise of salaries and related expenses of staff involved in such activities, rent, subscription etc. Costs related to projects under development are capitalized.

Investment in associate

An associate is an enterprise in which the Company is in a position to exercise significant influence, through participation in the financial and operating policy decisions of investee. The results and assets and liabilities of associate are incorporated in these financial statements using the equity method of accounting based on the latest available financial information. Where reliable financial data is not available, investment in associated company is recorded at cost and related income is recognized when dividends are received. The carrying amount of such investment is reduced to recognize any impairment in the value of the individual investment.

Intangible assets

Intangible assets mainly comprise a front end fee related to the loan from Saudi Industrial Development Fund ("SIDF") and debt acquisition and arrangement fees relating to the Islamic facilities.

These costs are being amortized over the period of the loans and the amortization is capitalized as part of projects under constructions up to the date of commencement of commercial production and subsequently charged to the statement of income.

Cost of projects under development

Cost of projects under development represents costs incurred for the study and development of industrial projects and are accounted for at cost. Upon successful development of the projects, costs associated with the project will be transferred to the respective company subsequently established for each project. Costs are written-off when projects are deemed not feasible.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated useful lives of the principal classes of assets are as follows:

	Years
Vehicles	4
Computer, furniture, fixtures and office equipment	2-10

Foreign currency translation

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 balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions, except changes in the fair value of derivative financial instruments that are designated as effective hedge for certain foreign currency risks, are included in the consolidated statement of operations.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Zakat and income tax

The Company and its Subsidiary are subject to zakat and income tax in accordance with the Regulations of the Department of Zakat and Income Tax ("DZIT"). Zakat and income tax are provided on an accrual basis. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. The zakat charge in the consolidated financial statements represents the zakat for the Company and the Company's share of zakat in Subsidiary and Associate. The income tax, assessable on the minority shareholder, is included in minority interest.

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. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

Borrowing costs

Borrowing costs directly attributable to the projects under construction are added to the cost of that asset until such time as the asset is ready for its intended use. Investment income earned on temporary investment of specific borrowings pending their expenditure on the projects under construction is deducted from the borrowing costs eligible for capitalization.

Derivative financial instruments

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

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

3- CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances, demand deposits, and highly liquid investments with original maturity of three months or less. As at December 31, 2008 and 2007, cash and cash equivalents consist entirely of cash and bank balances, including murabaha investment of an amount equivalent to SR 428.0 million (2007 – SR 53.3 million).

4- INVESTMENT IN ASSOCIATE

At December 31, 2008, investment in associate represents 32.55% equity interest in Tasnee and Sahara Olefins Company, a Closed Saudi Joint Stock Company.

Summarized financial information of the Associate as of the balance sheet date is as follows:

	2008 SR 000	2007 SR 000
Working capital	697,523	817,274
Other assets – net of liabilities	2,193,388	2,187,343
Net assets (including minority interest of SR 639,154 thousand)	2,890,911	3,004,617
The Company's share of net assets	732,947	760,886
Net income before zakat	10,209	7,266
The Company's share of income before zakat	3,323	2,365

5- COST OF PROJECTS UNDER DEVELOPMENT

Cost of projects under development mainly represent project relating to Chlor - Alakali and EDC.

	2008 SR 000	2007 SR 000
January 1	11,226	527
Incurred during the year	11,613	12,231
Transferred to projects under construction	-	(1,532)
December 31	22,839	11,226

6- PROJECTS UNDER CONSTRUCTION

Projects under construction mainly represents the costs incurred by the Subsidiary for the construction of a Propane Dehydrogenation and Polypropylene Plant ('the Project") at Jubail Industrial City, Kingdom of Saudi Arabia. The cost of the project is currently estimated at approximately SR 4,000 million of which approximately 40% is financed by equity and the remaining by debt finance from SIDF, Public Investment Fund ("PIF") and commercial borrowings.

Construction related costs at December 31, 2008 comprise construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the management. Directly attributable costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs.

Finance costs capitalized by the Subsidiary during the year amounted to SR 88.44 million (2007: SR 2.66 million).

The Subsidiary's plant facilities are constructed on a plot of land allocated by the Royal Commission of Jubail and Yanbu to the Company and sub-leased to the Subsidiary.

7- PROPERTY AND EQUIPMENT

	Vehicles SR 000	Computers, furniture, fixtures & office equipment SR 000	Total SR 000
Cost			
January 1, 2008	986	1,043	2,029
Additions	2,845	2,307	5,152
Disposal	-	(82)	(82)
Write-off	-	(82)	(82)
December 31, 2008	3,831	3,186	7,017
Depreciation			
January 1, 2008	135	427	562
Charge for year	562	471	1,033
Disposal	-	(7)	(7)
Write-off	-	(53)	(53)
December 31, 2008	697	838	1,535
Net book value			
December 31, 2008	3,134	2,348	5,482
December 31, 2007	851	616	1,467

8- INTANGIBLE ASSETS

Intangible assets at December 31 mainly represent the debt acquisition and arrangement costs and loan front end fees.

	2008 SR 000	2007 SR 000
January 1	98,497	52,334
Additions	14,363	46,163
December 31	112,860	98,497

9- DUE TO BANKS

These represents the short term financing facilities received from two banks and are utilized to bridge finance the project costs incurred by the Subsidiary until the disbursement of remaining loan facility from SIDF (note 11) and bridge loan obtained by the Company due to the postponement of the right issue (note 1). These facilities carry commission at commercial rates.

10- ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2008 SR 000	2007 SR 000
Accounts payable	58,118	77,015
Accrued expenses and other liabilities	35,516	1,190
	93,634	78,205

11- LONG TERM LOANS

	2008 SR 000	2007 SR 000
SIDF loan	320,000	200,000
PIF loan	637,670	-
	957,670	200,000

SIDF loan

On June 18, 2007, the Subsidiary signed a term loan agreement of SR 400 million with SIDF. The loan is secured through mortgage of assets, assignment of insurance proceeds, technology rights and corporate guarantee of the shareholders to the extent of their ownership in the Subsidiary. The loan is payable over 13 semi-annual installments starting from 15 Sha'aban, 1432 (July 17, 2011). The loan agreement includes covenants to maintain financial ratios during the loan period. At December 31, 2008, the Subsidiary has drawn down SR 320 million (2007 - SR 200 million).

The repayment schedule is as follows:

Hegira year	SR 000
1432	15,000
1433	40,000
1434	50,000
1435	60,000
1436	75,000
1437	80,000
1438	80,000
	400,000

PIF loan

On October 31, 2007, the Subsidiary signed a term loan agreement of US$ 250 million (SR 937.5 million) with PIF. This loan carries interest at London Inter Bank Offered Rate ("LIBOR") plus 0.5% and is repayable in twenty semi annual equal installments starting from May 2011. The loan is secured over the assets of the Subsidiary through an interparty deed with the commercial banks under Islamic Facilities Agreement ("IFA"). At December 31, 2008, the Subsidiary has drawn down US$ 170 million (2007 - nil) from the total available facility.

12- ADVANCES AGAINST ISLAMIC FACILITIES

During 2006, the Subsidiary signed an IFA for US$ 276.6 million (SR 1,037.3 million) through which the commercial banks will participate in the procurement of the Project assets on the basis of co-ownership. On the completion of the Project, the co-owned assets will be leased to the Subsidiary at an annual rental calculated at LIBOR plus 1.95%. Under a separate Purchase Undertaking Agreement, the Subsidiary will purchase the above assets from the banks over a period of 11 years starting six months after the completion of the Project. As of December 31, 2008, the Subsidiary has drawn down US$ 180 million (2007: US$ 30 million) from the total available facility. One installment of SR 15.6 million due in 2009 is shown as current liability.

The Subsidiary has entered into an profit rate swap contract with commercial banks to manage the exposure to volatility in interest rates for a notional amount ranging from US$ 16.71 million (SR 62.68 million) to US$ 503.79 million (SR 1,889.71 million) with no upfront premium. The option fixed rate is 5.105% per annum and is exercisable effective June 29, 2007 on a half yearly basis, up to December 31, 2016.

13- END-OF-SERVICE INDEMNITIES

	2008 SR 000	2007 SR 000
January 1	3,688	2,069
Provision for year	4,021	1,653
Utilization of provision	(103)	(34)
December 31	7,606	3,688

14- ZAKAT AND INCOME TAX

The principal elements of the zakat base based on the Company's stand alone financial statements are as follows:

	2008 SR 000	2007 SR 000
Non-current assets	1,965,552	1,938,570
Non-current liabilities	5,520	2,823
Opening stockholders' equity	1,950,810	1,990,941
Net loss before zakat	36,780	11,545

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

The movement in zakat and income tax provision is as follows:

	2008 SR 000	2007 SR 000
Zakat		
January 1	1,649	4,303
Provision for year	-	1,648
(Over) under provision for previous years	(1,225)	2
Payment during year	(424)	(4,304)
December 31	-	1,649

	2008 SR 000	2007 SR 000
Income tax		
January 1	(26)	-
Provision for year	-	89
Adjustment (payment) during year	23	(115)
Under provision for previous year	3	-
December 31	-	(26)

No provision for zakat has been provided for year 2008 as the zakat base was negative for the Company and Subsidiary.

The zakat liability of the Company's investment in associate being SR 2.76 million (2007 – SR 0.12 million) is excluded from the Company's zakat liability above but is included in the zakat charge for the year in the consolidated statement of operations and is reflected in the carrying value of the investment.

The charge for the year for zakat is as follows:

	2008 SR 000	2007 SR 000
Zakat for current year	-	1,648
(Over) under provision for previous years	(1,225)	2
Share of zakat of associated company	2,759	123
Charge to consolidated statement of operations	1,534	1,773

During 2008, the Company received the final zakat assessment of SR 4.69 million related to period ended December 31, 2005 from the DZIT. The Company has filed an objection against the DZIT assessment and believes that no additional zakat is payable and no provision is provided in the books of accounts.

The DZIT has yet to issue the final assessment for the years ended December 31, 2006 and 2007, as these are currently under study by the DZIT.

15- RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
Zamil group of companies	Affiliate

The significant transactions and the related amounts are as follows:

	2008 SR 000	2007 SR 000
Services received	5,889	1,157

Board of Directors' fees and expenses for the year ended December 31, 2008 amounted to SR 0.71 million (2007 – 0.88 million)

16- STATUTORY RESERVE

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

17- CHANGE IN FAIR VALUE OF CASH FLOW HEDGE POSITION

This includes the difference arising from translation of those long term loans borrowed by the Associate denominated in Euros at the exchange rates prevailing at the balance sheet date, which have been designated as a hedge of expected future revenues denominated in the same currency. It also includes the difference arising from fair value measurements of the effective portion of interest rate swap contracts signed by the Subsidiary and Associate at the balance sheet date, which are hedging instruments against foreign currency loans based on LIBOR rates.

18- GENERAL AND ADMINISTRATIVE EXPENSES

	2008 SR 000	2007 SR 000
Salaries, wages and other benefits	30,972	7,985
Rent	1,153	893
Dues and subscription	396	663
Advertising and public relations	1,910	372
Others	5,737	2,468
	40,168	12,381

19- OPERATING LEASE ARRANGEMENTS

	2008 SR 000	2007 SR 000
Payments under operating leases recognized as an expense during the year	8,447	921

Operating lease payments represent rentals payable by the Company and Subsidiary for certain office properties and precious metals. Leases are negotiated for an average term of one year and rentals are fixed for an average of one year.

20- CAPITAL COMMITMENTS

As at December 31, 2008, the Group had outstanding capital commitments amounting to SR 251 million (2007 - SR 1,033 million).

21- CONTINGENCIES AND COMMITMENTS

	2008 SR 000	2007 SR 000
Letters of guarantee	380,801	-
Letters of credit	21,859	-
Forward foreign exchange contracts	-	86,337

22- LOSS PER SHARE

Loss per share from net loss after zakat is computed by dividing net loss for the year by the weighted average number of shares outstanding.

Loss per share from the continuing main operations is computed by dividing operating loss less minority interest less zakat for the year by the weighted average number of shares outstanding.

23- FAIR VALUES

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

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2009

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF SAHARA PETROCHEMICAL COMPANY (SAUDI JOINT STOCK COMPANY)

Scope of audit:

We have audited the accompanying consolidated balance sheet of Sahara Petrochemical Company (Saudi Joint Stock Company) and its subsidiary as at 31 December 2009 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the parent company and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Audit opinion:

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

i) present fairly, in all material respects, the consolidated financial position of the company and its subsidiary as at 31 December 2009 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the parent company's articles of association in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

ERNST & YOUNG
PROFESSIONAL LICENCE No. 45

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

9 Rabi' I 1431H
23 February 2010

Alkhobar

Abdulaziz A. Alsowailim 277
Fahad M. Al-Toaimi 354
Sami E. Farah 168
Abdulhamid M. Bushnaq 155
Abdulaziz Alshubaibi 339
Ahmed I. Reda 356

Offices in the Kingdom : Alkhobar, Jeddah, Riyadh

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As At 31 December 2009

	Note	2009 SR 000	2008 SR 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	555,869	453,036
Accounts receivable, other receivables, and prepayments	5	154,425	3,322
Inventories	6	104,425	-
TOTAL CURRENT ASSETS		814,719	456,358
NON-CURRENT ASSETS			
Investment in associates	7	1,006,754	732,949
Projects under development	8	35,338	22,839
Construction work in progress	9	4,083,219	3,503,224
Motor vehicles and equipment	10	15,558	5,482
TOTAL NON-CURRENT ASSETS		5,140,869	4,264,494
TOTAL ASSETS		5,955,588	4,720,852
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST			
CURRENT LIABILITIES			
Accounts payable and accruals	12	183,871	93,636
Retentions payable		64,098	130,925
Short term loans	13	-	589,032
Advances against Islamic facilities-current portion	14	15,573	15,560
Zakat provision	16	1,200	-
TOTAL CURRENT LIABILITIES		264,742	829,153
NON-CURRENT LIABILITIES			
Advances against Islamic facilities	14	922,387	659,620
Term loans	15	1,337,990	957,670
Fair value of interest rate swaps	14	85,723	148,547
Employees' terminal benefits		13,503	7,606
TOTAL NON CURRENT LIABILITIES		2,359,603	1,773,443
TOTAL LIABILITIES		2,624,345	2,602,596
SHAREHOLDERS' EQUITY AND MINORITY INTEREST			
Share capital	1	2,925,300	1,875,000
Statutory reserve		7,715	69
Retained earnings		130,919	62,102
Change in fair value of interest rate swaps	14	(125,545)	(167,987)
TOTAL SHAREHOLDERS' EQUITY		2,938,389	1,769,184
Minority interest	17	392,854	349,072
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTEREST		3,331,243	2,118,256
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST		5,955,588	4,720,852

The attached notes 1 to 22 form part of these consolidated financial statements.

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2009

	Note	2009 SR 000	2008 SR 000
General and administration expenses	18	39,428	40,168
LOSS FROM MAIN OPERATIONS		(39,428)	(40,168)
Murabaha income		1,269	65
Right issue cost		(38,334)	-
Other income		525	-
Preoperating expenses, net		-	(3,776)
LOSS BEFORE SHARE IN RESULTS OF AN ASSOCIATE		(75,968)	(43,879)
Share in results of an associate		153,666	3,323
INCOME/(LOSS) BEFORE MINORITY INTEREST AND ZAKAT		77,698	(40,556)
Minority interest		(35)	944
Zakat	16	(1,200)	(1,534)
NET INCOME/(LOSS) FOR THE YEAR		76,463	(41,146)
Earnings (loss) per share (From net income)		0.35	(0.22)
(Loss) per share (From main operations)		(0.18)	(0.22)
Weighted average number of shares outstanding		219,152,877	187,500,000

The attached notes 1 to 22 form part of these consolidated financial statements.

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Note	2009 SR 000	2008 SR 000
OPERATING ACTIVITIES			
Income/(loss) before zakat and minority interest		77,698	(40,556)
Adjustments for:			
Depreciation		3,827	1,033
Employees' terminal benefits, net		5,897	3,918
Share in results of associates		153,666	(3,323)
Loss on sale of property and equipment		412	38
Right issue costs paid		38,334	-
		279,834	(38,890)
Changes in operating assets and liabilities			
Receivable		(151,103)	(1,376)
Inventories		(104,425)	-
Accounts payable and accruals		23,408	60,767
Cash from operations		47,714	20,501
Right issue costs paid		(38,334)	-
Zakat and income tax paid		-	(401)
Net cash from operating activities		9,380	20,100
INVESTING ACTIVITIES			
Additions to property and equipment		(9,527)	(5,152)
Additions to cost of project under development		(12,499)	(11,613)
Proceeds from sale of property and equipment		-	66
Additions to capital work in progress		(584,783)	(1,311,994)
Additions to investment in associates		(124,815)	-
Net cash used in investing activities		(731,624)	(1,328,693)
FINANCING ACTIVITIES			
Change in short term loans, net		(589,032)	360,032
Proceeds from long term loans		380,320	757,670
Proceeds from advances against Islamic facilities		262,780	562,650
Reimbursement of income tax from minority shareholder		-	115
Minority interest		(279,291)	-
Issue of share capital		1,050,300	-
Net cash from financing activities		825,077	1,680,467
INCREASE IN CASH AND CASH EQUIVALENTS		102,833	371,874
Cash and cash equivalents at the beginning of the year		453,036	81,162
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	555,869	453,036

The attached notes 1 to 22 form part of these consolidated financial statements.

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Year ended 31 December 2009

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Change in fair value of interest rate swaps SR 000	Total SR 000
Balance at 31 December 2007	1,875,000	69	103,248	(28,074)	1,950,243
Net loss for the year	-	-	(41,146)	-	(41,146)
Change in fair value of interest rate swaps	-	-	-	(139,913)	(139,913)
Balance at 31 December 2008	1,875,000	69	62,102	(167,987)	1,769,184
Increase of share capital (note 1)	1,050,300	-	-	-	1,050,300
Net income for the year	-	-	76,463	-	76,463
Transfer to statutory reserve	-	7,646	(7,646)	-	-
Change in fair value of interest rate swaps	-	-	-	42,442	42,442
Balance at 31 December 2009	2,925,300	7,715	130,919	(125,545)	2,938,389

The attached notes 1 to 22 form part of these consolidated financial statements.

1- ACTIVITIES

Sahara Petrochemical Company ("the parent company") is a Saudi Joint Stock Company registered under commercial registration number 1010199710 dated 19 Jumada'I 1425H (corresponding to 7 July 2004). The authorized, issued and fully paid share capital of the parent company before the capital increase was SR 1,875,000,000 divided into 187,500,000 shares of SR 10 each.

On 1 Ramadan 1430H (corresponding to 22 August 2009) the shareholders of the parent company agreed in their extraordinary general assembly meeting held in Riyadh to increase the share capital of Sahare Petrochemical Company ("the parent company") by way of a rights issue amounting to SR 1,050,300,000 limited to the existing shareholders registered in the records of the parent company at the end of trading on the day of meeting corresponding to 22 August 2009. Number of shares issued in the rights offering was 105,030,000 shares in the price of SR 10 each and without any premium. The subscription price for the additional shares was set at SR 10, SR 12, SR 14 and SR 16. Thus, the share capital of the parent company became SR 2,925,300,000 divided into 292,530,000 shares of SR 10 each. The legal formalities in respect of the share capital increase are still in progress.

The principal activities of the parent company and its subsidiary ("the Group") are to invest in industrial projects, specially in the petrochemical and chemical fields and to own and execute projects necessary to supply raw materials and utilities. The Group 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 Group will be transferred to separate companies when they are established.

Al Waha Petrochemical Company ("the subsidiary"), is a Saudi limited liability company registered under commercial registration number 2055007751, and is owned 75% by Sahara Petrochemical Company and 25% by Basell Arabia Investments, its contribution amounting to SR 1,161 million. The subsidiary company is still in the commissioning phase as at 31 December 2009.

The parent company also owns a 32.55% share in Tasnee and Sahara Olefins Company (the "Associate"), a closed Saudi Joint Stock Company,(with initial contribution of SR 781.2 million). This associated company owns 75% share of Saudi Ethylene and Polyethylene Company which has commenced its commercial production effective 1 June 2009.

During the year, the parent company has invested in Saudi Acrylic Acid Company, a Saudi limited liability company, with a direct share of 15% of the capital, where the direct contribution amounted to SR 82.5 million, and the parent company owns indirect share through Tasnee and Sahara Olefins Company (the "Associate") referred to above, which has a stake in this company of 65%. The company has not started its commercial operations yet.

The parent company's headquarters are located in Riyadh, where the branch and the industrial facilities are located at Jubail Industrial City, Kingdom of Saudi Arabia.

2- BASIS OF PREPARATION

The parent company and its subsidiary are consolidated from the date the parent company obtains control until such time as control ceases. The consolidated financial statements comprise the financial statements of Sahara Petrochemical Company and its subsidiary as explained in note 1. Acquisition of the subsidiary is accounted for using the purchase method of accounting. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. The attributable equity interests of third parties in the group are included under the minority interest caption in these consolidated financial statements. All intra-group balances, transactions, income and expenses and profit and loss resulting from intra-group transactions are eliminated in full.

3- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

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

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consists of bank balances, cash on hand, short term murabahat and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision 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 there is no possibility of recovery.

Inventories

Raw material and spare parts are stated at the lower of cost and market value.

Investment in associates

Investment in associates are accounted for using the equity method.

Projects under development

Projects under development represents mainly legal, feasibility studies, and other related costs incurred by the group for the development of industrial projects and are accounted for at cost. Upon successful incorporation of the new companies, costs associated with the projects are transferred to the respective companies. When certain projects are considered to be not feasible, the related costs are written off immediately.

Construction work in progress

Construction work in progress are recognised at cost of materials and services needed to fabricate the plant and equipment plus salaries and other costs that can be specifically identified as necessary costs to have the plant and equipment ready for its intended use and other overheads allocated on a systematic basis, as well as capitalised borrowing costs. The cost of construction work in progress is reduced by the net proceeds from sale of products during the commissioning phase.

Borrowing costs

Borrowing costs are recorded generally as period costs when incurred. Borrowing costs directly attributable to the construction of qualifying assets are capitalised. The capitalisation starts when the construction work is in progress and the expenses and borrowing costs are incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. In case portion of the loan are deposited in Murabahat investment or deposits, the financial income earned is credited to the capitalised borrowing costs.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Motor vehicles and equipment

Motor vehicles and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of motor vehicles and equipment are depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of motor vehicles and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exits and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Expenditure for repair and maintenance are charged to income. Improvements that increase the value or materially extend the useful life of the related assets are capitalised.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The liability is charged to the consolidated statement of income. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for at that time.

Employees' terminal benefits

Provision is made for amounts payable under the employments contract applicable to employees' accumulated periods of service at the cosolidation balance sheet date.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, the parent company must aside 10% of its consolidated net income until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution.

Foreign currencies transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidation balance sheet date. All differences are taken to the consolidated statement of income.

Derivative financial instruments

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

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

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

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

All the period expenses are classified as general and administration expenses.

Lease contracts

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewords of ownership to the lessee. All other leases are classified as operating leases. All assets owned under capital lease agreements are recorded as an assets at the lower of the present value of the minimum lease payments or fair market value of the asset at the date of the commencement of the lease. The difference between the gross lease obligation and the lower of the present value of the minimum lease payments and the fair market value of the asset at the commencement of the lease are considered financial costs and charged to the consolidated statement of income during the lease term to achieve a consistent rate of allocation over the remaining lease obligation for each accounting period.

Rentals payable under operating leases are charged to the consolidated statement of income over the lease term on a straight-line basis.

Earning (loss) per share

Basic earnings (loss) per share from net income (loss) is calculated by dividing the net results for the year by the weighted average of number of shares outstanding during the year.

Basic earnings (loss) per share from main operations are calculated by dividing income (loss) from main operations for the year by the weighted average of number of shares outstanding during the year.

Segmental Analysis

A segment is a distinguishable component of the company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Segmental analysis is not disclosed until the group of companies commence the commercial operations.

Fair values

The fair value of commission-bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

4- CASH AND CASH EQUIVALENTS

	2009 SR 000	2008 SR 000
Bank balances and cash	555,869	25,036
Short term murabaha investment	-	428,000
	555,869	453,036

Murabaha investments are kept with local commercial banks and are maintained in Saudi Riyals and US Dollars. These investments have original maturities of less than 3 months.

5- ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, AND PREPAYMENTS

	2009	2008
	SR 000	SR 000
Amount due from an affiliate (note 11)	117,273	145
Trade receivables	12,319	173
Prepayments	273	2,176
Other receivables	24,460	282
	154,425	3,322

6- INVENTORIES

	2009	2008
	SR 000	SR 000
Raw materials	46,371	-
Spare parts and consumbles	58,054	-
	104,425	-

Spare parts inventories, are primarily related to plant and equipment, which are still under construction and accordingly expected to be utilised after the commencement of production in the plants of the group, which will be over more than one year.

7- INVESTMENT IN ASSOCIATES

The movement in the investments in associated companies are as follows:

	Tasnee and Sahara Olefins Company SR 000	Saudi Acrylic Acid Company SR 000	Total SR 000
Balance at 1 January	732,949	-	732,949
Additions during the year	42,315	82,500	124,815
Share of change in fair value of interest rate swaps	(4,676)	-	(4,676)
Share in results of associates	153,666	-	153,666
Balance at 31 December	924,254	82,500	1,006,754

The company has not accounted for its share in results of Saudi Acrylic Acid Company as the company was formed during the year and has not started commercial operations yet.

8- PROJECTS UNDER DEVELOPMENT

	2009 SR 000	2008 SR 000
Beginning of the year	22,839	11,226
Incurred during the year	12,499	11,613
At the end of the year	35,338	22,839

The cost of projects under development is mainly related to Chlor-Alakali and EDC projects.

9- CONSTRUCTION WORK IN PROGRESS

	2009 SR 000	2008 SR 000
At the begining of the year	3,503,224	2,191,230
Additions	584,783	1,311,994
Transfers to motor vehicles and equipment	(4,788)	-
At the end of the year	4,083,219	3,503,224

Construction work in progress mainly represents the costs incurred by the subsidiary for the construction of a Propane Dehydrogenation and Polypropylene Plants at Jubail Industrial City, Kingdom of Saudi Arabia. The cost of the project is currently estimated at approximately SR 4,300 million of which approximately 40 % is financed by equity and the remaining by debt finance from SIDF, Public Investment Fund (PIF) and commercial borrowings.

Construction related costs at 31 December 2009 comprise construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the management. Directly attributable costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs.

Finance costs capitalized by the subsidiary during the year amounted to SR 101 million (2008: SR 88.44 million).

The subsidiary's plant facilities are constructed on a plot of land allocated by the Royal Commission of Jubail and Yanbu to the parent company and sub-leased to the subsidiary. The lease term is for 30 years commenced in 2006 and is renewable by mutual agreement of the parties.

10- MOTOR VEHICLES AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Motor vehicles	4 years
Furniture and office equipment	2 to 10 years

	Motor vehicles SR 000	Furniture and office equipment SR 000	Total 2009 SR 000	Total 2008 SR 000
Cost:				
At the beginning of the year	3,831	3,186	7,017	2,029
Additions	390	9,137	9,527	5,152
Transfers form construction work in progress	-	4,788	4,788	-
Disposals	(537)	-	(537)	(164)
At the end of the year	3,684	17,111	20,795	7,017
Depreciation:				
At the beginning of the year	697	838	1,535	562
Charge for the year	899	2,928	3,827	1,033
Disposals	(125)	-	(125)	(60)
At the end of the year	1,471	3,766	5,237	1,535
Net book amounts:				
At 31 December 2009	2,213	13,345	15,558	
At 31 December 2008	3,134	2,348		5,482

11- RELATED PARTY TRANSACTIONS

The following are major related party transactions during the year:

- - Sahara Petrochemical Company («the Company») has rented its admin building in Jubail city from an affiliate. Total charges to the group in this regard amounted to SR 1.4 million (2008: Nil).
- - Total purchases of raw material from one of the affiliates during the year amounted to SR 52 million (2008: Nil).
- - The company has sold part of its testing products during the year to one of the related parties, which amounted to SR 117.3 million (2008: Nil)
- Prices and terms of these transactions are approved by the management of the group.
- Amounts due from affiliates are disclosed in Note 5 to the consolidated financial statements.

12- ACCOUNTS PAYABLE AND ACCRUALS

	2009 SR 000	2008 SR 000
Trade accounts payable	111,829	58,118
Accrued expenses and other liabilities	72,042	35,518
	183,871	93,636

13- SHORT TERM LOANS

These represents the short term financing facilities received from two banks and are utilized to bridge finance the project costs incurred by the subsidiary until the disbursement of remaining loan facility from Saudi Industrial Development Fund (notes 15) and until the right issue to increase the share capital (note 1).

The facilities were carrying financial cost at commercial rates.

As the parent company has received the remaining facility from the Saudi Industrial Development Fund, and has also increased its share capital through right issue shares, the parent company has paid the short term loans in full during the year.

14- ADVANCES AGAINST ISLAMIC FACILITIES

During 2006, the subsidiary signed an IFA for US$ 276.6 million (SR 1,037.3 million) through which the commercial banks will participate in the procurement of the Project assets on the basis of co-ownership. On the completion of the Project, the co-owned assets will be leased to the subsidiary at an annual rental calculated at LIBOR plus 1.95%. Under a separate Purchase Undertaking Agreement, the subsidiary will purchase the above assets from the banks over a period of 11 years starting six months after the completion of the Project. As of 31 December 2009, the subsidiary has drawn down US$ 246 million (2008: US$ 160 million) from the total available facility. One installment of SR 15.6 million due in 2010 is shown as current liability in the consolidated balance sheet.

The Subsidiary has entered into an interest rate swap contract with commercial banks to manage the exposure to volatility in interest rates for a notional amount ranging from US$ 16.71 million (SR 62.68 million) to US$ 503.79 million (SR 1,889.71 million) with no upfront premium. The option fixed rate is 5.105% per annum and is exercisable effective June 29, 2007 on a half yearly basis, up to December 31, 2016.

15- TERM LOANS

	2009 SR 000	2008 SR 000
Saudi Industrial Development Fund loan (“SIDF”)	400,000	320,000
Public Investment Fund loan (“PIF”)	937,990	637,670
	1,337,990	957,670

Saudi Industrial Development Fund loan

On 18 June 2007, the subsidiary signed a term loan agreement of SR 400 million with SIDF. The loan is secured through mortgage of assets, assignment of insurance proceeds, technology rights and corporate guarantee of the partners to the extent of their ownership in the subsidiary. The loan is payable over 13 semi-annual installments starting from 15 Sha’aban, 1432H corresponding (July 17, 2011). The loan agreement includes covenants to maintain financial ratios during the loan period. At 31 December 2009, the Subsidiary has drawn down SR 400 million (2008 - SR 320 million).

15- TERM LOANS (continued)

Public Investment Fund loan

On 31 October 2007, the Subsidiary signed a term loan agreement of US$ 250 million (SR 937.9 million) with PIF. This loan carries interest at London Inter Bank Offered Rate ("LIBOR") plus 0.5% and is repayable in twenty semi annual equal installments starting from May 2011. The loan is secured by mortgage over the assets of the subsidiary through an interparty deed with the commercial banks under Islamic Facilities Agreement ("IFA"). At 31 December 2009, the subsidiary has drawn down US$ 250 million (2008 - US$ 170 million) from the total available facility.

16- ZAKAT

Charge for the year

The zakat charge consists of:

	2009 SR 000	2008 SR 000
Current provision	1,200	-
Adjustment for previous years	-	1,225
Charge for the	1,200	1,225

Movements in provision:

The movement in the zakat provision was as follows:

	2009 SR 000	2008 SR 000
At the beginning of the	-	(1,133)
Provided during the	1,200	1,534
Payments during the	-	(401)
At the end of the	1,200	-

Status of assessments

Zakat assessments have been agreed with the Department of Zakat and Income Tax (DZIT) for the parent company and its subsidiary for all years up to 2004. The zakat assessment of the parent company for the year 2005 has been raised with additional zakat liability of SR 4.69 million. The parent company has appealed against the DZIT assessment in front of the preliminary appeal committe.

The zakat assessments for the parent company and the zakat and tax assessments for the subsidiary for the years from 2006 up to 2008, have not been raised yet.

17- MINORITY INTEREST

Minority interest represents Basel Arabia Investments share of 25% in Al Waha Petrochemical Company.

18- GENERAL AND ADMINISTRATION EXPENSES

	2009 SR 000	2008 SR 000
Employee costs	29,490	30,972
Rent	793	1,153
Subscribtion	76	396
Advertising and public relations	482	1,910
Others	8,587	5,737
	39,428	40,168

19- CAPITAL COMMITMENTS

The group has future capital expenditures amounting to SR 75.7 million (2008 - SR 251 million).

20- RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The group is exposed to commission rate risk on its commission bearing assets including bank deposits and its commission bearing liabilities including term loans and advances against islamic facilities.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other parry to incur a financial loss. The group has no significant credit risk as it has not commenced its commercial operations. Cash is placed with national banks with sound credit ratings.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The group manages its liquidity risk by ensuring that bank facilities are available.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The group is exposed to the fluctuation in foreign exchange rates during its normal business activities. The gruop has not entered into significant transactions in currencies other than Saudi Riyals, US Dollars and Euro during the year.

21- FAIR VALUES OF FINANCIAL INSTRUMENTS

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 group's financial assets consist of cash and cash equivalents, account receivables, other receivables and prepayments; its financial liabilities consist of term loans, account payable and accruals.

Management believes that fair values of the group's financial instruments are not materially different from their carrying values at year end.

22- COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF SAHARA PETROCHEMICAL COMPANY (SAUDI JOINT STOCK COMPANY)

Scope of audit:

We have audited the accompanying consolidated balance sheet of Sahara Petrochemical Company (Saudi Joint Stock Company) and its subsidiary as at 31 December 2010 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the parent company and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion:

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

i) present fairly, in all material respects, the consolidated financial position of the company and its subsidiary as at 31 December 2010 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

ii) comply with the requirements of the Regulations for Companies and the parent company's by-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

18 Rabi' I 1432H
21 February 2011

Alkhobar

Abdulaziz A. Alsowailim 277 Abdulaziz Alshubaibi 339 Fahad M. Al-Toaimi 354 Ahmed I. Reda 356

Offices in the Kingdom : Alkhobar, Jeddah, Riyadh

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED BALANCE SHEET

As At 31 December 2010

	Note	2010 SR 000	2009 SR 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	164,064	555,869
Inventories	5	114,567	81,611
Accounts receivable, other receivables, and prepayments	6	454,651	154,425
TOTAL CURRENT ASSETS		733,282	791,905
NON-CURRENT ASSETS			
Investment in associates	7	1,538,316	1,006,754
Projects under development	8	135,480	35,338
Construction work in progress	9	4,156,789	4,106,033
Motor vehicles and equipment	10	20,437	15,558
TOTAL NON-CURRENT ASSETS		5,851,022	5,163,683
TOTAL ASSETS		6,584,304	5,955,588
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST			
CURRENT LIABILITIES			
Accounts payable and accruals	12	288,863	183,871
Retentions payable		56,187	64,098
Current portion of advances against Islamic facilities	13	31,145	15,573
Current portion of term loans	14	108,850	-
Zakat provision	15	2,400	1,200
TOTAL CURRENT LIABILITIES		487,445	264,742
NON-CURRENT LIABILITIES			
Advances against Islamic facilities	13	990,911	922,387
Term loans	14	1,229,140	1,337,990
Fair value of interest rate swaps	13	90,006	85,723
Employees' terminal benefits		19,884	13,503
TOTAL NON CURRENT LIABILITIES		2,329,941	2,359,603
TOTAL LIABILITIES		2,817,386	2,624,345
SHAREHOLDERS' EQUITY AND MINORITY INTEREST			
Share capital	1	2,925,300	2,925,300
Statutory reserve		40,631	7,715
Retained earnings		427,162	130,919
Change in fair value of interest rate swaps	13	(88,272)	(125,545)
TOTAL SHAREHOLDERS' EQUITY		3,304,821	2,938,389
Minority interest	16	462,097	392,854
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTEREST		3,766,918	3,331,243
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST		6,584,304	5,955,588

The attached notes 1 to 21 form part of these consolidated financial statements.

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2010

	Note	2010 SR 000	2009 SR 000
General and administration expenses	17	10,966	39,428
LOSS FROM MAIN OPERATIONS		(10,966)	(39,428)
Murabaha income		2,306	1,269
Other income		(507)	525
Right issue cost		-	(38,334)
LOSS BEFORE SHARE IN RESULTS OF AN ASSOCIATE		(9,167)	(75,968)
Share in results of an associate	7	339,526	153,666
INCOME BEFORE MINORITY INTEREST AND ZAKAT		330,359	77,698
Minority interest		-	(35)
Zakat	15	(1,200)	(1,200)
NET INCOME FOR THE YEAR		329,159	76,463
Earnings per share from net income		1.13	0.35
(Loss) per share from main operations		(0.04)	(0.18)
Weighted average number of shares outstanding (in thousands)		292,530	219,153

The attached notes 1 to 21 form part of these consolidated financial statements.

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 SR 000	2009 SR 000
OPERATING ACTIVITIES			
Income before zakat and minority interest		330,359	77,698
Adjustments for:			
Depreciation		5,796	3,827
Employees' terminal benefits, net		6,381	5,897
Share in results of associates		(339,526)	(153,666)
Loss on sale of motor vehicles and equipment		565	412
Right issue costs		-	38,334
Murabaha income		(2,306)	(1,269)
		1,269	(28,767)
Changes in operating assets and liabilities			
Receivable		(300,226)	(151,103)
Inventories		(32,956)	(81,611)
Payables		97,081	23,408
Cash used in operations		(234,832)	(238,073)
Right issue costs paid		-	(38,334)
Net cash used in operating activities		(234,832)	(276,407)
INVESTING ACTIVITIES			
Additions to motor vehicles and equipment		(10,375)	(9,527)
Additions to cost of project under development		(100,891)	(12,499)
Proceeds from sale of motor vehicles and equipment		190	-
Additions to capital work in progress		(51,062)	(607,597)
Murabaha income		2,306	1,269
Additions to investment in associates		(151,550)	(124,815)
Net cash used in investing activities		(311,382)	(753,169)
FINANCING ACTIVITIES			
Change in term loans, net		-	(208,712)
Proceeds from advances against Islamic facilities		84,096	262,780
Minority interest		70,313	28,041
Issue of share capital		-	1,050,300
Net cash from financing activities		154,409	1,132,409
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(391,805)	102,833
Cash and cash equivalents at the beginning of the year		555,869	453,036
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	164,064	555,869

The attached notes 1 to 21 form part of these consolidated financial statements.

Sahara Petrochemical Company

(Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

Year ended 31 December 2010

	Share capital SR 000	Statutory reserve SR 000	Retained earnings SR 000	Change in fair value of interest rate swaps SR 000	Total SR 000
Balance at 31 December 2008	1,875,000	69	62,102	(167,987)	1,769,184
Increase of share capital (note 1)	1,050,300	-	-	-	1,050,300
Net income for the year	-	-	76,463	-	76,463
Transfer to statutory reserve	-	7,646	(7,646)	-	-
Change in fair value of interest rate swaps	-	-	-	42,442	42,442
Balance at 31 December 2009	2,925,300	7,715	130,919	(125,545)	2,938,389
Net income for the year	-	-	329,159	-	329,159
Transfer to statutory reserve	-	32,916	(32,916)	-	-
Change in fair value of interest rate swaps	-	-	-	37,273	37,273
Balance at 31 December 2010	2,925,300	40,631	427,162	(88,272)	3,304,821

The attached notes 1 to 21 form part of these consolidated financial statements.

1- ACTIVITIES

Sahara Petrochemical Company ("the parent company") is a Saudi Joint Stock Company registered under commercial registration number 1010199710 dated 19 Jumada'I 1425H (corresponding to 7 July 2004). The authorized, issued and fully paid share capital of the parent company before the capital increase was SR 1,875,000,000 divided into 187,500,000 shares of SR 10 each.

On 1 Ramadan 1430H (corresponding to 22 August 2009) the shareholders of the parent company agreed in their extraordinary general assembly meeting held in Riyadh to increase the share capital of Sahare Petrochemical Company ("the parent company") by way of a rights issue amounting to SR 1,050,300,000 limited to the existing shareholders registered in the records of the parent company at the end of trading on the day of meeting corresponding to 22 August 2009. Number of shares issued in the rights offering was 105,030,000 shares in the price of SR 10 each and without any premium. The subscription price for the additional shares was set at SR 10, SR 12, SR 14 and SR 16. Thus, the share capital of the parent company became SR 2,925,300,000 divided into 292,530,000 shares of SR 10 each.

The board of directors of Sahara Petrochemicals Company has recommended applying for the Capital Market Authority and the Ministry of Commerce and Industry and the General Assembly to increase the share capital of the company by way of a rights issue amounting to SR 1,584,600,000 to finance expansions and future projects of the company.

The principal activities of the parent company and its subsidiary ("the Group") are to invest in industrial projects, especially in the petrochemical and chemical fields and to own and execute projects necessary to supply raw materials and utilities. The Group 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 Group will be transferred to separate companies when they are established.

Al Waha Petrochemical Company ("the subsidiary"), is a Saudi limited liability company registered under commercial registration number 2055007751, and is owned 75% by Sahara Petrochemical Company and 25% by Basell Arabia Investments, its contribution amounting to SR 1,161 million. The subsidiary company has not commenced its commercial operations as of 31 December 2010.

The parent company also owns a 32.55% share in Tasnee and Sahara Olefins Company (the "Associate"), a closed Saudi Joint Stock Company,(with initial contribution of SR 781.2 million). This associated company owns 75% share of Saudi Ethylene and Polyethylene Company which has commenced its commercial production effective 1 June 2009. During 2009, the parent company has invested in Saudi Acrylic Acid Company, a Saudi limited liability company, with a direct share of 15% of the capital, where the direct contribution amounted to SR 82.5 million. The parent company has increased its share in Saudi Acrylic Acid Company to 22% during the period, where its direct contribution in the company became SR 136,4 million. The parent company owns indirect share through Tasnee and Sahara Olefins Company (the "Associate") referred to above, which has a stake in this company of 65%. The company has not started its commercial operations yet.

The parent company's headquarters are located in Riyadh, where the branch and the industrial facilities are located at Jubail Industrial City, Kingdom of Saudi Arabia.

2- BASIS OF PREPARATION

The parent company and its subsidiary are consolidated from the date the parent company obtains control until such time as control ceases. The consolidated financial statements comprise the financial statements of Sahara Petrochemical Company and its subsidiary as explained in note 1. Acquisition of the subsidiary is accounted for using the purchase method of accounting. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. The attributable equity interests of third parties in the group are included under the minority interest caption in these consolidated financial statements. All intra-group balances, transactions, income and expenses and profit and loss resulting from intra-group transactions are eliminated in full.

3- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

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

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consists of bank balances, cash on hand, short term murabahat and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision 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 there is no possibility of recovery.

Inventories

Raw material and spare parts are stated at the lower of cost and market value.

Investment in associates

Investment in associates are accounted for using the equity method.

Projects under development

Projects under development represents mainly legal, feasibility studies, and other related costs incurred by the group for the development of industrial projects and are accounted for at cost. Upon successful incorporation of the new companies, costs associated with the projects are transferred to the respective companies. When certain projects are considered to be not feasible, the related costs are written off immediately.

Construction work in progress

Construction work in progress are recognised at cost of materials and services needed to fabricate the plant and equipment plus salaries and other costs that can be specifically identified as necessary costs to have the plant and equipment ready for its intended use and other overheads allocated on a systematic basis, as well as capitalised borrowing costs. The cost of construction work in progress is reduced by the net proceeds from sale of products during the commissioning phase.

Borrowing costs

Borrowing costs are recorded generally as period costs when incurred. Borrowing costs directly attributable to the construction of qualifying assets are capitalised. The capitalisation starts when the construction work is in progress and the expenses and borrowing costs are incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. In case portion of the loan are deposited in Murabahat investment or deposits, the financial income earned is credited to the capitalised borrowing costs.

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Motor vehicles and equipment

Motor vehicles and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of motor vehicles and equipment are depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of motor vehicles and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exits and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Expenditure for repair and maintenance are charged to income. Improvements that increase the value or materially extend the useful life of the related assets are capitalised.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The liability is charged to the consolidated statement of income. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for at that time.

Employees’ terminal benefits

Provision is made for amounts payable under the employments contract applicable to employees’ accumulated periods of service at the cosolidation balance sheet date.

Statutory reserve

As required by Saudi Arabian Regulations for Companies, the parent company must aside 10% of its consolidated net income until it has built up a reserve equal to one half of the capital. The reserve is not available for distribution.

Foreign currencies transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidation balance sheet date. All differences are taken to the consolidated statement of income.

Derivative financial instruments

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

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

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

3- SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

All the period expenses are classified as general and administration expenses.

Lease contracts

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewords of ownership to the lessee. All other leases are classified as operating leases. All assets owned under capital lease agreements are recorded as an assets at the lower of the present value of the minimum lease payments or fair market value of the asset at the date of the commencement of the lease. The difference between the gross lease obligation and the lower of the present value of the minimum lease payments and the fair market value of the asset at the commencement of the lease are considered financial costs and charged to the consolidated statement of income during the lease term to achieve a consistent rate of allocation over the remaining lease obligation for each accounting period.

Rentals payable under operating leases are charged to the consolidated statement of income over the lease term on a straight-line basis.

Earning (loss) per share

Basic earnings per share from net income is calculated by dividing the net income for the year by the weighted average of number of shares outstanding during the year.

Basic earnings (loss) per share from main operations are calculated by dividing income (loss) from main operations for the year by the weighted average of number of shares outstanding during the year.

Segmental Analysis

A segment is a distinguishable component of the company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. Segmental analysis is not disclosed until the group of companies commence the commercial operations.

Fair values

The fair value of commission-bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

4- CASH AND CASH EQUIVALENTS

	2010 SR 000	2009 SR 000
Bank balances and cash	70,913	555,869
Short term Murabaha investments	93,151	-
	164,064	555,869

Murabaha investments are kept with local commercial banks and are maintained in Saudi Riyals and US Dollars. These investments have original maturities of less than 3 months.

5- INVENTORIES

	2010 SR 000	2009 SR 000
Raw materials	23,114	23,558
Spare parts and consumbles	91,453	58,053
	114,567	81,611

Spare parts inventories, are primarily related to plant and equipment, which are still under construction and accordingly expected to be utilised after the commencement of production in the plants of the group, which will be over more than one year.

6- ACCOUNTS RECEIVABLE, OTHER RECEIVABLES, AND PREPAYMENTS

	2010 SR 000	2009 SR 000
Amounts due from an affiliate (note 11)	421,488	117,273
Trade receivables	4,219	12,319
Prepayments	1,386	373
Other receivables	27,558	24,460
	454,651	154,425

7- INVESTMENT IN ASSOCIATES

The movement in the investments in associated companies are as follows:

	Tasnee and Sahara Olefins Company SR 000	Saudi Acrylic Acid Company SR 000	Total SR 000
Balance at 1 January	924,254	82,500	1,006,754
Additions during the year	97,650	53,900	151,550
Share of change in fair value of interest rate swaps	40,486	-	40,486
Share in results of associates	339,526	-	339,526
Balance at 31 December	1,401,916	136,400	1,538,316

The company has not accounted for its share in results of Saudi Acrylic Acid Company as the company has not started commercial operations yet.

8- PROJECTS UNDER DEVELOPMENT

	2010 SR 000	2009 SR 000
Beginning of the year	35,338	22,839
Incurred during the year	100,891	12,499
Transfers to motor vehicles and equipment	(749)	-
At the end of the year	135,480	35,338

The cost of projects under development is mainly related to Chlor-Alakali and EDC projects.

9- CONSTRUCTION WORK IN PROGRESS

	2010 SR 000	2009 SR 000
At the begining of the year	4,106,033	3,503,224
Additions	51,062	607,597
Transfers to motor vehicles and equipment	(306)	(4,788)
At the end of the year	4,156,789	4,106,033

Construction work in progress mainly represents the costs incurred by a subsidiary for the construction of a Propane Dehydrogenation and Polypropylene Plants at Jubail Industrial City, Kingdom of Saudi Arabia.

Construction related costs at 31 December 2010 comprise construction costs under various agreements and directly attributable costs to bring the asset to the location and working condition necessary for it to be capable of operating in a manner intended by the management. Directly attributable costs include employee benefits, site preparation costs, installation costs, licensing fees, professional fees and borrowing costs.

Finance costs capitalized by the subsidiary during the year amounted to SR 89.4 million (2009: SR 101 million).

The subsidiary's plant facilities are constructed on a plot of land allocated by the Royal Commission of Jubail and Yanbu to the parent company and sub-leased to the subsidiary. The lease term is for 30 years commenced in 2006 and is renewable by mutual agreement of the parties.

10- MOTOR VEHICLES AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Motor vehicles	4 years
Furniture and office equipment	2 to 10 years

	Motor vehicles SR 000	Furniture and office equipment SR 000	Total 2010 SR 000	Total 2009 SR 000
Cost:				
At the beginning of the year	3,843	16,952	20,795	7,017
Additions	962	9,413	10,375	9,527
Transfers form construction work in progress	-	-	-	4,788
Transfers form projects under development	-	1,055	1,055	-
Disposals	(330)	(1,203)	(1,533)	(537)
At the end of the year	4,475	26,217	30,692	20,795
Depreciation:				
At the beginning of the year	1,471	3,766	5,237	1,535
Charge for the year	1,015	4,781	5,796	3,827
Disposals	(221)	(557)	(778)	(125)
At the end of the year	2,265	7,990	10,255	5,237
Net book amounts:				
At 31 December 2010	2,210	18,227	20,437	
At 31 December 2009	2,372	13,186		15,558

11- RELATED PARTY TRANSACTIONS

The following are major related party transactions during the year:

- One of the affiliats of the company has provided construction services to the company. Total amounts charged in that respect amounted to SR 88.8 million (2009: Nil).
- Total purchases of raw material from one of the affiliates during the year amounted to SR 80.8 million (2009: SR 52 million).
- The company has sold part of its testing products during the year to one of the related parties, which amounted to SR 1,047 million (2009: SR 117.3 million).

Prices and terms of these transactions are approved by the management of the group.

Amounts due from an affiliate are disclosed in note 6 to the consolidated financial statements.

12- ACCOUNTS PAYABLE AND ACCRUALS

	2010 SR 000	2009 SR 000
Trade accounts payable	108,299	111,829
Accrued expenses and other liabilities	180,564	72,042
	288,863	183,871

13- ADVANCES AGAINST ISLAMIC FACILITIES

During 2006, the subsidiary signed an IFA for US$ 276.6 million (SR 1,037.3 million) through which the commercial banks will participate in the procurement of the Project assets on the basis of co-ownership. On the completion of the Project, the co-owned assets will be leased to the subsidiary at an annual rental calculated at LIBOR plus 1.95%. Under a separate Purchase Undertaking Agreement, the subsidiary will purchase the above assets from the banks over a period of 11 years starting six months after the completion of the Project. As of 31 December 2010, the subsidiary has drawn down US$ 276.6 million (2009: US$ 246 million) from the total available facility. Two installments of SR 31.1 million due in 2011 (2010: one installment of SR 15.6 million) are shown as current liability in the consolidated balance sheet.

The Subsidiary has entered into an interest rate swap contract with commercial banks to manage the exposure to volatility in interest rates for a notional amount ranging from US$ 16.71 million (SR 62.68 million) to US$ 503.79 million (SR 1,889.71 million) with no upfront premium. The option fixed rate is 5.105% per annum and is exercisable effective June 29, 2007 on a half yearly basis, up to December 31, 2016.

14- TERM LOANS

	2010 SR 000	2009 SR 000
Saudi Industrial Development Fund loan ("SIDF")	400,000	400,000
Public Investment Fund loan ("PIF")	937,990	937,990
	1,337,990	1,337,990
Less: current portion of term loans	(108,850)	-
	1,229,140	1,337,990

Saudi Industrial Development Fund loan

On 18 June 2007, the subsidiary signed a term loan agreement of SR 400 million with SIDF. The loan is secured through mortgage of assets, assignment of insurance proceeds, technology rights and corporate guarantee of the partners to the extent of their ownership in the subsidiary. The loan is payable over 13 semi-annual installments starting from 15 Sha'aban, 1432H corresponding (July 17, 2011). The loan agreement includes covenants to maintain financial ratios during the loan period. At 31 December 2010, the Subsidiary has drawn down SR 400 million (2009 - SR 400 million).

Public Investment Fund loan

On 31 October 2007, the Subsidiary signed a term loan agreement of US$ 250 million (SR 937.9 million) with PIF. This loan carries interest at London Inter Bank Offered Rate ("LIBOR") plus 0.5% and is repayable in twenty semi annual equal installments starting from May 2011. The loan is secured by mortgage over the assets of the subsidiary through an interparty deed with the commercial banks under Islamic Facilities Agreement ("IFA"). At 31 December 2010, the subsidiary has drawn down US$ 250 million (2009 - US$ 250 million) from the total available facility.

15- ZAKAT

Charge for the year

The zakat charge consists of:

	2010 SR 000	2009 SR 000
Current year provision	1,200	1,200
Charge for the year	1,200	1,200

Movements in provision:

The movement in the zakat provision was as follows:

	2010 SR 000	2009 SR 000
At the beginning of the year	1,200	-
Provided during the year	1,200	1,200
At the end of the year	2,400	1,200

Status of assessments

Zakat assessments have been agreed with the Department of Zakat and Income Tax (DZIT) for the parent company and its subsidiary for all years up to 2004. The zakat assessment of the parent company for the year 2005 has been raised with additional zakat liability of SR 4.69 million. The parent company has appealed against the DZIT assessment before the preliminary appeal committe.

The zakat assessments for the parent company for the years from 2006 up to 2009, have not been raised yet. The zakat and tax assessments for the subsidiary for the years from 2005 up to 2009, have not been raised yet.

16- MINORITY INTEREST

Minority interest represents Basel Arabia Investments share of 25% in Al Waha Petrochemical Company.

17- GENERAL AND ADMINISTRATION EXPENSES

	2010 SR 000	2009 SR 000
Employee costs	9,351	29,490
Rent	223	793
Subscribtion	10	76
Advertising and public relations	66	482
Others	1,316	8,587
	10,966	39,428

18- CAPITAL COMMITMENTS

The group has future capital expenditures amounting to SR 219 million (2009 - SR 75.7 million).

19- RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The group is exposed to commission rate risk on its commission bearing assets including bank deposits and its commission bearing liabilities including term loans and advances against islamic facilities.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other parry to incur a financial loss. The group has no significant credit risk as it has not commenced its commercial operations. Cash is placed with national banks with sound credit ratings.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The group manages its liquidity risk by ensuring that bank facilities are available.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The group is exposed to the fluctuation in foreign exchange rates during its normal business activities. The gruop has not entered into significant transactions in currencies other than Saudi Riyals, US Dollars and Euro during the year.

20- FAIR VALUES OF FINANCIAL INSTRUMENTS

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 group's financial assets consist of cash and cash equivalents, account receivables, other receivables and prepayments; its financial liabilities consist of term loans, accounts payable and accruals.

Management believes that fair values of the group's financial instruments are not materially different from their carrying values at year end.

21- COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

Sahara Petrochemical Company and its subsidiary

(Saudi Joint Stock Company)

CONSOLIDATED INTERIM Financial Statements
AND AUDITORS' LIMITED REVIEW REPoRT

FOR THE PERIOD ENDED

30 JUNE 2011

ERNST & YOUNG

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AUDITORS' REPORT TO THE SHAREHOLDERS OF SAHARA PETROCHEMICAL COMPANY (SAUDI JOINT STOCK COMPANY)

Scope of audit:

We have audited the accompanying consolidated balance sheet of Sahara Petrochemical Company (Saudi Joint Stock Company) and its subsidiary as at 30 June 2011 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the period then ended. These consolidated financial statements are the responsibility of the parent Company and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion:

In our opinion, the consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the Company and its subsidiary as at 30 June 2011 and the consolidated results of its operations and its consolidated cash flows for the period then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 to the financial statements which stated that the comparative figures are unaudited and have been presented for comparative purposes only.

for Ernst & Young

Abdulaziz Saud Alshubaibi
Certified Public Accountant
Registration No. 339

6 Ramadan 1432H
6 August 2011

Alkhobar

Sahara Petrochemical Company and its Subsidiary

(Saudi Joint Stock Company)

CONSOLIDATED INTERIM BALANCE SHEET (UN-AUDITED)

As At 30 June 2011

	2011 SR 000	2010 SR 000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	194,558	373,877
Inventory	257,307	110,998
Accounts receivable, other receivables and prepayments	709,433	403,951
TOTAL CURRENT ASSETS	1,161,298	888,826
NONCURRENT ASSETS		
Projects development costs	272,021	58,826
Investment in associates	1,740,794	1,402,115
Construction work in progress	43,580	4,129,387
Property, plant and equipment	4,035,148	21,693
TOTAL NONCURRENT ASSETS	6,091,543	5,612,021
TOTAL ASSETS	7,252,841	6,500,847
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST		
CURRENT LIABILITIES		
Accounts payable and accruals	581,601	225,838
Retentions payable	-	56,187
Current portion of term loans and bridge loan	351,995	78,070
Zakat provision	12,441	1,800
TOTAL CURRENT LIABILITIES	946,037	361,895
NONCURRENT LIABILITIES		
Advances against Islamic facilities	975,339	1,006,484
Term loans	1,162,215	1,291,065
Fair value of interest rate swaps	84,760	102,145
Employees' terminal benefits	22,787	17,053
TOTAL NON-CURRENT LIABILITIES	2,245,101	2,416,747
TOTAL LIABILITIES	3,191,138	2,778,642
SHAREHOLDERS' EQUITY AND MINORITY INTEREST		
Share capital	2,925,300	2,925,300
Statutory reserve	40,631	7,715
Retained earnings	736,108	347,738
Change in fair value of interest rate swaps	(132,361)	(17,612)
TOTAL SHAREHOLDERS' EQUITY	3,569,678	3,263,141
Minority interest	492,025	459,064
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTEREST	4,061,703	3,722,205
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTEREST	7,252,841	6,500,847

The attached notes form part of these consolidated interim financial statements.

Sahara Petrochemical Company and its Subsidiary

(Saudi Joint Stock Company)

CONSOLIDATED INTERIM STATEMENT OF INCOME (UN-AUDITED)

Period ended 30 June 2011

	Interim period from 1April to 30 June		Period from the beginning of the year to 30 June	
	2011 SR 000	2010 SR 000	2011 SR 000	2010 SR 000
Sales	721,330	-	721,330	-
Cost of sales	(560,316)	-	(560,316)	-
GROSS PROFIT	161,014	-	161,014	-
EXPENSES				
Selling and distribution	(21,527)	-	(21,527)	-
General and administration	(4,267)	(867)	(8,581)	(4,510)
INCOME/(LOSS) FROM MAIN OPERATIONS	135,220	(867)	130,906	(4,510)
Other income	138	381	162	717
Financial charges	(24,136)	-	(24,136)	-
INCOME / (LOSS) BEFORE SHARE IN RESULTS OF AN ASSOCIATE	111,222	(486)	106,932	(3,793)
Share in results of an associate	133,554	101,580	250,501	221,211
INCOME BEFORE MINORITY INTEREST AND ZAKAT	244,776	101,094	357,433	217,418
Minority interest	(28,613)	-	(28,613)	-
Income Before Zakat	216,163	101,094	328,820	217,418
Zakat	(7,185)	(300)	(19,874)	(600)
NET INCOME FOR THE PERIOD	208,978	100,794	308,946	216,818
Earnings (Loss) per share (From main operations)	0.46	(0.00)	0.45	(0.02)
Earnings per share (From net income)	0.71	0.34	1.06	0.74
Weighted average number of shares outstanding (in thousand)	292,530	292,530	292,530	292,530

The attached notes form part of these consolidated interim financial statements.

Sahara Petrochemical Company and its Subsidiary

(Saudi Joint Stock Company)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)

Period ended 30 June 2011

	Period from the beginning of the year to 30 June	
	2011 SR 000	2010 SR 000
OPERATING ACTIVITIES		
Income before zakat	328,820	217,418
Adjustments for:		
Depreciation	51,919	2,461
Employees' terminal benefits, net	2,903	3,550
Financial charges	24,136	-
Share in results of an associate	(250,501)	(221,211)
Minority interest	28,613	-
Murabaha income	(43)	(645)
	185,847	1,573
Changes in operating assets and liabilities		
Receivable	(254,782)	(249,526)
Inventories	(86,086)	(6,573)
Payables	132,569	34,056
Cash used in operations	(22,452)	(220,470)
Financial charges paid	(24,136)	-
Zakat paid	(9,833)	-
Net cash used in operating activities	(56,421)	(220,470)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(104,302)	(78,252)
Additions to projects development cost	(146,296)	-
Murabaha income	43	645
Investment in associates	-	(53,900)
Net cash used in investing activities	(250,555)	(131,507)
FINANCING ACTIVITIES		
Loans, net	129,503	99,669
Minority interest	207,967	70,316
Net cash from financing activities	337,470	169,985
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	30,494	(181,992)
Cash and cash equivalents at the beginning of the period	164,064	555,869
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	194,558	373,877

The attached notes form part of these consolidated interim financial statements.

Sahara Petrochemical Company and its Subsidiary

(Saudi Joint Stock Company)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) - continued

Period ended 30 June 2011

SUPPLEMENTARY CASH FLOWS INFORMATION:

	Period from the beginning of the year to 30 June	
	2011 SR	2010 SR
Non-cash transactions are as follows:		
Net change in fair value of interest rate swaps	(44,089)	107,933
Transfer from the construction work in progress to the inventory	56,654	-
Transfer from the construction work in progress to projects development costs	9,755	-
Reversal of accruals from the construction work in progress	103,982	-
Transfer of property and plant form the construction work in progress to the property, plant and equipment	4,063,276	-

The attached notes form part of these consolidated interim financial statements.

1- ACTIVITIES

Sahara Petrochemical Company ("the parent company") is a Saudi Joint Stock Company registered under commercial registration number 1010199710 dated 19 Jumada'l 1425H (corresponding to 7 July 2004). The authorized, issued and fully paid share capital of the parent company is SR 2,925,300,000 divided into 292,530,000 shares of SR 10 each.

The board of directors of Sahara Petrochemicals Company has recommended applying for the Capital Market Authority (CMA) and the Ministry of Commerce and Industry and the Extraordinary General Assembly (EGM) to increase the share capital of the company by way of a right issue amounting to SR 1,462,650,000 to finance expansions and future projects of the company. The number of shares and its price shall be determined after obtaining all the approvals of CMA and EGM of Sahara Petrochemical Company at the end of Tadawul day of the EGM date.

The principal activities of the parent company and its subsidiary ("the Group") are to invest in industrial projects, especially in the petrochemical and chemical fields and to own and execute projects necessary to supply raw materials and utilities. The Group 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 Group will be transferred to separate companies when they are established.

Al Waha Petrochemical Company ("the subsidiary"), is a Saudi limited liability company registered under commercial registration number 2055007751, and is owned 75% by Sahara Petrochemical Company and 25% by Basell Arabia Investments. The performance testing of the plant has been completed successfully during March 2011, and the company's commercial operations have commenced effective 1 April 2011.

The parent company also owns a 32.55% share in Tasnee and Sahara Olefins Company (the "Associate"), a closed Saudi Joint Stock Company,(with initial contribution of SR 781.2 million). This associated company owns 75% share of Saudi Ethylene and Polyethylene Company which has commenced its commercial production effective 1 June 2009. The parent company has 22% share in Saudi Acrylic Acid Company, a Saudi limited liability company, with direct contribution in the company of SR 136,4 million. The parent company owns indirect share through Tasnee and Sahara Olefins Company (the "Associate") referred to above, which has a stake in this company of 65%. The company has not started its commercial operations yet.

The parent company's headquarters are located in Riyadh, where the branch and the industrial facilities are located at Jubail Industrial City, Kingdom of Saudi Arabia.

2- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Basis of consolidation of interim financial statements

The consolidated interim financial statements include the interim financial statements of Sahara Petrochemical Company and its subsidiary which is controlled by the company as prepared at 30 June. Control is achieved over the investee company when the parent company has the power to control the financial and operating policies of the investee company.

All significant inter-group transactions and balances have been eliminated in preparing the consolidated interim financial statements.

Accounting convention

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

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the interim financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consists of bank balances, cash on hand, short term murabahat and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision 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 there is no possibility of recovery.

Inventories

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

Investment in associates

Investment in associates is accounted for using the equity method.

Projects development costs

Projects development costs represent mainly legal, feasibility studies, and other related costs incurred by the group for the development of industrial projects and are accounted for at cost. Upon successful incorporation of the new companies, costs associated with the projects are transferred to the respective companies. When certain projects are considered to be not feasible, the related costs are written off immediately.

Construction work in progress

Construction work in progress are recognized at cost of materials and services needed to fabricate the plant and equipment plus salaries and other costs that can be specifically identified as necessary costs to have the plant and equipment ready for its intended use and other overheads allocated on a systematic basis, as well as capitalized borrowing costs. The cost of construction work in progress is reduced by the net proceeds from sale of products during the commissioning phase.

Borrowing costs

Borrowing costs are recorded generally as period costs when incurred. Borrowing costs directly attributable to the construction of qualifying assets are capitalized. The capitalization starts when the construction work is in progress and the expenses and borrowing costs are incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. In case portion of the loan are deposited in Murabahat investment or deposits, the financial income earned is credited to the capitalized borrowing costs.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the assets.

Permanent impairment of non-current assets

At the end of each fiscal year, the group reviews the carrying values of property, plant and equipment and other non-current assets to determine whether there is any indication that those assets have suffered impairment. If such indicators exist, the recoverable amount of the asset is estimated in order to determine the extent of impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The carrying value of the asset (or generating unit) is reduced to the recoverable value when the recoverable value is below the carrying value. Impairment loss is recognized as expense when incurred.

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

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Zakat

Zakat is provided for in the consolidated interim financial statements based on the period share of the estimated zakat for the whole year. Differences between the estimated zakat for the interim period and the zakat provision that is calculated based on the detailed calculation of the zakat base at year end are accounted for at that time.

Employees' terminal benefits

Provision is made for amounts payable under the employments contract applicable to employees' accumulated periods of service at the consolidation interim balance sheet date.

Foreign currencies transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidation interim balance sheet date. All differences are taken to the consolidated interim statement of income.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

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

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

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

Lease contracts

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewords of ownership to the lessee. All other leases are classified as operating leases. All assets owned under capital lease agreements are recorded as assets at the lower of the present value of the minimum lease payments or fair market value of the asset at the date of the commencement of the lease. The difference between the gross lease obligation and the lower of the present value of the minimum lease payments and the fair market value of the asset at the commencement of the lease are considered financial costs and charged to the consolidated interim statement of income during the lease term to achieve a consistent rate of allocation over the remaining lease obligation for each accounting period.

Rentals payable under operating leases are charged to the consolidated statement of income over the lease term on a straightline basis.

Revenue recognition

The group markets its products through marketers. Sales are made directly to final customers and also to the Marketers' distribution platforms. The sales through the distribution platforms are recorded at provisional prices at the time of shipments, which are later adjusted based on actual selling prices received by the Marketers from their final customers. Adjustments are made as they become known to the group. Local and export sales are recognized at the time of delivery of the product at the loading terminals located at the plant and at the King Fahd Industrial Port in Jubail Industrial City.

Expenses

Selling and distribution expenses are those that specifically relate to warehousing and shipping costs as well as allowance for doubtful debts. All the period expenses except for production costs and financial charges are classified as general and administration expenses.

Earning (loss) per share

Basic earnings per share from net income are calculated by dividing the net results for the period by the weighted average of number of shares outstanding during the period.

Basic earnings (loss) per share from main operations are calculated by dividing income (loss) from main operations for the period by the weighted average of number of shares outstanding during the period.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental Analysis

A segment is a distinguishable component of the company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. As substantial portion of the group's sales is made outside the Kingdom and all the group's products are considered within one business segment. Hence, no segmental analysis was presented.

Fair values

The fair value of commission bearing items is estimated based on discounted cash flows using commission rates for items with similar terms and risk characteristics.

Results of the interim period

The parent Company has made all necessary adjustments which are important in order to present fairly in all material respects the consolidated interim financial position and results of operations. The consolidated interim financial results may not be considered an accurate basis for the actual results for the whole year.

3- CAPITAL COMMITMENTS

The group has future capital expenditures as at 30 June 2011 amounting to SR 795 million (30 June 2010 SR 201 million).

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sahara petrochemicals