

Chemical Industry Trends Favor Middle East, KSA: Sadara CEO



Dubai, UAE - January 11, 2015: The Middle East is at the forefront of the changing global chemicals industry, but sustained competitiveness will depend on how effectively the region's producers will be able to transition from commodity to specialty petrochemical products, according to Ziad Al-Labban, CEO of Sadara Chemical Company.

In a keynote speech to the GPCA PlastiCon 2015 conference in Dubai, Mr. Al-Labban noted that the GCC is the world's third largest producer of ethylene, which given the recent entry of low cost shale gas into the North American petrochemical arena will mean an ever more competitive market for producers of commodity chemicals. "Significant growth opportunities do exist," Al-Labban continued, "since production of higher margin specialty chemicals currently comprises less than 1% of total petrochemical production in the GCC. Specialty chemicals demand is driven by the increasing buying power of the middle class in emerging markets, and as studies have shown, this is forecast to grow considerably over the coming years."

In Asia, specifically China, specialty chemicals are in very high demand to support the region's burgeoning manufacturing market, Al-Labban noted.

"The Middle East is in a prime location to tap into the emerging specialty chemicals market in China and the commodities market in Africa," he said. "However, companies will need to be flexible and adaptable to remain competitive in the rapidly evolving plastics industry."



According to IHS data, the Middle East will produce approximately 60 million metric tons of chemical feedstock by 2020, with ethane comprising a little less than half as producers move away from a predominantly gas-based strategy toward a mixed feedstock strategy. Government efforts to attract manufacturing industries to the Kingdom of Saudi Arabia, where the non-oil economy is driving almost 75 percent of total growth, are driving the product mix and focus.

The emergence of an increasingly affluent middle class in emerging economies also creates a significant market opportunity. By 2030 the middle class demographic is expected to include 4.9 billion people with significant growth in Asia and Africa, according to data from the Organization for Economic Co-Operation and Development (OECD). As these economies urbanize they drive demand for building materials and textiles as well as higher-end products including cars and consumer electronics.

The Middle East is ideally placed to support this growth in demand. Saudi Arabia, for example, is within 2,500 miles of 40 percent of the global population, many of whom live in fast-growing markets.

“For Sadara the dynamics of the global plastics market create enormous opportunity,” said Mr. Al-Labban. “As the first company in the region to operate a world scale mixed-feed cracker, we have the flexibility and access to natural resources needed to maintain a diversified feedstock, supported by the human resources and technologies to meet growing demand for both commodity and specialty chemical products. As the industry continues to evolve, Sadara will remain at the forefront of that evolution.”

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About Sadara:

Sadara is a joint venture developed by the Saudi Arabian Oil Company (Saudi Aramco) and The Dow Chemical Company. With a total investment of about \$20 billion, Sadara is building a world scale chemical complex in Jubail Industrial City II in Saudi Arabia's Eastern Province. Comprised of 26 world scale manufacturing units, the Sadara complex is the world's largest to be built in a single phase and will be the first in the Middle East to use refinery liquids, such as naphtha, as feedstock. By using best-in-class technologies to crack refinery liquid feedstock, Sadara will enable many industries that either currently do not exist in Saudi Arabia or only exist through

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imports of raw materials. The adjacent PlasChem Park, a unique collaboration between Sadara and the Royal Commission for Jubail and Yanbu, will create more value downstream, generating unprecedented investment, innovation, economic growth and thousands of jobs. Sadara is on track to deliver its first products second half of 2015, with the complex in full operation in 2016.

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