



## SAUDI BASIC INDUSTRIES CORPORATION (SABIC)

(a joint stock company incorporated under the laws of the Kingdom of Saudi Arabia)  
Commercial Register Number 1010010813

### is Offering **SUKUK EXPIRING 2027**

The Sukuk expiring 2027 (the «Sukuk») of Saudi Basic Industries Corporation (the «Issuer» or «SABIC» or the «Company») are being issued at par, without discount or premium.

On the 15th of January, April, July, and October, in each year, commencing on 15 October 2007 and up to and including 15 July 2027 or, if any such day is not a Business Day (as defined in the terms and conditions of the Sukuk (the «Conditions»)), the next following Business Day (each a «Periodic Distribution Date»), the Issuer is expected to pay an amount equal to the Periodic Distribution Amount (as defined in the Conditions) to the holders of the Sukuk (the «Holders») calculated on the basis of the Benchmark Rate (as defined in the Conditions) plus a specified margin, calculated as a percentage rate per annum, (the «Margin») of the face value of the Sukuk as are current at the end of the relevant Periodic Distribution Period (as defined in the Conditions).

Under a purchase undertaking to be entered into by the Issuer for the benefit of the Custodian and the Sukukholders' Agent (each as defined below) (for, and on behalf of, the Holders) on or about the Closing Date (as defined below) (the «Purchase Undertaking»), the Issuer will undertake to purchase the Sukuk from Holders at a specified predetermined Purchase Price (as defined in the Conditions) which decreases over time, on the Periodic Distribution Dates falling on the 15th of July 2012, 2017, and 2022 (each a «Fifth year Date») (See Condition 11 (Exercise Events) in the section headed «Terms and Conditions» in this Offering Circular).

The Sukuk will be the subject of a declaration of agency (the «Declaration of Agency») to be dated on or about the Closing Date (as defined below) between the Issuer, SABIC Sukuk LLC (the «Custodian») and HSBC Saudi Arabia Limited (the «Sukukholders' Agents»). Pursuant to a sukuk assets transfer agreement (the «Sukuk Assets Transfer Agreement») to be dated on or about the Closing Date, between the Issuer, the Custodian and the Sukukholders' Agent, the Issuer will transfer to the Custodian the Applicable Percentage (as defined in the Conditions) of certain specified rights and obligations under the Marketing Agreements (as defined below) for a period of 20 years (the «Sukuk Assets») (see further under «The Marketing Agreements» of this Offering Circular). It should be noted that 30% of certain rights and obligations under each of the Marketing Agreements (as defined below) have previously been transferred to the Custodian to constitute the sukuk assets in relation to SABIC's SAR 3,000,000,000 Sukuk expiring 2026 issued in 2006. Pursuant to the Declaration of Agency and the Conditions, the Custodian will hold the Sukuk Assets for the benefit of the Holders, pro rata according to the face value of Sukuk held by each Holder.

Distributions of the Periodic Distribution Amounts and the Extra Amounts under the Sukuk will be made from net income from the Sukuk Assets, which is expected to be sufficient to cover the Periodic Distribution Amounts payable to the Holders on each Periodic Distribution Date. Net income in excess of the Periodic Distribution Amounts will be held by SABIC in its capacity as administrator of the Sukuk Assets (in such capacity, the «Sukuk Administrator») on behalf of the Holders as a reserve (the «Reserve») and shall be payable in accordance with the Conditions. The Sukuk Administrator shall have the right to use and invest the Reserve for its own account. Any return from such use or investment, and any losses relating thereto, are solely for the account of the Sukuk Administrator. In the event that there are insufficient funds received from the Sukuk Assets to meet the required Periodic Distribution Amounts payable to Holders on the Periodic Distribution Dates which shortfall arises as a result of the default or negligence of the Sukuk Administrator in performing its obligations under the Sukuk Assets Administration Agreement and/or the Declaration of Agency (each as defined in the Conditions) or the Issuer as a result of its breach of any of its undertakings or representations under the Sukuk Documents (as defined in the Conditions), and in certain other circumstances described in Condition 11.2 (Events of Default), the Holders may request the purchase of the Sukuk by the Issuer. The purchase of the Sukuk will be effected through a sale of the Sukuk to the Issuer pursuant to the Purchase Undertaking.

The aggregate face value, together with the anticipated net proceeds, of the Sukuk to be issued and the Margin will be determined by agreement between the Issuer and the Lead Managers and announced on a date expected to be around the end of July 2007 (see «Subscription and Sale» section of this Offering Circular).

Investing in the Sukuk involves risks that are described in the «Risk Factors» section of this Offering Circular.

Application has been made to register the Sukuk on the Official List maintained by the Authority. Tadawul will be appointed as registrar (the «Registrar», which expression includes any successor registrar) of the Sukuk and the Sukuk will be admitted to the clearing and settlement system of Tadawul, as described in «Terms and Conditions of the Sukuk Register, Title and Transfers» and «Subscription and Sale» section of this Offering Circular, respectively.

The Sukuk will be in registered form in denominations of SAR 10,000 and may be held in holdings of at least SAR 50,000 and integral multiples of SAR 10,000 in excess of SAR 50,000. The Sukuk will be represented at all times by interests in a registered form global certificate, without coupons attached (the «Global Certificate»), which will be deposited with the Sukukholders' Agent. The Sukuk may only be held in book entry dematerialised form and definitive certificates will not be issued to Holders in relation to their holdings of Sukuk.

The offering, sale and delivery of the Sukuk is limited solely to certain persons in the Gulf Corporation Council («GCC») countries who are not a Specified Counterparty (as defined in the Conditions). The distribution of this Offering Circular and the offering, sale and delivery of the Sukuk in any jurisdictions other than Saudi Arabia may be restricted by law. Any person who comes into possession of this Offering Circular is required by the Issuer and the Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Sukuk and on distribution of this Offering Circular and other offering material relating to the Sukuk, see «Subscription and Sale» of this Offering Circular.

The investor presentation period for the Sukuk commences on 11th July 2007 and end on 25th July 2007, as further described in the «Subscription and Sale» section of this Offering Circular, (the «Investor Presentation Period») and the Sukuk will be issued on a date (the «Closing Date») falling no later than ten business days after the end of the Investor Presentation Period.

#### Lead Managers and Bookrunners



#### Shariah Coordinator



#### Regional Coordinator



This Offering Circular is dated 24/6/1428H Corresponding 9/7/2007  
English Translation of the Official Arabic Offering Circular

سابك صكوك  
sabic sukuk



## IMPORTANT NOTICE

This Offering Circular provides details of information relating to the Issuer and the Sukuk being offered. In applying for the Sukuk, investors will be treated as applying on the basis of the information contained in the Offering Circular, copies of which are available for inspection from the Issuer and the Lead Managers (as defined below) or by visiting their respective websites or the website of the Authority ([www.sabic.com](http://www.sabic.com), [www.riyadbank.com](http://www.riyadbank.com), [www.sabb.com](http://www.sabb.com) and [www.cma.org.sa](http://www.cma.org.sa)).

HSBC Saudi Arabia Limited and Riyadh Bank have been appointed by the Issuer to act as the Lead Managers and Bookrunners (the "**Lead Managers**") in relation to the Sukuk described herein.

This Offering Circular includes information given in compliance with the Listing Rules of the Authority. The Directors, whose names appear in the "Management and Employees" section of this Offering Circular, collectively and individually accept full responsibility for the accuracy of the information contained in this Offering Circular relating to the Issuer and the Sukuk and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Offering Circular misleading. The Authority and Tadawul do not take any responsibility for the contents of this Offering Circular, do not make any representation 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 Offering Circular.

While the Issuer has made all reasonable enquiries as to the accuracy of the information contained in this Offering Circular as at the date hereof, substantial portions of the market and industry information herein are derived from external sources, and while neither the Issuer, the Lead Managers, the Lead Managers' advisers nor the Issuer's advisers have any reason to believe that any of the market and industry information is materially inaccurate, such information has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

The information contained in this Offering Circular as at the date hereof is subject to change. In particular, the actual financial state of the Issuer and the value of the Sukuk may be adversely affected by future developments in inflation, financing charges, taxation, calculation of zakat or other economic, political and other factors, over which the Issuer has no control. Neither the delivery of this Offering Circular nor any oral, written or printed interaction in relation to the Sukuk 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 Offering Circular is not to be regarded as a recommendation on the part of the Issuer, the Lead Managers or any of their advisers to purchase the Sukuk. Moreover, information provided in this Offering Circular is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Offering Circular is responsible for obtaining independent professional advice in

relation to the Offering and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs.

References herein to "**this Offering Circular**" shall be deemed to include this document dated 9 July 2007 together with any supplements and amendments hereto. This Offering Circular contains a summary of the key provisions of each of the drafts as of the date of this Offering Circular of the Purchase Undertaking, the Sukuk Assets Transfer Agreement, the Declaration of Agency, the Sukuk Assets Administration Agreement (as defined in the Conditions) and the Payments Administration Agreement (as defined in the Conditions).

The offering, sale and delivery of the Sukuk is limited solely to certain persons in the GCC countries who are not a Specified Counterparty (as defined in the Conditions). The distribution of this Offering Circular and the offering, sale and delivery of the Sukuk in any jurisdictions other than Saudi Arabia may be restricted by law. Any person who comes into possession of this Offering Circular is required by the Issuer and the Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Sukuk and on distribution of this Offering Circular and other offering material relating to the Sukuk, see "Subscription and Sale" of this Offering Circular.

### **Financial Information**

The audited financial statements as at and for the years ended 31 December 2004, 2005 and 2006 and the notes thereto, each of which are incorporated elsewhere in the Offering Circular, have been prepared in conformity with the Saudi Organisation for Certified Public Accountants ("**SOCPA**") Generally Accepted Accounting Principles. The Issuer publishes its financial statements in Saudi Arabian Riyals.

In this Offering Circular, unless otherwise specified, references to "**SAR**", "**Saudi Riyal**" and "**Riyal**" are to the currency of Saudi Arabia and references to "**halalah**" are to the sub-unit of the Riyal. References to "**billions**" are to thousands of millions and references to "**Kmt**" are to thousands of metric tons.

*Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.*

### **Forecasts and Forward Looking Statements**

Forecasts set forth in this Offering Circular 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 Offering Circular constitute "forward-looking-statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "projects", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative or other variation of such terms or

comparable terminology. These forward-looking statements reflect the current views of the Issuer 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 Issuer 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 effect are described in more detail in other sections of this Offering Circular (see "Risk Factors" section). Should any one or more of the risks or uncertainties materialise or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Offering Circular as anticipated, believed, estimated, planned or expected.

Subject to the requirements of the Listing Rules, the Issuer does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Offering Circular, 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 Offering Circular might not occur in the way the Issuer expects, or at all. Prospective purchasers should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

### **Supplementary Offering Circular**

The Issuer shall prepare a supplement to this Offering Circular in accordance with the requirements of the Authority if, at any time after the date of this Offering Circular but before the Sukuk are admitted to the Official List maintained by the Authority, the Issuer becomes aware that:

- (i) there has been a significant change in material matters contained in this Offering Circular or any other document required by the Listing Rules of the Authority; or
- (ii) additional significant matters have become known which would have been required to be included in this Offering Circular.

## PARTIES AND ADVISERS

### ISSUER

#### **Saudi Basic Industries Corporation**

Eastern Circle - King Khalid Airport Road - Exit 8

P.O. Box 5101 - Riyadh 11422 - Kingdom of Saudi Arabia

Authorised representative: Mutlaq Al-Morished, Vice President,  
Corporate Finance



### CUSTODIAN

#### **SABIC Sukuk LLC**

Eastern Circle - King Khalid Airport Road - Exit 8

P.O. Box 5101 - Riyadh 11422 - Kingdom of Saudi Arabia



### SUKUKHOLDERS' AGENT

#### **HSBC Saudi Arabia Limited**

SABB Super Branch - Intersection of King Abdullah Road and  
Olaya Road

P.O. Box 9084 - Riyadh 11413 - Kingdom of Saudi Arabia



### PAYMENTS ADMINISTRATOR

#### **The Saudi British Bank**

Prince Abdulaziz Bin Mosaad - Bin Jalawi Street (Dabaab)

P.O. Box 9084 - Riyadh 11413 - Kingdom of Saudi Arabia

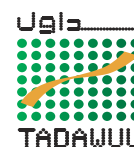


### REGISTRAR

#### **Tadawul**

NCCI building - North Tower - King Fahd Rd

P.O. Box 60612 - Riyadh 11555 - Kingdom of Saudi Arabia



### LEAD MANAGERS AND BOOKRUNNERS

#### **(1) HSBC Saudi Arabia Limited**

SABB Super Branch - Intersection of King Abdullah Road and  
Olaya Road

P.O. Box 9084 - Riyadh 11413 - Kingdom of Saudi Arabia



#### **(2) Riyadh Bank**

Head Office - P.O. Box 22622

Riyadh 11416 - Kingdom of Saudi Arabia



## SHARIAH COORDINATOR

### **SABB Amanah**

Prince Abdulaziz Bin Musaad - Bin Jalawi Street (Dabaab)  
P.O. Box 9084 - Riyadh 11413 - Kingdom of Saudi Arabia



## REGIONAL COORDINATOR

### **HSBC Saudi Arabia Limited**

SABB Super Branch - Intersection of King Abdullah Road and  
Olaya Road  
P.O. Box 9084 - Riyadh 11413 - Kingdom of Saudi Arabia



## LEGAL ADVISERS

### *To the Issuer*

#### **(1) Baker & McKenzie Limited**

Al Salam Tower, 6th Floor  
P.O. Box 11981  
Manama, Kingdom of Bahrain



#### **(2) Torki A. Al-Shubaiki in association with Baker & McKenzie Limited**

Olayan Centre - Tower II - Al Ahsa Road  
P.O. Box 4288 - Riyadh 11491 - Kingdom of Saudi Arabia



### *To the Lead Managers*

#### **(1) Clifford Chance LLP**

10 Upper Bank Street - London  
E14 5JJ - England



#### **(2) Al-Jadaan Law Firm**

Fifth Floor - Al Umam Commercial Center - Siteen St. - Almalaz  
P.O. Box 3515 - Riyadh 11481 - Kingdom of Saudi Arabia



## AUDITORS TO THE ISSUER

### **Deloitte & Touche Bakr Abulkhair & Co.**

Main Olayya Road - Al-Salam Building 1st Floor P.O. Box 213 -  
Riyadh 11411 - Kingdom of Saudi Arabia





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## SUMMARY OF THE OFFERING

A Summary of the Offering which summarises certain information appearing elsewhere in this Offering Circular is set out below.

*Reference is made to, and such Summary is qualified in its entirety by, the more detailed information contained elsewhere in this Offering Circular. Capitalised terms used but not defined in the Summary have the meanings given to them in "Terms and Conditions of the Sukuk".*

Issuer and Sukuk Administrator:	Saudi Basic Industries Corporation (" <b>SABIC</b> ")
Lead Managers and Bookrunners:	HSBC Saudi Arabia Limited and Riyadh Bank
Sukukholders' Agent:	HSBC Saudi Arabia Limited
Payments Administrator:	The Saudi British Bank
Custodian:	SABIC Sukuk LLC, a wholly owned subsidiary of the Issuer being a limited liability company with commercial registration number 1010220370 issued on 18 Jumad Al-Awwal 1427H with a share capital of SAR 500,000.
Registrar:	The Saudi Stock Exchange (" <b>Tadawul</b> ")
Listing:	Application has been made for the Sukuk to be admitted to the Official List maintained by the Authority.
Issue Price:	100 per cent. of the aggregate face value of the Sukuk.
Form of the Sukuk:	Sukuk will only be issued in dematerialised registered form and will be represented at all times by interests in a registered form global certificate (as more particularly described in Condition 2 ( <i>Form and Denomination</i> ) of this Offering Circular) without coupons attached, which will be deposited with the Sukukholders' Agent.
Currency:	Sukuk will be denominated in Saudi Riyals.
Status of the Sukuk:	The Sukuk constitute undivided beneficial ownership interests in the Sukuk Assets and will be issued on an unsecured and unsubordinated basis.
Term:	The Sukuk will expire in July 2027. However, Holders

	will be entitled to sell the Sukuk to the Issuer at the Purchase Price at the end of every 5 years in the circumstances described in Condition 11.1 ( <i>Fifth-year Date</i> ) of this Offering Circular.
Obligatory purchase of the Sukuk by the Issuer:	Holders may only oblige the Issuer to purchase the Sukuk at the applicable Purchase Price prior to the Expiry Date (as defined in Condition 1 ( <i>Definitions</i> ) of this Offering Circular) on each Fifth-year Date (as described in Condition 11.1 ( <i>Fifth-year Date</i> ) of this Offering Circular) or otherwise in the limited circumstances set out in Condition 11.2 ( <i>Events of Default</i> ) of this Offering Circular.
Purchase Price:	An amount payable upon an obligatory purchase of the Sukuk by the Issuer. The Purchase Price applicable to the Sukuk (expressed as a percentage of the face value of the Sukuk) will be 90% at the first Fifth-year Date, 60% at the second Fifth-year Date and 30% at the third Fifth-year Date, as described in Condition 1 ( <i>Definitions</i> ) of this Offering Circular. No Purchase Price is payable to the Holders on the expiry of the Sukuk at the end of 20 years.
Periodic Distribution Amount:	The Benchmark Rate plus a specified margin, calculated as a percentage rate per annum, (see further under "Subscription and Sale" of this Offering Circular) payable quarterly in arrears out of the Net Income from the Sukuk Assets.
Net Income:	The Applicable Percentage of the gross income attributable to the Marketing Agreements less the Administrator's Allowable Costs, the Administration Fee and the Agency Fee as further described in Condition 5 ( <i>Sukuk Assets</i> ) of this Offering Circular.
Extra Amount:	An amount payable (up to 10 per cent. of the aggregate face value of the Sukuk) out of the Reserve on each Fifth-year Date and the Expiry Date as further described in Condition 5(c) ( <i>Application of Proceeds - Reserve</i> ) of this Offering Circular.
Denominations:	Sukuk will be issued in denominations of SAR 10,000, subject to a minimum holding of SAR 50,000.
Negative Pledge:	The Sukuk will have the benefit of a negative pledge as described in Condition 6 ( <i>Negative Pledge</i> ) of this Offering Circular under which the Issuer will agree not to create or permit to subsist any security interests

(other than certain permitted security interests) upon its undertaking, assets or revenues to secure indebtedness in the form of a security (within the meaning of the Capital Market Law) or a guarantee of such indebtedness.

**Cross Default:**

The Sukuk will have the benefit of a cross default as described in Condition 11.2 (*Events of Default*) of this Offering Circular.

**Taxation:**

All payments in respect of the Sukuk will be made free and clear of withholding taxes of Saudi Arabia unless such withholding is required by law. In that event, the Issuer shall pay the Holders such additional amounts to cover such withholding but only to the extent that such amounts are otherwise available for distribution to the Holders from the Net Income and the Reserve.

**Selling Restrictions:**

The offering, sale and delivery of the Sukuk is limited to persons who are Qualified Persons (as defined in Condition 1 (*Definitions*)). In addition, the primary distribution of the Sukuk will be only to Institutional Investors (as defined in "Subscription and Sale" of this Offering Circular), although Qualified Persons who are not Institutional Investors may be able to purchase Sukuk from Institutional Investors subsequently. For a more detailed description of these and other restrictions on offers, sales and deliveries of Sukuk and on the distribution of offering material relating to the Sukuk, see the "Subscription and Sale" section of this Offering Circular.

**Risk Factors:**

A purchase of Sukuk should not be made until after careful consideration of a potential Holder's investment circumstances. See "Risk Factors" of this Offering Circular.

## **SHARIAH SUPERVISORY COMMITTEE AND PRONOUNCEMENT**

### **Detailed pronouncement of the SABB Amanah Shariah Supervisory Committee**

A copy of the detailed pronouncement issued by the SABB Amanah Shariah Supervisory Committee relating to the Sukuk is attached to this Offering Circular as Appendix V.

### **Overview of the SABB Amanah Shariah Supervisory Committee**

The SABB Amanah Shariah Supervisory Committee (the "**Committee**") was appointed by the board of directors of The Saudi British Bank in 2001. The Committee is an independent committee, guiding SABB Amanah and meeting regularly for review and appraisal to ensure full compliance with Shariah.

### **Biographical information of the SABB Amanah Shariah Supervisory Committee**

#### ***Sheikh Abdullah Bin Sulaiman Al-Manea***

Sheikh Abdullah has been a member of the Supreme Judiciary Committee of Saudi Arabia since its inception in the year 1391H.

He is a member of the Islamic Fiqh Academy of the OIC and was formerly Deputy President of the Makkah Courts and former Judge of the Court of Cessation in Makkah Al Mukarramah.

Sheikh Abdullah is a member of many Saudi banks' Shariah supervisory committees. He is also a member of many Shariah councils such as the Accounting & Auditing Organisation of Islamic Financial Institutions (Bahrain).

The Sheikh has supervised a number of PhD theses and has participated in the discussion of a number of MA and PhD dissertations. He has compiled a number of Shariah rulings (interpretive opinions) and is an author of a number of books on Islamic finance.

#### ***Sheikh Dr Abdullah Bin Mohammed Al-Mutlaq***

Sheikh Abdullah is a member of the Permanent Committee for Research and Pronouncements (*iftaa*).

Sheikh Abdullah received his doctorate from Imam Mohammed Bin Saud University in 1404H and was formerly Chairman of the University's Comparative Fiqh Department.

The Sheikh is a member of many Saudi banks' Shariah supervisory committees.

The Sheikh has supervised a number of PhD theses and has participated in the discussion of a number of MA and PhD dissertations. He has compiled a number of Shariah rulings (interpretive opinions) and is an author of a number of books on Islamic finance.

***Sheikh Dr Muhammad A Elgari Bin Eid***

Sheikh Elgari is a Professor of Islamic Economics at King Abdul Aziz University (Jeddah) and former Director of the Centre for Research in Islamic Economics at the same university.

Sheikh Elgari is the laureate of the Islamic Development Bank International Prize in Islamic Banking and Finance for the year 2004. He is an Expert at the Islamic Fiqh Academy of the Organisation of the Islamic Conference and the Islamic Jurisprudence Academy of the Islamic World League (the "IWL").

He is a member of the editorial board of several academic publications in the field of Islamic Finance and Jurisprudence, including the journals of the Jurisprudence Academy (of the IWL), Islamic Economic Studies (of the Islamic Development Bank), Islamic Economics (of the International Association of Islamic Economics, London) and the advisory board of the Harvard Series in Islamic Law.

Sheikh Elgari is a member of numerous Shariah committees of banks and financial institutions.

He has authored several books and articles on Islamic finance in both Arabic and English. Sheikh Elgari is also a frequent speaker in conferences worldwide and was a visiting scholar at Harvard University in 1995. Sheikh Elgari holds a PhD from the University of California.



## **RISK FACTORS**

*Prior to making an investment decision, prospective purchasers of the Sukuk should consider carefully, in light of the circumstances and their investment objectives, all of the information contained in this Offering Circular, including (without limitation) the Risk Factors described below. These Risk Factors are not exhaustive and other considerations or factors, including some which may not be presently known to SABIC, or which SABIC presently deems to be immaterial, may impact on any investment in the Sukuk. Accordingly, prospective purchasers should make their own independent assessment of the risks related to any purchase of the Sukuk and of the economic and regulatory environment in which SABIC operates.*

### **(A) Factors relating to the SABIC Group Business**

#### **1. *Performance of the SABIC Group's affiliates and subsidiaries***

As a holding company, SABIC depends on dividends from its subsidiaries and affiliates, marketing fees it charges from the sale of products made by it for its subsidiaries and affiliates, and other fees and charges it generates from certain administrative and other technical services it provides to its subsidiaries and affiliates. Some of its subsidiaries and affiliates are parties to credit agreements and joint venture agreements that contain financial covenants and other restrictions in certain circumstances on their ability to upstream dividends and make other payments to SABIC. In addition, any declining profitability of those subsidiaries and affiliates could have an effect on their ability to make dividend and other payments to SABIC. SABIC has, however, in the last five years, generated sufficient cash from its subsidiaries and affiliates to make dividend payments to its shareholders.

#### **2. *Operating risk of the SABIC Group's affiliates and subsidiaries***

The smooth and uninterrupted operation of the plant of various SABIC affiliates and subsidiaries is largely dependent on the performance and reliability of equipment and machinery. In addition, the period leading up to the commencement of operations of newly constructed plants involves a number of risks including (without limitation) engineering, procurement and construction cost overruns and delays, environmental issues and costs, start-up and commissioning problems. SABIC's affiliates and subsidiaries, in co-operation with SABIC, have a comprehensive insurance program to cover the risk of business interruption resulting from, among other things, fire or machinery breakdown. Any unforeseen shutdown, breakdown, failure or malfunctioning of the equipment or machinery, or any part of the production process, may result in the loss of efficiency and product delays which could adversely affect the SABIC Group's profitability.

#### **3. *Risks relating to sukuk issues and other asset-backed securities issued by SABIC***

On 29 July, 2006 SABIC issued a SAR 3 billion sukuk maturing in 2026. Pursuant to the sukuk, 30 per cent. of SABIC's revenues from marketing services for its subsidiaries and affiliates has been transferred to a special purpose custodian

company for the benefit of holders of that sukuk. Therefore, the revenues transferred to those sukuk holders will not be available to satisfy the liabilities of SABIC to Holders. Pursuant to Condition 6 (*Negative Pledge*) of the Sukuk, the Issuer agrees not to create or permit to subsist any security interests (other than certain permitted security interests) upon its undertaking, assets or revenues to secure any Relevant Indebtedness or a guarantee of such indebtedness.

4. *Risks relating to debt financing*

If loan or debt facility repayments, in respect of financing taken by the Issuer or any affiliate or subsidiary, cannot be refinanced, extended or paid with the proceeds of other capital transactions, such as new equity or debt capital, the Issuer's or such affiliate's or subsidiary's cash flows may not be sufficient in all years to repay all maturing debt. If prevailing financing costs or other factors at the time of refinancing result in higher financing costs, such increased financing costs could adversely affect the Issuer's or an affiliate's or subsidiary's ability to service debt and complete various projects. In addition, if the Issuer or any affiliate or subsidiary is unable to refinance indebtedness on acceptable terms, or at all, it may need to dispose of one or more of its assets on disadvantageous terms. This in turn could have a material adverse effect on the SABIC Group's profitability.

5. *Risks relating to acquisitions*

The planned acquisition of GE Plastics will represent a significant acquisition for the SABIC Group. SABIC may seek to grow the SABIC Group and its businesses by making further acquisitions or embarking on projects or entering into partnerships and joint ventures. Acquisitions, projects, partnerships or joint ventures may require that the SABIC Group makes a significant cash investment, issues stock or incurs substantial debt. In addition, acquisitions, projects, partnerships or investments may require significant managerial attention, which may stretch its managerial resources. Furthermore, any projects or acquisitions of businesses or facilities could entail a number of additional risks, including problems with effective integration of operations and inability to maintain key pre-acquisition business relationships.

6. *Competition in international markets*

The SABIC Group operates in a highly competitive marketplace, competing against a number of domestic and foreign producers. Certain of its competitors are large companies that might have greater financial resources than the SABIC Group. These competitors may also be able to maintain considerable operating and financial flexibility and therefore be well equipped to withstand changes in general economic conditions. Additionally, competitors' pricing decisions could compel the SABIC Group to decrease its prices, which could reduce the SABIC Group's margins of profitability.

7. *The cyclical nature of the petrochemical, fertiliser and steel industries*

The SABIC Group operates within the petrochemical, fertiliser and steel industries, which are cyclical in nature and experience price and demand volatility. Each industry is becoming increasingly mature and capital intensive worldwide. Undersupply could

result in higher operating expenses and profit margins, while oversupply will result in lower operating expenses and profit margins.

Today the petrochemical industry is witnessing high levels of growth and prosperity and the trading environment for steel and fertiliser is also generally positive. However there is no assurance that these conditions will continue.

Weak economic conditions worldwide could reduce demand for petrochemicals, fertiliser and steel products and put pressure on profit margins. It is not possible to accurately predict future supply/demand levels or market conditions. As a result, the SABIC Group may experience periodic fluctuations in its future financial results because of industry-wide conditions.

A decline in oil prices could have a material adverse effect on the SABIC Group's business prospects, financial condition and results of operations.

#### *8. Variations in cost of raw materials*

There can be no assurance of the stability of the price of feedstock available to the SABIC Group in the future. Increases in the costs of feedstocks and supplies would adversely affect the SABIC Group's liquidity and working capital and adversely affect its business prospects, financial condition and results of operations.

Although the SABIC Group plans to implement operating strategies responsive to changing market conditions in order to ease the impact of price changes in these commodities, there can be no assurance that variations in the costs and supplies of these commodities would not adversely affect the SABIC Group's liquidity and working capital and the ability to cope with contractual commitments and debt obligations.

#### *9. Environmental factors*

The SABIC Group's business involves the manufacture and marketing of petrochemical, fertiliser and metals products some of which entail the use of toxic, hazardous, inflammable or volatile products and processes. As with any business that involves the handling, processing, transportation, storage, or manufacturing of potentially dangerous substances, the SABIC Group's business is exposed to environmental risks, accidents involving persons or property, and other liabilities. The SABIC Group has not had any material losses in respect of environmental factors, accidents or other liabilities relating to the nature of its business operations in the past five years. See "Description of the Issuer - Environmental, Health and Safety Matters" of this Offering Circular for a description of environmental matters related to the SABIC Group.

#### *10. Dependence on key suppliers*

A key ingredient of SABIC's profitability is its ability, similar to other qualifying Saudi Arabian entities, to obtain feedstock from the Saudi Arabian Oil Company ("Saudi Aramco") at prices which are controlled by the Saudi Arabian government and which are generally below those available outside Saudi Arabia. The cost of feedstock (which includes sales of gas, propane and ethane) purchased from Saudi Aramco represents

a significant portion of the operating costs for a number of the SABIC Group's affiliates and subsidiaries. Any increase in prices of such feedstock or any material interruptions in supply from Saudi Aramco where SABIC is unable to find sufficient alternative sources at reasonable prices on a timely basis, could cause operating costs to escalate and have an adverse effect on the SABIC Group's profitability.

The SABIC Group's manufacturing business is dependent upon the supply of electricity to meet its energy needs. The Saudi Electricity Company supplies electricity in Saudi Arabia. At present, MARAFIQ, a utility company (in which SABIC has an equity stake of 25%), is the utility company which supplies water and sewage disposal services within the industrial cities of Yanbu and Jubail, where most of the SABIC Group's Saudi Arabian manufacturing facilities are located. Any material increase in the tariffs charged by these two utility companies or material interruptions in the supply of electricity could have an adverse effect on the SABIC Group's profitability.

#### 11. *Intellectual property and technology licences*

The SABIC Group depends upon a wide range of intellectual property to support its business and has obtained licences for certain technologies which are used in its manufacturing business. Any cancellation of a material technology licence or disputes related to its use could require the relevant affiliates or subsidiaries to cease using the relevant technology and therefore, adversely affect its ability to produce the relevant products. SABIC's inability to maintain any head licenses which is the subject of a sub-licence of technology to any affiliate or subsidiary and which are necessary to develop new products and product enhancements, could require the relevant affiliate or subsidiary to cease using the technology and to licence such rights from other third parties on less favourable commercial terms, or obtain substitute technology of lower quality or performance standards at greater cost.

Further, technologies and processes are being continuously developed in the petrochemical sector worldwide. Significant developments in technology could result in existing technologies and processes currently utilised by the SABIC Group becoming uncompetitive and thereby impacting adversely on the SABIC Group's competitiveness.

#### 12. *The SABIC Group is exposed to foreign currency risks*

The SABIC Group conducts a significant portion of its sales and marketing activities outside of Saudi Arabia and is therefore exposed to risks associated with the fluctuations of foreign currency exchange rates.

The SABIC Group is also subject to credit risks to the extent that counterparties to transactions may not be able to perform their contractual obligations. Although SABIC aims to limit the risk of default by entering into transactions only with selected financial institutions and by adhering to fixed limits, defaults with respect to significant contracts may adversely affect the SABIC Group's operating results.

#### 13. *Insurance risk*

To protect the interests of the SABIC Group, each affiliate or subsidiary, in cooperation with SABIC, takes responsibility to procure comprehensive insurance coverage for

construction and operations (as the case may be). Insurance coverage during the construction phase in respect of subsidiaries indemnifies the relevant affiliate or subsidiary in respect of its rights and interests.

If any affiliate or subsidiary uses hazardous materials in its business, in a manner that causes injury or violates laws, it may be liable for substantial damages. The SABIC Group cannot eliminate the risk of accidental contamination or discharge and any resultant injury from these hazardous materials. There can be no assurance that the insurance coverage obtained by an affiliate or subsidiary will be adequate to cover all losses which such affiliate or subsidiary may incur in future periods, or that the liability imposed on such affiliate or subsidiary will not exceed its total assets. If such affiliate or subsidiary is required to meet the costs of claims which exceed its insurance coverage, the affiliate or subsidiary's costs may increase and could, in turn, have an adverse effect on the SABIC Group's profitability.

14. *Reliance upon skilled personnel*

Competition for highly qualified management and technical personnel is intense in the industries in which the SABIC Group operates. The SABIC Group's businesses and operations are dependent upon its ability to recruit and retain skilled personnel. Historically, the SABIC Group has a good track record of recruiting and retaining the skilled personnel necessary for its business and operations. The continuity of recruiting and retaining skilled personnel is critical to the SABIC Group's operations. If at any time SABIC Group are unable to recruit and maintain qualified management and technical personnel, this may have an adverse effect on the SABIC Group's operations and /or profitability.

15. *Economic factors*

A significant proportion of the SABIC Group's assets and operations are located in Saudi Arabia. As a result, the SABIC Group's operating results and growth are and will be affected in general by economic developments in or affecting Saudi Arabia.

(B) **Factors relating to the Sukuk**

1. *Trading, settlement and listings*

The Sukuk will be admitted to the clearing and settlement system of the Registrar. However, as of the Closing Date the Sukuk will not be admitted to any trading system or platform and trading of the Sukuk will need to be conducted through over-the-counter transactions. The Issuer may in the future apply for the Sukuk to be admitted to trading on one or more trading systems or platforms in Saudi Arabia when and if such systems or platforms for the trading of such securities are established. Until the Sukuk have been admitted to trading on such trading system(s) or platform(s), trading of the Sukuk is likely to take longer and be less efficient than it would be if the Sukuk were traded through a trading system or platform, thereby potentially restricting the liquidity of the Sukuk. Moreover, if the Sukuk are admitted to the Registrar's clearing and settlement system or a trading system and platform there can be no assurance that there will be no interruption to, or errors in, trading, clearing or settlement of the

Sukuk as a result of the inexperience or lack of familiarity of the operations in regard to trading, clearing and settlement systems or of inherent inadequacies of any such trading, clearing or settlement system.

The Saudi British Bank currently intends to give indicative pricing in relation to the Sukuk and to promote its trading, but shall be under no obligation to do so. There is, however, currently no established secondary market for the Sukuk, and there can be no assurance that one will develop after the Sukuk are issued. Any sale of the Sukuk by Holders in any secondary market that may develop may be at a lower price than the original purchase price of such Sukuk.

2. *Payments under the Sukuk - Periodic Distribution Amount and Extra Amount*

Prospective Holders should note that if they do not receive payment of the Periodic Distribution Amount or the Extra Amount (as the case may be) on the relevant payment date in full (after taking into account any grace period), subject to SABIC, the Custodian, the Sukukholders' Agent and the Payments Administrator having fulfilled all of their respective obligations under the relevant Sukuk Documents to which they are a party, prospective Holders will not have any recourse to SABIC unless such shortfall directly results from the default or negligence of SABIC in the performance of its obligations under the Sukuk Documents.

(For further information on SABIC's obligations under the Sukuk, see the Conditions and also the section in the Offering Circular entitled "Summary of the Sukuk Documents").

3. *Payments under the Sukuk - Payment upon the expiry of the Sukuk*

Prospective Holders should note that the amount of the Purchase Price to be paid by SABIC upon purchase of the Sukuk (following a Fifth-year Date or upon any Event of Default) shall be calculated on the aggregate face value of the Sukuk as are current as of such date multiplied by a percentage value which will decrease over the term of the Sukuk. Prospective Holders should be aware that they will be entitled to receive a payment of the Purchase Price equal to 90 per cent. of the face value of their Sukuk, if they exercise their rights to have their Sukuk purchased on the first Fifth-year Date falling in July 2012. The Purchase Price payable to Holders declines to 60 per cent. on the Fifth-year Date falling in July 2017 and 30 per cent. on the Fifth-year Date falling in July 2022. If the Sukuk is not purchased by SABIC prior to the Expiry Date, the value of the Sukuk on the Expiry Date will be zero and the Sukuk will be cancelled.

Holdes will also receive (to the extent that there is available Net Income and Reserve on such dates) an Extra Amount of up to 10 per cent. of the face value of their Sukuk payable on each Fifth-year Date to the extent their Sukuk are current on such dates. Accordingly, assuming that there is available sufficient Net Income and Reserve and that the Extra Amount is paid on a Fifth-year Date and that SABIC pays all amounts due to Holders, Holders would have received, in aggregate, 100% of the face value of the Sukuk if they exercised their rights to have their Sukuk purchased after 5 years. The amount Holders would receive would fall to 80% of the value of the Sukuk if they

exercised their rights to have their Sukuk purchased after 10 years, 60% after 15 years and 40% after 20 years.

#### 4. *Governing law, jurisdiction and enforceability*

The Sukuk are governed by, and are to be construed in accordance with, the laws of Saudi Arabia and in accordance with the rules of the Shariah as applied in Saudi Arabia. As per Condition 18 (*Governing Law and Jurisdiction*), Saudi Arabia's Committee for the Resolution of Securities Disputes and the Appeal Panel shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Sukuk. Prospective Holders should note that to the best of SABIC's knowledge, no securities of a similar nature to the Sukuk have previously been the subject of adjudicatory interpretation or enforcement in Saudi Arabia. Accordingly, it is uncertain exactly how and to what extent the Sukuk, the Conditions and/or the Sukuk Documents (as defined below) would be enforced by a Saudi Arabian court or the Committee for the Resolution of Securities Disputes and the Appeal Panel.

#### 5. *Shariah*

Prospective Holders should note that different Shariah advisers, and Saudi courts and judicial committees, may form different opinions on identical issues and therefore prospective Holders may wish to consult their own legal and Shariah advisers to receive an opinion if they so desire. Prospective Holders should also note that although the SABB Amanah Shariah Supervisory Committee has issued a pronouncement confirming that the Sukuk as described in the detailed pronouncement attached as Appendix V to this Offering Circular are in compliance with Shariah principles, such a pronouncement would not bind a Saudi Arabian court or judicial committee, including in the context of any insolvency or bankruptcy proceedings relating to the Issuer, and any Saudi Arabian court or judicial committee will have the discretion to make its own determination about whether the Sukuk, the Sukuk Documents and the related structure (or any part thereof) complies with Saudi law and Shariah principles and therefore is enforceable or otherwise. Accordingly, no person (including, without limitation, the Issuer) makes any representation that the Sukuk, the Conditions and any other Sukuk Documents comply with Shariah principles, except for the detailed pronouncement of the SABB Amanah Shariah Supervisory Committee.

### (C) **Risk Factors related to the Marketing Agreements**

#### 1. *Level of marketing fee income*

The level of SABIC's marketing fee income under each Marketing Agreement could be affected by a variety of factors such as (without limitation): (a) the quantities of products actually supplied to SABIC by the relevant Specified Counterparty, (b) the Customer Prices actually received by SABIC for the products sold by it, (c) any interruptions in supply of the relevant products, (d) any direct sales undertaken by a Specified Counterparty, or (e) market factors (such as fluctuations in price or demand) affecting the sale of the relevant products.

## 2. *Pricing*

Each Specified Counterparty has the right to specify periodically, at times in consultation with SABIC, the minimum Netback Prices in respect of the relevant products. If the minimum Netback Prices are set at a level that would preclude SABIC from selling the relevant products competitively, then SABIC is not obliged to provide any Marketing Services in respect of the relevant products during the period in which such minimum Netback Prices prevail.

## 3. *Supply of quantities of the relevant products*

None of the Marketing Agreements impose a firm obligation on the Specified Counterparties to supply fixed quantities of the relevant products to SABIC and each Specified Counterparty has the right to determine levels of production for their products. In addition, a Specified Counterparty is not obliged to supply any products to SABIC if it is affected by a force majeure event.

The foregoing factors could have an effect on the quantities of products which are made available to SABIC for sale and accordingly, the level of SABIC's marketing fee income under the relevant Marketing Agreements.

It should be noted, however, that there have been no material interruptions or delays in the supplies of the relevant products from the Specified Counterparties during the last three financial years ending on 31 December 2006. In addition, SABIC and its affiliates and subsidiaries plan to expand production capacity at a number of existing plants which in turn is expected to increase the quantities of products available for marketing by SABIC under a number of the Marketing Agreements (see "Planned Capital Investments and Expansion Plans" of this Offering Circular).

## 4. *Product sales by Specified Counterparties*

The majority of the Marketing Agreements provide SABIC with a non-exclusive right to market the relevant products. In addition, certain of the Marketing Agreements, provide the relevant Specified Counterparty with the right to market and sell its own products directly. In addition, if SABIC breaches any of its material obligations under a Marketing Agreement and such a breach is not remedied within the applicable grace period, then the relevant Specified Counterparty may sell the relevant products directly to purchasers and is entitled to claim from SABIC the amounts which it would have received had SABIC performed its obligations under the relevant Marketing Agreement.

If a Specified Counterparty is a joint venture between SABIC and another partner (or partners), then SABIC's joint venture partners have the right to off-take a certain portion of the products produced by such Specified Counterparty.

It should be noted, however, that there have been no instances of a Specified Counterparty undertaking direct sales of its own products during the last three financial years ending on 31 December 2006.



#### 5. *Termination*

The Marketing Agreements permit either party to terminate the agreement if the other party is in breach of its material obligations. Certain of the Marketing Agreements also permit either party to terminate it by advance notice to the other. In addition, certain Marketing Agreements are only for a specified term and any renewal of such agreements would depend upon the consent of both parties. Accordingly, no assurance can be given that any of the Marketing Agreements will remain in force for the duration of the Sukuk. However, SABIC is not aware of any intention to terminate the Marketing Agreements nor does SABIC have any plans to terminate any Marketing Agreements at this stage.

#### 6. *Amendments*

The Marketing Agreements are subject to formal periodic review by SABIC and the relevant Specified Counterparty every five years, following which the terms of the agreement may be amended by the consent of both parties (including the percentage rates for calculating SABIC's marketing fee). Under the terms of the Sukuk Assets Administration Agreement, SABIC as the Sukuk Administrator has the discretion to agree to any amendments to any Marketing Agreement subject to the conditions specified therein.

The majority of the Marketing Agreements provide that, in certain circumstances, SABIC may not enter into sales agreements with third parties without the prior approval of the relevant Specified Counterparty.

## TERMS AND CONDITIONS OF THE SUKUK

*The following is the text of the Terms and Conditions of the Sukuk which (subject to completion and amendment) will be attached and (subject to the provisions thereof) apply to the Global Certificate:*

### Introduction

Each of the Sukuk expiring July 2027 (the "**Sukuk**") represents an undivided beneficial ownership interest in the Sukuk Assets (as defined below) held by SABIC Sukuk LLC (the "**Custodian**", which expression includes any successor custodian in relation to the Sukuk Assets) for the benefit of the registered holders of the Sukuk (the "**Holders**").

Pursuant to a declaration of agency (the "**Declaration of Agency**") to be entered into on or about the Closing Date (as defined below) by the Issuer (as defined in these Terms and Conditions), the Custodian and HSBC Saudi Arabia Limited as sukukholders' agent (the "**Sukukholders' Agent**", which expression includes any successor sukukholders' agent in relation to the Sukuk), the Sukukholders' Agent will be appointed to act as agent, and the Custodian will be appointed to act as custodian of the Sukuk Assets (as defined below), for and on behalf of the Holders. Each Holder by subscribing to, acquiring and holding Sukuk agrees to the terms of the Declaration of Agency including, but not limited to, the appointment of the Sukukholders' Agent and the appointment of the Custodian.

In these Conditions, references to "**Sukuk**" shall be references to the Sukuk as represented by a Global Certificate as described in Condition 2 (*Form and Denomination*).

Payments relating to the Sukuk will be made pursuant to a payments administration agreement to be entered into on or about the Closing Date (the "**Payments Administration Agreement**") between, amongst others, the Issuer and The Saudi British Bank in its capacity as payments administrator (the "**Payments Administrator**", which expression includes any successor or other payments administrator appointed in respect of the Sukuk).

Each initial Holder, by acquiring and holding Sukuk, shall be deemed to authorise, ratify and approve the appointment of the Sukukholders' Agent as its agent and the entry by the Sukukholders' Agent and the Custodian into the Sukuk Documents (as defined below) to which it is a party and to the terms of each of the Sukuk Documents.

Certain provisions of these Conditions are summaries of the Declaration of Agency and are subject to its detailed provisions. The Holders are bound by, and are deemed to have notice of, all the provisions of the Sukuk Documents applicable to them. Copies of the Declaration of Agency, the Sukuk Assets Administration Agreement, the Sukuk Assets Transfer Agreement and the Purchase Undertaking (as defined below) are available for inspection from the Closing Date by Holders during normal business hours at the specified offices of each of the Issuer, the Custodian and the Sukukholders' Agent, the specified offices of which are set out in the section entitled "Parties and Advisers" in this Offering Circular.

1. **Definitions**

1.1 In these Conditions, words and expressions have the following meanings:

**"Administration Fee"** means the administration fee of 1 per cent. per annum of the Administrator's Allowable Costs during such period payable to the Issuer semi-annually pursuant to, and as more particularly described in, the Sukuk Assets Administration Agreement;

**"Administrator's Allowable Costs"** means the aggregate of the costs incurred by the Issuer corresponding to the categories of direct costs set out in Schedule 1 of the Sukuk Assets Administration Agreement, in connection with providing the relevant marketing services to the Specified Counterparties under the Marketing Agreements, multiplied by the Applicable Percentage;

**"Agency Fee"** means the on-going fees and expenses (if any) payable to the Payments Administrator and the Sukukholders' Agent for their services in connection with the Sukuk as further described in the Payments Administration Agreement or, as the case may be, the Declaration of Agency (the Sukukholders' Agent will be paid periodic fees of SAR 75 per annum and the Payments Administrator will be paid periodic fees of SAR [•] per annum for its services in relation to the Sukuk);

**"Applicable Percentage"** means the percentage value obtained by dividing the aggregate face value of Sukuk on the Closing Date by SAR 17,000,000,000 and such percentage not to exceed 70 per cent. (given that 30 per cent. has been previously transferred to constitute the sukuk assets in relation to SABIC's SAR 3,000,000,000 Sukuk expiring 2026 issued in July 2006);

**"Authorised Holding"** means a holding of Sukuk in the minimum amount of SAR 50,000 or an integral multiple of SAR 10,000 in excess thereof;

**"Authority"** means the Capital Market Authority in Saudi Arabia;

**"Benchmark Rate"** means, in relation to any Periodic Distribution Period, SIBOR, the Saudi inter-bank offered rate for 3 month Saudi Riyal deposits determined in accordance with Condition 7(b) (Benchmark Rate) in relation to such Periodic Distribution Period;

**"Business Day"** means a day on which commercial banks are open for general business in Riyadh;

**"Closing Date"** has the same meaning as set out in the Offering Circular;

**"Conditions"** means the terms and conditions of the Sukuk;

**"Custodian"** has the meaning given to it above under "Introduction";

**"Declaration of Agency"** has the meaning given to it above under "Introduction";

**"Event of Default"** has the meaning given to it in Condition 11.2 (*Events of Default*);

**"Exercise Event"** means an Event of Default or a Fifth-year Date;

**"Exercise Notice"** has the meaning given to it in Condition 11 (*Exercise Events*);

**"Exercise Period"** has the meaning given to it in Condition 11 (*Exercise Events*);

**"Expiry Date"** means the Periodic Distribution Date falling in July 2027;

**"Extra Amount"** means, in respect of a Fifth-year Date or the Expiry Date, an amount equal to 10 per cent. of the aggregate face value of the Sukuk as are current on the third Business Day immediately preceding such Fifth-year Date or the Expiry Date, as the case may be;

**"Extraordinary Resolution"** means a resolution passed by a majority of at least one half of the Sukuk represented at a duly convened meeting of the Holders;

**"Fifth-year Date"** means the Periodic Distribution Date falling in July 2012, July 2017 or July 2022;

**"Global Certificate"** means the registered form global certificate representing the Sukuk;

**"Guarantee"** means, in relation to any Indebtedness of any person, any obligation of another person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

**"Holders"** means the registered holders of the Sukuk;

**"Indebtedness"** means any indebtedness of any person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised under any note purchase facility;
- (b) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

- (c) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and
- (d) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"Issuer"** means Saudi Basic Industries Corporation in its capacity as issuer of the Sukuk and/or as Sukuk Administrator (as the context requires);

**"Lead Managers"** means HSBC Saudi Arabia Limited and Riyad Bank as lead managers and bookrunners;

**"Margin"** means [•] per cent. per annum;

**"Marketing Agreements"** means the thirteen agreements specified in the section entitled "The Marketing Agreements" of the Offering Circular and Schedule 1 (*Marketing Agreements*) to the Sukuk Assets Transfer Agreement;

**"Net Income"** has the meaning given to it in Condition 5 (*Sukuk Assets*);

**"Offering Circular"** means this offering circular dated 9 July 2007 relating to the Sukuk;

**"Payments Administration Agreement"** has the meaning given to it above under "Introduction";

**"Payments Administrator"** has the meaning given to it above under "Introduction";

**"Periodic Default Amount"** means, in relation to any day, other than a Fifth-year Date, on which the Issuer is to purchase Sukuk following the delivery of an Exercise Notice, an amount equal to the sum of (a) and (b) below:

- (a) the Periodic Distribution Amount as would have been payable on the next Periodic Distribution Date if an Exercise Notice had not been delivered (***provided, however, that*** for the purposes of calculating such Periodic Distribution Amount, "P" shall mean the aggregate face value of such Sukuk as are current on the Transfer Record Date immediately preceding the date of such purchase); *multiplied by*
  - (i) the number of days between the immediately preceding Periodic Distribution Date and the date of such purchase; *divided by*
  - (ii) the number of days between the immediately preceding Periodic Distribution Date and the next scheduled Periodic Distribution Date;
- (b) the lesser of (i) the amounts standing to the credit of the Reserve as at the date of such purchase and (ii) the Extra Amount which would have

been payable on the next scheduled Fifth-year Date or the Expiry Date, as the case may be, but for the occurrence of such purchase;

**"Periodic Determination Date"** has the meaning given to it in Condition 7 (*Periodic Distributions*);

**"Periodic Distribution Amount"** has the meaning given to it in Condition 7 (*Periodic Distributions*);

**"Periodic Distribution Date"** means the 15th of July, October, January and April in each year, commencing on 15 October 2007; ***provided, however, that*** if any such day is not a Business Day, the Periodic Distribution Date will be the next following Business Day;

**"Periodic Distribution Period"** means the period from and including the Closing Date to but excluding the first Periodic Distribution Date, and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date;

**"Permitted Security Interest"** means a Security Interest over any of the Issuer's present or future assets or revenues or any part thereof in connection with:

- (a) any asset-based financing (including, without limitation, a securitisation or project financing) where the primary source of payment of the obligations secured by such Security Interest is the assets or revenues subject to such Security Interest, without further recourse to the Issuer;
- (b) any Islamic financing arrangement; or
- (c) any domestic issue of securities which is required by the Capital Market Authority to be secured;

**"person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Purchase Notice"** has the meaning given to it in Condition 11.2 (*Events of Default*);

**"Purchase Price"** means:

- (a) as of any Fifth-year Date, the product of the aggregate face value of all Sukuk as are current on such date multiplied by the percentage set out opposite such date in the following table:

Date	Percentage
First Fifth-year Date (the Periodic Distribution Date falling in July 2012)	90%
Second Fifth-year Date (the Periodic Distribution Date falling in July 2017)	60%
Third Fifth-year Date (the Periodic Distribution Date falling in July 2022)	30%

and

- (b) as of any other date, the product of the aggregate face value of all Sukuk as are current on such date multiplied by the percentage set out opposite the period in which such date falls in the following table:

Date	Percentage
After the Closing Date but before the Periodic Distribution Date falling in July 2011	100%
After the Periodic Distribution Date falling in July 2011 but before the Periodic Distribution Date falling in July 2013	90%
After the Periodic Distribution Date falling in July 2013 but before the Periodic Distribution Date falling in July 2015	80%
After the Periodic Distribution Date falling in July 2015 but before the Periodic Distribution Date falling in July 2016	70%
After the Periodic Distribution Date falling in July 2016 but before the Periodic Distribution Date falling in July 2018	60%
After the Periodic Distribution Date falling in July 2018 but before the Periodic Distribution Date falling in July 2019	50%
After the Periodic Distribution Date falling in July 2019 but before the Periodic Distribution Date falling in July 2021	40%
After the Periodic Distribution Date falling in July 2021 but before the Periodic Distribution Date falling in July 2022	30%
After the Periodic Distribution Date falling in July 2022 but before the Periodic Distribution Date falling in July 2024	20%
After the Periodic Distribution Date falling in July 2024 but before the Periodic Distribution Date falling in July 2026	10%
After the Periodic Distribution Date falling in July 2026 but before the Periodic Distribution Date falling in July 2027	5%
On the Expiry Date	0%

**"Purchase Undertaking"** means the purchase undertaking to be entered into by the Issuer, the Custodian and the Sukukholders' Agent on or about the Closing Date;

**"Qualified Person"** means, a person who is a national or resident of Saudi Arabia or a national of a member state of the Gulf Corporation Council ("**GCC**") or, Saudi Arabian or GCC companies, banks or mutual funds and, in each case, who is not a Specified Counterparty;

**"Registrar"** means Tadawul (and includes any successor registrar as may be appointed in accordance with the provisions of the Registry Agreement);

**"Registry Agreement"** means the registry and trading agreement to be entered into between the Issuer and the Registrar in relation to the Sukuk on or about the Closing Date;

**"Relevant Indebtedness"** means any Indebtedness which is in the form of or represented by a security (within the meaning of the Capital Market Law), including, without limitation, any bond, note, loan stock, certificate or similar instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

**"Required Holders"**, as of any date, means Holders of at least 33 1/3 per cent. in aggregate of the face value of the Sukuk as are current on such date;

**"Reserve"** has the meaning given to it in Condition 5 (*Sukuk Assets*);

**"Security Interest"** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**"Shortfall"** has the meaning given to it in Condition 5 (*Sukuk Assets*);

**"Specific Instruction"** has the meaning given to it in Condition 11.1 (*Fifth-year Date*);

**"Specified Amount"** means, in respect of any Event of Default occurring under Condition 11.2(a) (*Default resulting in non-payment of Periodic Distribution Amount or Extra Amount*), the amount of any shortfall in amounts distributed to the Holders as referred to therein which occurred as a direct result of the Sukuk Administrator's default or negligence in performing its obligations under the Sukuk Assets Administration Agreement and/or the Declaration of Agency to the extent such amounts are not already compensated for by payment of the Periodic Default Amount.

**"Specified Counterparty"** means each of the parties (other than the Issuer) to a Marketing Agreement;

**"Standing Instruction"** has the meaning given to it in Condition 11.1 (*Fifth-year Date*);

**"Subsidiary"** means, in respect of any person (the **"first person"**) at any particular time, any other person (the **"second person"**) controlled by the first person. For this purpose, **"control"** of the second person (being a company) means the ability to influence the acts or decisions of that person in accordance with standard 8 of the Accounting Standards published by the Saudi Organisation for Certified Public Accountants;

**"Sukuk Assets"** has the meaning given to it in Condition 5 (*Sukuk Assets*);

**"Sukuk Administrator"** means Saudi Basic Industries Corporation (SABIC) in its capacity as administrator of the Sukuk Assets;

**"Sukuk Assets Administration Agreement"** has the meaning given to it in Condition 5 (*Sukuk Assets*);



**"Sukuk Assets Transfer Agreement"** has the meaning given to it in Condition 5 (*Sukuk Assets*);

**"Sukuk Documents"** means the the Purchase Undertaking, Sukuk Assets Transfer Agreement, the Declaration of Agency, the Sukuk Assets Administration Agreement, the Payments Administration Agreement, the Registry Agreement, the Sukuk and any other agreements and documents delivered or executed in connection therewith;

**"Sukukholders' Agent"** has the meaning given to it above under "Introduction";

**"Taxes"** means any present or future taxes, zakat, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Saudi Arabia or any political subdivision thereof or any authority therein or thereof having power to tax;

**"Transaction Account"** has the meaning given to it in Condition 5 (*Sukuk Assets*); and

**"Transfer Record Date"** has the meaning given to it in Condition 3 (*Register, Title and Transfers*).

Without prejudice to its status for any other purpose, a Sukuk shall be considered to be "**current**" unless it has been dissolved pursuant to Condition 10 (*Dissolution of the Sukuk*), or purchased under Condition 8 (*Purchase of Sukuk*) or Condition 11 (*Exercise Events*) and in either case has been cancelled in accordance with Condition 8(c) (Cancellation); **provided, however, that**, for the purposes of (i) ascertaining the right to attend and vote at any meeting of Holders, (ii) Condition 14(a) (*Meetings of Holders; Modification*) and Schedule 2 of the Declaration of Agency (*Provisions for Meetings of Holders*), (iii) determining the Required Holders for the purposes of Condition 11 (*Exercise Events*) or Condition 12(b) (*Enforcement and Exercise of Rights*) and (iv) Condition 12(c) (*Enforcement and Exercise of Rights*), those Sukuk (if any) which are for the time being held by any person (including but not limited to any Subsidiary of the Issuer) for the benefit of the Issuer or any Subsidiary of the Issuer shall (unless and until ceasing to be so held) be deemed not to be current.

- 1.2 All references in these Conditions to an agreement, instrument or other document (including the Declaration of Agency, the Payments Administration Agreement, the Purchase Undertaking, the Registry Agreement, the Sukuk Assets Administration Agreement, the Sukuk Assets Transfer Agreement and the Sukuk) shall be construed as a reference to that agreement, instrument or other document as the same may be amended, supplemented, replaced or novated.

## 2. **Form and Denomination**

The Sukuk are issued in dematerialised registered form, subject to a minimum holding of at least SAR 50,000, and in denominations of SAR 10,000 if more than SAR 50,000. The Sukuk will be collectively represented by the Global

Certificate which will be deposited with the Sukukholders' Agent. Individual Sukuk representing holdings of the Global Certificate will not be issued, but Holders will on request be entitled to receive a statement from the Registrar recording their holding of Sukuk. The Global Certificate will represent all of the Sukuk that are current and the ownership by the Holders of an undivided beneficial ownership interest in the Sukuk Assets.

3. **Register, Title and Transfers**

- (a) *Register:* The Registrar will maintain a register (the "**Register**") in respect of the Sukuk in accordance with the provisions of the Registry Agreement. In these Conditions, the "**Holder**" of Sukuk means the person in whose name such Sukuk is for the time being registered in the Register (or, in the case of a joint holding, the first named). Only Qualified Persons may be registered as Holders.
- (b) *Title:* The Holder of each Sukuk shall (except as otherwise required by law) be treated as the absolute owner of such Sukuk for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein).
- (c) *Transfers:* Subject to paragraphs (e) and (f) below, Sukuk may be transferred in accordance with the regulations and procedures established by the Registrar by delivering to the Registrar such information as such regulations and procedures shall require. Sukuk may not be transferred unless:
  - (i) the face value of Sukuk to be transferred together with any existing holding of Sukuk by the party acquiring the Sukuk to be transferred are Authorised Holdings;
  - (ii) where not all of the Sukuk held by a Holder are being transferred, the face value of the balance of Sukuk not transferred are Authorised Holdings; and
  - (iii) the transferee is a Qualified Person.
- (d) *Transfer Charges:* The transfer of Sukuk will be subject to a charge by the Registrar in accordance with its schedule of charges in force for its services and all such charges shall be borne solely by the transferring Holder and the transferee in accordance with the Registrar's practice. For the avoidance of doubt, neither the Issuer, the Sukukholders' Agent nor the Custodian shall be liable to pay any such charges imposed by the Registrar.
- (e) *Transfer Record Dates and Closed Periods:* Prior to the Closing Date it will be announced publicly whether or not transfers of Sukuk effected during the period starting at the opening of business no less than seven Business Days prior to a due date for payment of any Periodic Distribution Amount, or any other principal or distribution in respect of the Sukuk or, if such a day is not a Business Day, on the next following Business Day (a "**Transfer Record Date**"), and ending on (and including) the applicable due date itself (each such period being a "**Closed Period**") may be registered in the usual way or whether they may only be

registered after the expiry of the relevant Closed Period. If such transfers may be so registered in the usual way, then, notwithstanding such registration, all payments shall continue to be paid to such persons as are registered as Holders of the Sukuk at the opening of business on the relevant Transfer Record Date. The Registrar may after the Closing Date modify these Conditions insofar as they relate to the registration of transfers effected during Closed Periods by notice to the Issuer and the Holders.

- (f) *Transfers and Standing Instructions:* Where a Holder has completed a Standing Instruction in relation to its Sukuk, and such Standing Instruction has not been revoked by it or any subsequent Holder of such Sukuk, any transfer of such Sukuk will be subject to the Standing Instruction, and any subsequent Holder thereof will be deemed to accept the terms of such Standing Instruction. Notwithstanding the above, a subsequent Holder may revoke a Standing Instruction by notice in writing to the Sukukholders' Agent in accordance with Condition 11.1(a) (*Fifth-year Date*).
- (g) *Regulations concerning transfers and registration:* All transfers of Sukuk and entries on the Register are subject to the regulations and procedures of the Registrar and the provisions of the Registry Agreement. The regulations may be changed by the Registrar at any time.

#### 4. **Status; Limited Recourse; Agreement of Holders**

- (a) *Status:* The Sukuk constitute undivided beneficial ownership interests in the Sukuk Assets and will at all times rank *pari passu* amongst themselves. The obligations of the Issuer under the Purchase Undertaking will constitute direct, general and unconditional obligations of the Issuer which will at all times rank at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Limited Recourse:* Proceeds from the Sukuk Assets, payments by the Issuer pursuant to the Purchase Undertaking and monies standing to the credit of the Transaction Account are the sole source of payments on the Sukuk.

Accordingly, except in relation to claims relating to amounts due from the Issuer under the Purchase Undertaking or any of the other Sukuk Documents, the Holders will have no recourse to any assets of the Issuer, the Custodian (and, for the avoidance of doubt, the Sukuk Assets are not, and shall not be considered to be, an asset of the Custodian) or the Sukukholders' Agent, or (to the extent each fulfils all of its obligations under the relevant Sukuk Documents to which it is a party) the Payments Administrator, the Registrar, the Lead Managers or any of their respective affiliates in respect of any shortfall in the expected amounts from the Sukuk Assets.

Notwithstanding the above, the Issuer is obliged to make the payments under the relevant Sukuk Documents to which it is a party directly to the Payments Administrator (or in certain circumstances, the Sukukholders' Agent) and the

Sukukholders' Agent (subject to it being indemnified to its satisfaction), as agent for and on behalf of the Holders, will have direct recourse against the Issuer to recover payments due to the Payments Administrator or the Sukukholders' Agent for the account of the Holders, pursuant to such Sukuk Documents.

The net proceeds of the realisation of, or enforcement with respect to, the Sukuk Assets may not be sufficient to make all payments due in respect of the Sukuk. If, following distribution of such proceeds, there remains a shortfall in payments due under the Sukuk, then, except in the circumstances described in Conditions 11 (*Exercise Events*) and 12 (*Enforcement and Exercise of Rights*), no Holder will have any claim against the Issuer, or any of its affiliates or other assets in respect of such shortfall and any unsatisfied claims, and Holders will not be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer, the Custodian, the Sukukholders'

Agent, the Payments Administrator, the Registrar, the Lead Managers or any of their affiliates as a consequence of such shortfall or otherwise.

- (a) *Agreement of Holders:* By purchasing Sukuk, each Holder agrees that, notwithstanding anything to the contrary contained herein or in any other Sukuk Document, but without prejudice to Conditions 11 (*Exercise Events*) and 12 (*Enforcement and Exercise of Rights*) and the Issuer's obligations under the Purchase Undertaking, (i) no payment is obliged to be made by any of the Issuer, the Custodian, the Sukukholders' Agent, the Payments Administrator, the Registrar or the Lead Managers or any of their respective agents on their behalf except to the extent funds are available therefore from the Sukuk Assets and (ii) no recourse shall be had for the payment of any amount owing hereunder or under any other Sukuk Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon the Declaration of Agency or any other Sukuk Document, against any of the Issuer, the Custodian, the Sukukholders' Agent, the Payments Administrator, the Lead Managers or the Registrar for any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law.

## 5. **Sukuk Assets**

- (a) *Transfer of Sukuk Assets:* Pursuant to a sukuk assets transfer agreement to be entered into between the Issuer, the Sukukholders' Agent and the Custodian prior to the Closing Date (the "**Sukuk Assets Transfer Agreement**"), upon payment of the issue price, the Issuer will transfer to the Custodian the Applicable Percentage of certain specified rights and obligations under the Marketing Agreements for a period of 20 years, as further described in the Sukuk Assets Transfer Agreement, (the "**Sukuk Assets**") to be held by the Custodian for the benefit of the Holders.

Pursuant to a sukuk assets administration agreement to be entered into between the Issuer, the Custodian and the Sukukholders' Agent on or about the Closing

Date (the "**Sukuk Assets Administration Agreement**"), the Issuer undertakes to provide certain services in respect of the Sukuk Assets in return for the Administration Fee.

- (b) *Application of Proceeds - Net Income:* Pursuant to the Sukuk Assets Administration Agreement, the Issuer shall accumulate all monies (net of the Administrator's Allowable Costs, the Administration Fee and the Agency Fee) received under the Sukuk Assets (the "**Net Income**"). On or prior to 11.00 a.m. (Riyadh time) one Business Day prior to each Periodic Distribution Date, the Issuer shall pay into an account of the Sukukholders' Agent maintained with the Payments Administrator (the "**Transaction Account**") the lesser of (i) such accumulated amount and (ii) the Periodic Distribution Amount. If the Net Income from the Sukuk Assets in any Periodic Distribution Period exceeds the Periodic Distribution Amount, the amount of any surplus shall be retained by the Sukuk Administrator as a reserve (the "**Reserve**"). The Reserve shall be recorded by the Issuer through a book-entry notional account and will not be maintained in a separate defined bank account. The Issuer shall have the right to use and invest the Reserve for its own account and it may be recorded as a liability of the Issuer. Any return from such use or investment, and any losses arising therefrom, are solely for the account of the Issuer.
- (c) *Application of Proceeds - Reserve:* Pursuant to the Sukuk Assets Administration Agreement, the Issuer shall retain the Reserve and pay monies standing to the credit of the Reserve (if any) as provided in this Condition 5(c) (*Application of Proceeds - Reserve*).
  - (i) On or prior to 11.00 a.m. (Riyadh time) one Business Day prior to each Periodic Distribution Date, the Issuer shall pay into the Transaction Account, the monies (if any) standing to the credit of the Reserve in the following order of priority:
    - (A) firstly, towards the aggregate amount of any shortfall between the amounts paid to Holders on any previous Periodic Distribution Date(s) and the corresponding Periodic Distribution Amount(s) for such date(s) (each, a "**Shortfall**") to the extent these remain unpaid; and
    - (B) secondly, towards the amount of any Shortfall for the current Periodic Distribution Period.
  - (ii) On or prior to 11.00 a.m. (Riyadh time) one Business Day prior to each Fifth-year Date and the Expiry Date, after making the payments set out in Condition 5(c)(i) (*Application of Proceeds - Reserve*) above the Issuer shall pay the monies (if any) standing to the credit of the Reserve into the Transaction Account at the lesser of the Extra Amount or such monies as are standing to the credit of the Reserve on such date. The balance of the Reserve, if any, shall be held by the Issuer in accordance with Condition 5(b) (*Application of Proceeds - Net Income*).

- (iii) Upon dissolution of the Sukuk as specified in Condition 10 (*Dissolution of the Sukuk*), the Issuer shall receive the balance of the Reserve (if any) for its own account as a sukuk assets administration incentive fee.

6. **Negative Pledge**

So long as any Sukuk remains outstanding, the Issuer shall not create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness.

7. **Periodic Distributions**

- (a) *Periodic Distribution Dates:* Subject to Condition 5(b) (*Application of Proceeds - Net Income*), Condition 5(c) (*Application of Proceeds - Reserve*) and Condition 9 (Payments), the Issuer shall instruct the Payments Administrator to distribute to the Holders pro rata, out of amounts collected in the Transaction Account, a distribution in relation to the Sukuk on each Periodic Distribution Date equal to the applicable Periodic Distribution Amount plus, if such Periodic Distribution Date is a Fifth-year Date or the Expiry Date, the applicable Extra Amount.

In these Conditions:

**"Periodic Distribution Amount"** means, for each Periodic Distribution Period, an amount calculated as follows:

$$\frac{P \times (S+M) \times D}{360}$$

where:

- P = the aggregate face value of such Sukuk as are current on the Transfer Record Date immediately preceding the last day of such Periodic Distribution Period;
- D = the actual number of days in such Periodic Distribution Period;
- S = the Benchmark Rate for such Periodic Distribution Period; and
- M = Margin.

- (b) *Benchmark Rate:* The Benchmark Rate for each Periodic Distribution Period shall be determined by or on behalf of the Payments Administrator on the following basis:
- (i) the Payments Administrator will determine the rate for deposits in Saudi Riyals for a period equal to the relevant Periodic Distribution Period which appears on the Reuters Screen SUAA Page across from the caption "AVG" (or such other page as may replace that page on that service, or such other service as may be nominated by the Payments

Administrator as the information vendor for the purpose of displaying comparable rates) as of 11.00 a.m. (Riyadh time) on the second Business Day before the first day of the relevant Periodic Distribution Period (the "**Periodic Determination Date**"); or

- (ii) if such rate does not appear on that page, the Payments Administrator will:
  - (A) request the principal office in Saudi Arabia of each of Samba Financial Group, The Saudi British Bank and Riyad Bank or any substitute reference bank in the Saudi interbank market appointed by the Payments Administrator, to provide a quotation of the rate at which deposits in Saudi Riyals are offered by it in the Saudi interbank market at approximately 11.00 a.m. (Riyadh time) on the Periodic Determination Date to prime banks in the Saudi interbank market for a period equal to the relevant Periodic Distribution Period and in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of such quotations where two or more quotations are available,

and the Benchmark Rate shall be the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Payments Administrator is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Periodic Distribution Period, the Benchmark Rate applicable to the Sukuk during such Periodic Distribution Period will be the Benchmark Rate or (as the case may be) arithmetic mean last so determined in relation to the Sukuk in respect of the most recent preceding Periodic Distribution Period.

- (c) *Publication:* The Payments Administrator will cause the Benchmark Rate and the Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, to be notified to the Issuer, the Custodian and the Sukukholders' Agent and each stock exchange on which the Sukuk are then listed as soon as practicable after such determination but in any event not later than the first day of the relevant Periodic Distribution Period. Notice thereof shall also promptly be given to the Holders. The Payments Administrator will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Periodic Distribution Period.
- (d) *Notifications:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Payments Administrator will (in the absence of manifest error) be binding on the Issuer, the Custodian, the Sukukholders' Agent and the Holders and (subject as aforesaid) no liability to any such person will attach to

the Payments Administrator in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. **Purchase of Sukuk**

- (a) *Purchase at the option of the Holders:* The Holders may request the Issuer to purchase the Sukuk upon the occurrence of an Exercise Event as set out in Condition 11 (*Exercise Events*).
- (b) *Purchase:* The Issuer may at any time purchase Sukuk in the open market or otherwise and at any price agreed between the Holder and the Issuer.
- (c) *Cancellation:* All Sukuk so purchased by the Issuer (if any) shall be cancelled and may not be reissued or resold.

9. **Payments**

- (a) *General:* Payments under the Sukuk shall be made by transfer to a Saudi Riyal account maintained by the payee with a bank in Saudi Arabia as notified in writing to the Registrar and the Payments Administrator not later than 11.00 a.m. (Riyadh time) one Business Day prior to the date of the relevant payment.
- (b) *Payments subject to fiscal laws:* All payments in respect of the Sukuk are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No distributions or expenses shall be charged to the Holders in respect of such payments.
- (c) *Payments on business days:* Payment instructions will be initiated for value on the due date, or, if the due date is not a Business Day, for value on the next succeeding Business Day. A Holder shall not be entitled to any distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day.
- (d) *Transfer Record Date:* Each payment in respect of the Sukuk will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the Transfer Record Date.

10. **Dissolution of the Sukuk**

The Sukuk will be dissolved on the earlier of:

- (a) the Expiry Date; and
- (b) the occurrence of an Exercise Event following which the Issuer has purchased all of the Sukuk pursuant to the Purchase Undertaking and all the Sukuk have been purchased by the Issuer and cancelled.

11. **Exercise Events**

11.1 ***Fifth-year Date***



- (a) On or prior to the Closing Date, and at any time thereafter, Holders will be entitled to complete a standing instruction available from the Sukukholders' Agent (a "**Standing Instruction**") to the Sukukholders' Agent requesting it to give a notice in the form set out in Appendix IV of this Offering Circular requiring the Issuer to purchase their Sukuk (an "**Exercise Notice**") 30 days prior to a Fifth-year Date, unless the Holder otherwise advises the Sukukholders' Agent in writing no later than 90 Business Days before the applicable Fifth-year Date.
- (b) Between 90 days and 180 days prior to any Fifth-year Date, the Sukukholders' Agent will give notice to the Holders informing them that the occurrence of such Fifth-year Date will potentially give rise to the Issuer purchasing the Sukuk Assets under the Purchase Undertaking as a result thereof and accordingly describing the consequences of exercising and not exercising their rights in respect thereof.
- (c) Each Holder shall be entitled, by Standing Instruction (including any Standing Instruction. deemed to be transferred under Condition 3(f) (*Transfers and Standing Instructions*)) or otherwise by notice in writing given during the period of between 90 days and 30 days prior to such Fifth-year Date in the form set out in Appendix II of this Offering Circular (such a notice being a "**Specific Instruction**"), to require the Sukukholders' Agent to give an Exercise Notice under the Purchase Undertaking in relation to all of that Holder's Sukuk and the corresponding portion of the Sukuk Assets. Sukuk in respect of which Standing Instructions are in force in relation to a particular Fifth-year Date may not be transferred after the date which is 30 days prior to such Fifth-year Date and Sukuk in relation to which a Specific Instruction is given may not be transferred after the date of such Specific Instruction. Following receipt of such Standing Instructions or Specific Instructions, the Sukukholders' Agent shall promptly deliver an Exercise Notice relating to such Sukuk to the Issuer and the Issuer shall, pursuant to the Purchase Undertaking and subject to paragraph (d) below, purchase such Holders' Sukuk by payment on such Fifth-year Date of the Purchase Price calculated as a percentage to which the Sukuk to be purchased bears to the aggregate face value of such of the Sukuk as are current on such date. Any Periodic Distribution Amount and Extra Amount payable on such Fifth-year Date shall be payable to such person as is registered as the Holder on the opening of business on the relevant Transfer Record Date in accordance with Condition 3(e) (*Transfer Record Dates and Closed Periods*).
- (d) If on or before the date which is 30 days prior to a Fifth-year Date, the Sukukholders' Agent receives Standing Instructions (which have not been subsequently revoked) and/or Specific Instructions from Holders who together hold, in aggregate, at least 70 per cent. of the face value of such of the Sukuk as are current on such date, the Sukukholders' Agent shall promptly deliver to the Issuer an Exercise Notice (with a copy to the Holders) so notifying the Issuer. Following receipt of such an Exercise Notice, the Issuer shall, pursuant to the Purchase Undertaking, purchase the Sukuk from all Holders by payment of the Purchase Price and any Extra Amount on such Fifth-year Date.

## 11.2 **Events of Default**

Each of the following events and circumstances constitutes an "**Event of Default**":

- (a) Default resulting in non-payment of Periodic Distribution Amount or Extra Amount:
  - (i) the amount distributed to Holders on any Periodic Distribution Date in accordance with Condition 5(b) (*Application of Proceeds - Net Income*) is less than the Periodic Distribution Amount for such Periodic Distribution Date; or
  - (ii) the amount distributed to Holders on any Fifth-year Date is less than the Extra Amount for such Fifth-year Date,

and such shortfall in amounts remains unpaid in full five days after its due date (as a result of an administrative or technical error) and occurs as a direct result of the Sukuk Administrator's default or negligence in performing its obligations under the Sukuk Assets Administration Agreement and/or the Declaration of Agency; or

- (b) *Breach of other obligations:* the Sukuk Administrator defaults in the performance or observance of any of its other obligations under or in respect of the Sukuk or the Sukuk Documents and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Holder, has been delivered to the Issuer or to the specified office of the Payments Administrator; or

- (c) *Cross-default of Sukuk Administrator:*

- (i) any Indebtedness of the Issuer or the Sukuk Administrator is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such Indebtedness becomes due and payable prior to its stated maturity as a result of an event of default or other acceleration event (howsoever described); or
- (iii) the Sukuk Administrator fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub- paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub- paragraph (iii) above, individually or in the aggregate, exceeds SAR 175,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of an amount in excess of SAR 175,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate is rendered against the Sukuk Administrator and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

- (e) *Insolvency*: (i) the Sukuk Administrator becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed over the whole or at least 25 per cent. of the undertaking, assets and revenues of the Sukuk Administrator (or application for any such appointment is made) and such appointment is not discharged within 28 days, (iii) the Sukuk Administrator takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Settlement to Avoid Bankruptcy Law) or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Sukuk Administrator ceases or threatens to cease to carry on all or at least 25 per cent. of its business (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent approved by an Extraordinary Resolution); or
- (f) *Winding up of the Sukuk Administrator*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Sukuk Administrator (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent approved by an Extraordinary Resolution); or
- (g) *Analogous event*: any event occurs under the laws, regulations or rules of the Kingdom of Saudi Arabia has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgement*) to (f) (*Winding up to the Sukuk Administrator*) above; or
- (h) *Failure to take action*: failure to take, fulfil or do any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Sukuk or the Sukuk Documents and (ii) to ensure that those obligations are legal, valid, binding and enforceable; or
- (i) *Unlawfulness*: it is or becomes unlawful for the Issuer to perform any or all of its obligations under or in respect of the Sukuk or the Sukuk Documents; or
- (j) *Non-Effectiveness of Sukuk Assets*: it is or becomes unlawful for the Issuer to perform any of its material obligations under the Sukuk Assets or any documents relating to the Sukuk Assets or any Sukuk Assets or documents relating to the Sukuk Assets are held by a court not to be legally effective or the Issuer or the Custodian repudiates or evidences an intention to repudiate any document relating to the Sukuk Assets; or

If an Event of Default occurs and is continuing, the Sukukholders' Agent will as soon as is reasonably practicable after it receives notice thereof give notice of the occurrence of such Event of Default to the Holders requiring them to indicate within a period of up to 15 days, or such other date as is notified to Holders by the Sukukholders' Agent, (the "**Exercise Period**") whether they wish to exercise their rights under the Purchase Undertaking. Any Holder may then deliver a notice in the form set out in Appendix III to

the Offering Circular (a "**Purchase Notice**") within such Exercise Period to the Sukukholders' Agent declaring the Sukuk held by it to be purchasable.

Sukuk in respect of which a Purchase Notice is so delivered may not be transferred until after the expiry of the Exercise Period and only to the extent not purchased by the Issuer during such Exercise Period in accordance with the Conditions. If the Sukukholders' Agent receives a Purchase Notice, the Sukukholders' Agent shall promptly give notice to the Issuer, the Custodian, the Payments Administrator and the Lead Managers that such a Purchase Notice has been received, specifying the Event of Default referred to therein (but so that such notice shall only be given in relation to the first Purchase Notice received in respect of any Event of Default). If the Sukukholders' Agent receives Purchase Notices from the Required Holders within the Exercise Period, then the Sukukholders' Agent shall promptly deliver to the Issuer an Exercise Notice so notifying the Issuer (with a copy to the Holders) and, provided that the Event of Default in respect of such Exercise Notice is continuing, the Issuer shall, pursuant to the Purchase Undertaking, immediately purchase the Sukuk from all Holders by payment of the Purchase Price applicable to the Sukuk as of the date on which Purchase Notices from the Holders were first received, together with payment of the Periodic Default Amount (calculated as of the date of such purchase) and any Specified Amount (if relevant).

## **12. Enforcement and Exercise of Rights**

- (a) Following the distribution of the proceeds of the Sukuk Assets in respect of the Sukuk to the Holders in accordance with these Conditions and the Declaration of Agency, the Sukukholders' Agent shall not be liable for any further sums, and accordingly no Holder may take any action against the Sukukholders' Agent or any other person to recover any such sum in respect of the Sukuk or the Sukuk Assets.
- (b) The Sukukholders' Agent shall not be bound in any circumstances to take any action to enforce or to realise the Sukuk Assets or take any action against the Issuer under any Sukuk Document to which the Issuer or the Custodian is a party unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the Required Holders and in either case then only if it shall be indemnified to its satisfaction from the Net Income and amounts standing to the credit of the Reserve, to the extent such amounts are otherwise available for distribution to Holders, against all liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (c) No Holder shall be entitled to proceed directly against the Issuer or the Custodian unless (i) the Sukukholders' Agent, having become bound so to proceed, fails to do so within 60 days of becoming so bound and such failure is continuing and (ii) the relevant Holder (or such Holder together with the other Holders who propose to proceed directly against the Issuer or the Custodian) holds at least 25 per cent. of the aggregate face value of the Sukuk then current on such date. Under no circumstances shall the Sukukholders' Agent or any Holders have any right to cause the sale or other disposition of any of the Sukuk

Assets except pursuant to the Purchase Undertaking, and the sole right of the Sukukholders' Agent and Holders against the Issuer or the Custodian shall be to enforce the obligation of the Issuer to pay the amounts to the credit of, or required to be credited to, the Transaction Account. For the avoidance of doubt, the Sukukholders' Agent shall not be bound to act or proceed unless it has been indemnified to its satisfaction.

- (d) The foregoing paragraphs in this Condition 12 (*Enforcement and Exercise of Rights*) are subject to this paragraph. After distributing the net proceeds of the Sukuk Assets in accordance with Condition 5(b) (*Application of Proceeds - Net Income*) and Condition 5(c) (*Application of Proceeds - Reserve*), the obligations of the Sukukholders' Agent in respect of the Sukuk shall be satisfied and no Holder may take any further steps against the Sukukholders' Agent to recover any further sums in respect of the Sukuk and the right to receive any such sums unpaid shall be extinguished. Without prejudice to any liability that the Issuer may have under the Purchase Undertaking, no Holder shall be entitled to petition or to take any other steps against the Issuer, the Custodian or the Sukukholders' Agent in respect of the Sukuk or the Sukuk Assets.
- (e) Notwithstanding any other provision of the Sukuk Documents and these Conditions, the Sukuk Administrator shall have no liability to any Holder or to the Sukukholders' Agent for any default or negligence, or alleged default or negligence, in the performance of its obligations under the Sukuk Assets Administration Agreement and/or the Declaration of Agency so long as the Sukuk Administrator (or any person on its behalf ) transfers into the Transaction Account the full amount of any Periodic Distribution Amount and/or Extra Amount payable to the Holders on the due date in accordance with these Conditions, and upon such payment being made no Event of Default will be deemed to have occurred.

### 13. **Agents**

In acting under the Payments Administration Agreement and in connection with the Sukuk, the Payments Administrator acts as agent of the Issuer and does not assume any obligations towards or relationship of agency for or with any of the Holders. The Payments Administrator and its initial specified office are set out of the Offering Circular. The Issuer reserves the right at any time to vary or terminate the appointment of the Payments Administrator and to appoint a successor Payments Administrator; **provided, however, that** the Issuer shall at all times maintain a Payments Administrator in Saudi Arabia. Notice of any change of the Payments Administrator or in its specified office shall promptly be given to the Holders.

### 14. **Meetings of Holders; Modification**

- (a) *Meetings of Holders:* The Declaration of Agency contains provisions for convening meetings of Holders to consider matters relating to the Sukuk, including the modification of any provision of these Conditions. Any such modification (and certain other proposals) may be made if approved by the

Issuer and sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by the Issuer upon the request in writing of Holders holding not less than one-tenth of the aggregate face value of such of the Sukuk as are current as of such date. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing at least half of the aggregate face value of such of the Sukuk as are current as of such date or, at any adjourned meeting, one-quarter of the aggregate face value of such of the Sukuk as are current as of such date.

An Extraordinary Resolution requires the affirmative vote of at least one more than half of those represented in the relevant meeting in order for it to be passed. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all Holders, whether present or not.

- (b) *Modification:* The Sukuk and these Conditions may be amended without the consent of the Holders to correct a manifest error. In addition, the parties to the Declaration of Agency may agree to modify any provision thereof or of the other Sukuk Documents, but the Sukukholders' Agent shall not agree, without the consent of the Holders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Holders.

#### 15. **Taxation**

All payments or distributions in respect of the Sukuk by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes unless the withholding or deduction of such Taxes are required by the Income Tax Regulation. In that event, but only to the extent that such amounts are otherwise available for distribution to the Holders from the Net Income or amounts standing to the credit of the Reserve, the Issuer shall pay such additional amounts (the "**Tax Amount**") as would result in the receipt by the Holders of such amounts as would have been received if no such withholding or deduction had been required. If such amounts are insufficient to pay the Tax Amount, no further amounts shall be payable to the Holders. References herein to the Periodic Distribution Amount, the Extra Amount and any other amounts payable to the Holders, shall include any additional amounts so payable pursuant to this Condition 15 (*Taxation*).

#### 16. **Indemnification and Liability of the Sukukholders' Agent**

- (a) The Declaration of Agency contains provisions for the indemnification of the Sukukholders' Agent in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Sukuk Assets, the Sukukholders' Agent shall in no circumstances take any action unless directed to do so in accordance with Condition 12 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified to its satisfaction from the Net Income or amounts standing to the credit of the Reserve, to the extent such amounts are otherwise available for

distribution to Holders. Subject thereto, the Sukukholders' Agent waives any right to be indemnified by the Holders in circumstances where such amounts are insufficient to indemnify it in full.

- (b) The Sukukholders' Agent makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Issuer under any Sukuk Document to which the Issuer is a party and shall not under any circumstances have any liability or be obliged to account to the Holders in respect of any payment which should have been made by the Issuer or on its behalf, but is not so made, and shall not in any circumstances have any liability arising from the Sukuk Assets other than as expressly provided in these Conditions or in the Declaration of Agency.
- (c) The Sukukholders' Agent is excepted from (i) any liability in respect of any loss or theft of the Sukuk Assets or any cash, (ii) any obligation to insure the Sukuk Assets or any cash and (iii) any claim arising from the fact that the Sukuk Assets or any cash are held by or on behalf of the Sukukholders' Agent or on deposit, unless such loss or theft arises as a result of default or misconduct of the Sukukholders' Agent.

17. **Notices**

Notices to the Holders will be sent to them by registered mail to their respective addresses on the Register. Any such notice shall be deemed to have been given on the fifth day after the date of mailing. In addition, notices of any meetings of Holders shall be published in the Official Gazette and in a daily newspaper with circulation in the locality of the Issuer's head office at least 25 days prior to the date set for the initial meeting and at least 30 days prior to the date set for any adjourned meeting.

18. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Sukuk are governed by, and are to be construed in accordance with, the laws and regulations of Saudi Arabia in accordance with the rules of the Shariah as applied in Saudi Arabia.
- (b) *Jurisdiction:* The Committee for the Resolution of Securities Disputes and the Appeal Panel (the "**Committee**") shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Sukuk or the Sukuk Documents and, for such purposes, all relevant parties (including, the Issuer and the Holders) irrevocably submit to the jurisdiction of the Committee. No suit, action or proceedings which may arise out of or in connection with the Sukuk or the Sukuk Documents may be filed or brought outside Saudi Arabia and no court or any judicial authority outside Saudi Arabia shall have jurisdiction to hear any such claim.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Sukuk, after deduction of the combined management and selling commission, will be used by the Issuer for general corporate purposes including meeting working capital requirements, financing acquisitions and capital expenditure and the making of other investments.



## SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, SABIC's audited consolidated financial statements (the "**Consolidated Financial Statements**"). The Consolidated Financial Statements are included elsewhere in this Offering Circular.

	For the years ended 31 December		
	2004	2005	2006
	(SAR in thousands)		
<b>INCOME STATEMENT DATA</b>			
Sales	68,539,076	78,253,536	86,327,862
Cost of sales	(41,604,638)	(45,169,206)	(51,415,477)
Gross profit	26,934,438	33,084,330	34,912,385
Administration and marketing expenses	(3,429,494)	(3,914,352)	(4,026,265)
Income from operations	23,504,944	29,169,978	30,886,120
Other income	1,299,199	1,237,428	2,552,369
Financial charges	(1,020,541)	(1,397,257)	(1,567,042)
Loss arising from a legal case	(1,782,355)	-	-
Income before minority interests and zakat	22,001,247	29,010,149	31,871,447
Minority interests	(7,337,559)	(9,100,464)	(10,527,505)
Income before zakat	14,663,688	19,909,685	21,343,942
Zakat	(450,000)	(750,000)	(1,050,000)
Net income for the year	14,213,688	19,159,685	20,293,942

	SAR	SAR	SAR
Earnings per share <sup>1</sup>	47.38	47.89	8.12
Earnings per share <sup>2</sup>	5.69	7.66	8.12

1 Calculated on the basis of the number of shares outstanding as at the end of the relevant financial year. The number of ordinary shares of SABIC as at 31 December 2005 were 400,000,000. Pursuant to Council of Minister's resolution No. 4-154-2006 dated 27 March 2006 the nominal value of shares changed from SAR 50 per share to SAR 10 per share. Consequently, the number of ordinary shares of SABIC was increased to 2,000,000,000 with effect from 15 April 2006.

2 Calculated on the basis of the number of shares outstanding as at the date of this Offering Circular. On 22 April 2006, the Extraordinary General Meeting approved an increase in capital by way of a stock dividend of 500,000,000 ordinary shares, with a nominal value of SAR 10 each, thereby increasing the share capital of SABIC 25,000,000,000 represented by 2,500,000,000 authorised ordinary shares.

	As at 31 December		
	2004	2005	2006
	(SAR in thousands)		
BALANCE SHEET DATA			
ASSETS			
Current assets:			
Cash and cash equivalents	23,245,131	28,172,569	41,227,735
Accounts receivable	13,504,142	14,520,648	16,475,589
Inventories	9,154,624	10,642,446	13,658,245
Other receivables and prepayments	2,993,208	2,945,182	2,612,872
Total current assets	48,897,105	56,280,845	73,974,441
Non-current assets:			
Investments	2,689,971	5,898,098	3,531,839
Property, plant and equipment	63,843,751	66,096,734	79,970,622
Intangible assets	5,998,646	4,957,112	5,094,003
Other non-current assets	3,515,173	3,717,691	4,017,915
Total Non-current assets	76,047,541	80,669,635	92,614,379
TOTAL ASSETS	124,944,646	136,950,480	166,588,820
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	8,298,460	7,781,718	11,065,422
Short-term bank facilities	483,529	351,695	607,622
Current portion of long-term debt	6,050,315	6,352,264	5,521,174
Accrued liabilities and provisions	7,135,207	7,461,439	8,529,868
Total current liabilities	21,967,511	21,947,116	25,724,086
Non-current liabilities:			
Long-term debt	27,292,725	23,017,180	33,611,628
Other non-current liabilities	4,966,707	6,764,647	6,762,869
Total non-current liabilities	32,259,432	29,781,827	40,374,497
Total Liabilities	54,226,943	51,728,943	66,098,583
Shareholders' equity:			
Share capital	15,000,000	20,000,000	25,000,000
Statutory reserve	7,500,000	9,415,968	11,445,362
Research and technology reserve	1,291,691	1,291,691	1,291,691
General reserve	13,881,503	17,589,241	20,631,558
Retained earnings	13,209,138	14,043,717	14,514,548
Total shareholders' equity	50,882,332	62,340,617	72,883,159
Minority interest	19,835,371	22,880,920	27,607,078

<b>Total equity</b>	<b>70,717,703</b>	<b>85,221,537</b>	<b>100,490,237</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>124,944,646</b>	<b>136,950,480</b>	<b>166,588,820</b>

## THE MARKETING AGREEMENTS

### 1. Overview of SABIC's Marketing Arrangements with its affiliates and subsidiaries

SABIC is primarily responsible for conducting marketing and sales activities for most of its affiliates and subsidiaries incorporated in Saudi Arabia through its strategic business units ("**SBU**s"). Historically, the marketing and sales activities for most of its affiliates and subsidiaries were conducted through two wholly owned subsidiaries of SABIC, namely: (1) Sabic Marketing Limited ("**SML**") and (2) Saudi Arabian Fertilizer Marketing Company ("**SANAPIK**"). Both SML and SANAPIK were merged into SABIC as part of the reorganisation of SABIC's business into SBUs (as defined below), and the marketing and sales activities conducted through these subsidiaries were assumed directly by SABIC.

### 2. Marketing Agreements

The following table sets out the key details of all of the marketing agreements entered into by SABIC which are the subject of the Sukuk Assets (the "**Marketing Agreements**"). These Marketing Agreements are the same as the marketing agreements used in relation to SABIC's SAR 3,000,000,000 Sukuk expiring 2026 issued in July 2006 under which 30% of certain specified rights and obligations under each of the Marketing Agreements have previously been transferred to SABIC Sukuk LLC as Custodian leaving up to 70% of such rights and obligations available for transfer as the Sukuk Assets for the Sukuk, that are the subject of this Offering Circular.

The Marketing Agreements constitute all the marketing agreements entered into by SABIC with its subsidiaries and affiliates that are incorporated in Saudi Arabia excluding those with HADEED and YANSAB (as it is scheduled to commence production in 2008).

Marketing agreements have not yet been entered into between SABIC and GAS (SABIC does not provide any marketing services to GAS at present) and SABIC and Saudi Kayan Petrochemical Company or in connection with SABIC's joint venture with Ma'aden.

Counterparty to Marketing Agreement (the "Specified Counterparty")	Date of Agreement	Products
Jubail United Petrochemical Company (UNITED)	20 November 2001	Ethylene, Ethylene glycols, Polyethylene and Linear Alpha Olefins.
Arabian Industrial Fibres Company (IBN RUSHD)	1 January 1996	Aromatics (Xylenes and Benzene), Purified Terephthalic Acid

<b>Counterparty to Marketing Agreement (the "Specified Counterparty")</b>	<b>Date of Agreement</b>	<b>Products</b>
		(PTA), Polyester Textile Chips, Textile Staple, Bottle Grade Chips and Carpet Staple.
Al-Jubail Chemical Fertilizer Company (AL-BAYRONI)	5 July 1994	2 Ethyl Hexanol (2EH), Dioctyl Phthalate (DOP), Ammonia and Urea.
Saudi Arabian Fertilizer Company (SAFCO)	1 April 1991	Ammonia, Urea, Sulphuric Acid and Melamine.
National Chemical Fertilizer Company (IBN AL-BAYTAR )	1 April 1991	Ammonia, Urea, Compound and Phosphate Fertilisers.
Saudi European Petrochemical Company (IBN ZAHR)	10 July 1988	MTBE and Polypropylene.
Arabian Petrochemicals Company (PETROKEMYA)	22 March 1986	Ethylene, Polystyrene, Butene-1, Propylene, Butadiene, Benzene, and Polyethylene (from October 2003).
Eastern Petrochemical Company (SHARQ)	7 August 1985	Linear low density Polyethylene and Ethylene glycols.
Saudi Petrochemical Company (SADAF)	19 November 1984	Ethylene, Caustic soda, Styrene, Ethylene dichloride, Crude industrial ethanol and MTBE.
Al-Jubail Petrochemical Company (KEMYA)	13 November 1984	Polyethylenes and Ethylene.
Saudi Yanbu Petrochemical Company (YANPET)	3 November 1984	Ethylene, Linear low density Polyethylene, high density Polyethylene,

Counterparty to Marketing Agreement (the "Specified Counterparty")	Date of Agreement	Products
		Ethylene glycols, Propylene and Polypropylene.
National Methanol Company (IBN SINA)	1 April 1983	Chemical grade methanol and MTBE
Saudi Methanol Company (AR-RAZI)	16 February 1983	Chemical grade methanol.

### 3. **Overview of the Rights and Obligations which are the subject of the Sukuk Assets**

#### *SABIC's Obligations*

SABIC's primary obligation under each Marketing Agreement is to provide marketing and sales services (the "Marketing Services") in respect of the quantities of the relevant products made available to it by each Specified Counterparty. These Marketing Services include, *inter alia*, contacting customers and defining their requirements, negotiating and executing sales contracts, processing orders, credit information and risks, invoicing, collecting payments, investigating claims and complaints, technical sales services, advertising, promotion, distributing specification sheets and sales brochures relating to the relevant products.

The products delivered to SABIC by each Specified Counterparty in accordance with its Marketing Agreement are marketed and sold by SABIC at prices agreed between SABIC and the relevant purchaser (the "**Customer Price**"). SABIC is entitled to deduct certain costs and expenses and its applicable marketing fee from the Customer Prices received by it and is obliged to remit the balance (the "**Netback Price**") to the relevant Specified Counterparty within the time period specified in the relevant Marketing Agreement.

The majority of the Marketing Agreements oblige SABIC to indemnify the relevant Specified Counterparty against losses, claims and liabilities relating to the performance by SABIC of its obligations under the relevant agreement, except in cases where the loss, claim or damage is caused by the indemnified party's negligence or breach of warranty as to the quality of the products supplied by it.

#### *SABIC's Rights*

Under the Marketing Agreements, SABIC has the right to market and sell the products that it receives from each Specified Counterparty in the specified territories. In the case of a specified territory including Europe, the marketing is

undertaken by SABIC Europe under arrangements agreed between SABIC and SABIC Europe.

SABIC is entitled to a marketing fee under each Marketing Agreement in respect of the quantities of products sold by it. The marketing fee is generally calculated as a percentage of the sales price net of principally shipping and ocean freight in respect of the relevant products and the percentage rate for the marketing fee varies from agreement to agreement.

#### 4. **Selected Historical information regarding the Marketing Agreements**

##### *Marketing fee income*

Marketing fee income under the Marketing Agreements for the years 2004, 2005 and 2006, and the amount of such marketing fee income allocated to the sukuk expiring 2026 issued in July 2006 (30% of the marketing fee income was allocated to the relevant sukuk holders) was as follows:

Year	Total marketing fee income (SAR in 000's)	Marketing fee income allocated to sukuk expiring 2026 (SAR in 000's)
2004	1,670,648	-
2005	2,140,600	-
2006	2,504,485	396,002*

\* Note - 30% of the total marketing fees were allocated to SABIC Sukuk LLC in its capacity as custodian for the sukuk holders in respect of the sukuk issued in July 2006 for the period from 29 July 2006 to 31 December 2006.

##### *Costs and expenses*

The costs and expenses which fall under the definition of Administrator's Allowable Costs for the years ended 2004, 2005 and 2006, and the amount of such costs and expenses allocated to the sukuk expiring 2026 issued in July 2006 (30% was allocated to the relevant sukuk holders) was as follows:

Year	Total costs and expenses (SAR in 000's)	Costs and expenses allocated to sukuk expiring 2026 (SAR in 000's)
2004	84,528	-
2005	93,182	-
2006	106,819	17,270**

\*\* Note - 30% of the total costs and expenses were allocated to SABIC Sukuk LLC in its capacity as custodian for the sukuk holders in respect of the sukuk issued in July 2006 for the period from 29 July 2006 to 31 December 2006.

The Administrator's Allowable Costs represent only some of the direct costs and expenses of SABIC in connection with the Marketing Agreements and are identified only for the purposes of calculating the Net Income in relation to the Sukuk Assets. Accordingly, these costs and expenses represent only a small part of the total costs and expenses incurred by SABIC in connection with providing the relevant Marketing Services under the Marketing Agreements.



## DESCRIPTION OF SUKUK DOCUMENTS

*The following is a summary of certain key provisions of the Sukuk Assets Transfer Agreement, the Sukuk Assets Administration Agreement and the Purchase Undertaking. This summary is for information purposes only and is not intended to be (nor should it be construed as being) all inclusive. Prospective Holders should note that this summary is not a substitute for reviewing the relevant Sukuk Documents in full, which are available for inspection during normal business hours from the Closing Date until the Expiry or early purchase by the Issuer of all the Sukuk at the specified offices of each of the Issuer, the Custodian and the Sukukholders' Agent. Prospective Holders are reminded that pursuant to the Conditions, all Holders are bound by, and are deemed to have notice of, all the provisions of the Sukuk Documents.*

Except as indicated otherwise below, terms and/or expressions used and not defined herein have the same meanings as is given to them in the Conditions.

The Sukuk Assets comprise certain rights and obligations of the Issuer in relation to an undivided interest in each Marketing Agreement equal to the Applicable Percentage for such Marketing Agreement, namely:

- (a) the rights of the Issuer under each Marketing Agreement to market and sell the products made available to it by the counterparties to such Marketing Agreement and the right to receive the related marketing fees therefore; and
- (b) the obligations of the Issuer under such Marketing Agreement generally to provide marketing and sales services in respect of the products made available to it by the relevant counterparties.

The Applicable Percentage of such rights and obligations constituting such undivided interest are referred to as the "**Specified Rights**" and the "**Specified Obligations**", respectively.

The Sukuk Assets and the extent of the rights and entitlements that attach to them are more particularly described in the Sukuk Assets Transfer Agreement. Such rights and entitlements will be purchased by the Holders (through the Sukukholders' Agent) from the Issuer for a period of 20 years and the Sukuk Assets will be transferred by the Issuer to the Custodian for the benefit of the Holders.

30% of certain rights and obligations under each of the Marketing Agreements (as defined below) have previously been transferred to the Custodian to constitute the sukuk assets in relation to SABIC's SAR 3,000,000,000 Sukuk expiring 2026 issued in 2006.

### **Sukuk Assets Transfer Agreement**

The Issuer, the Custodian and the Sukukholders' Agent are parties to the Sukuk Assets Transfer Agreement, pursuant to which:

- (1) the Issuer agrees to transfer to the Custodian, for the benefit of the Holders, the Sukuk Assets for the duration of 20 years;

- (2) the transfer of the Sukuk Assets takes effect on and with effect from the Closing Date and shall remain in force in respect of each Marketing Agreement until the earlier to occur of (i) the expiry of the Transfer Period (as defined in the Sukuk Assets Transfer Agreement) and (ii) the termination or expiry of such Marketing Agreement.
- (3) the transfer of the Sukuk Assets will not entitle any Holder to (a) undertake any marketing or sale of any products produced by any Specified Counterparty; (b) receive or request any products from the Issuer or any Specified Counterparty; (c) without prejudice to a Holder's entitlement to receive the Periodic Distribution Amount, the Periodic Default Amount (if any), the Extra Amount (if any) and the Specified Amount (if any) in accordance with the Conditions, receive or request any fee income or other amounts from any Specified Counterparty; (d) have any rights or claims against any Specified Counterparty regarding the types, quantities or quality of products produced by it; (e) receive or request any information from the Issuer or any Specified Counterparty regarding the business or operations of any Specified Counterparty; (f) receive or request copies of any Marketing Agreements or any information related to them which is in addition to the information set out in this Agreement and the Offering Circular; (g) give any directions or instructions to any Specified Counterparty regarding the conduct of its business or operations or require it to comply with any directions, instructions or requests from a Holder; (h) any interest of any kind whatsoever in any Specified Counterparty, its assets, its business or the products produced by it; (i) amend, modify, supplement, suspend or terminate any Marketing Agreement or require the Issuer or any Specified Counterparty to do so; (j) require any Specified Counterparty to seek its consent to amend, modify, supplement, suspend or terminate a Marketing Agreement; and/or (k) require any Specified Counterparty to seek its consent to change or restructure its business or operations, including (without limitation) changing the types or quantities of products produced by it.

Pursuant to the Sukuk Assets Transfer Agreement, the Issuer covenants that for the duration of 20 years it shall (a) not, in any manner, dispose of all or any part of the Marketing Agreements nor create, grant or permit to subsist any Security Interest over all or any of its right, title and interest in the Marketing Agreements except to the extent expressly contemplated by the Sukuk Documents; (b) comply with its obligations under the terms of each Marketing Agreement for so long as it remains in force; and (c) promptly notify the Custodian and the Sukukholders' Agent if a Marketing Agreement is terminated or replaced.

The Custodian covenants with the Issuer and the Sukukholders' Agent to perform or procure the performance of the Specified Obligations, and to enforce or procure the enforcement of the Specified Rights under the Sukuk Assets. The parties acknowledge that the Custodian irrevocably delegates the performance of the Specified Obligations and the benefit of the Specified Rights to the Sukuk Administrator under the Sukuk Assets Administration Agreement.

The Issuer acknowledges that it provides the Issuer Warranties to induce the Custodian and the Sukukholders' Agent to enter in to the Sukuk Assets Transfer Agreement and that neither the Custodian nor the Sukukholders' Agent has made or shall make any enquires in respect of, any Marketing Agreement, the creditworthiness of any Specified Counterparty, the burden associated with any Specified Obligation or the suitability of the Sukuk Assets. The Custodian and the Sukukholders' Agent acknowledge that they have only relied upon the Issuer Warranties and no other representation or warranty. If any Issuer Warranties or the Issuer Covenants are breached, the Issuer must notify the Custodian and the Sukukholders' Agent.

The Issuer Warranties given to the Custodian and the Sukukholders' Agent on the date of the Sukuk Asset Transfer Agreement (and deemed to be repeated on each date falling on or before the Closing Date) consist of representations and warranties by the Issuer that (a) immediately prior to transferring the Sukuk Assets to the Custodian, the Issuer is the legal and beneficial owner of the Sukuk Assets; (b) the Issuer is a party to each Marketing Agreement as principal and each such Marketing Agreement is in full force and effect, enforceable in accordance with its terms and the Issuer is not in breach of any material term or condition of such Marketing Agreement; (c) as of the Closing Date: (i) there will be no restrictions on the Issuer's ability to transfer the Sukuk Assets in the manner contemplated by the Sukuk Assets Transfer Agreement, whether contained in the Marketing Agreements or in any other document; and (ii) the Sukuk Assets Transfer Agreement will be effective to transfer the Sukuk Assets to the Custodian (on behalf of the Holders and the Sukukholders' Agent); (d) the Issuer has not sold or otherwise disposed of, or created, granted or permitted to subsist any Security Interest over, all or any of its right, title and interest in the Marketing Agreements; (e) the Issuer has the necessary capacity, power and authority to enable it to enter into and perform its obligations under the Sukuk Assets Transfer Agreement; (g) subject to the matters of Saudi Arabian and Shariah law described in the "Risk Factors" section in this Offering Circular and the related disclaimers and exemptions set out herein, the Sukuk Assets Transfer Agreement constitutes legal, valid and binding obligations enforceable against it in accordance with its terms; (h) all necessary authorisations and consents to enable the Issuer to enter into the Sukuk Assets Transfer Agreement and to make it admissible in evidence in Saudi Arabia (save for its translation into Arabic by a duly licensed translator) have been obtained and are in full force and effect.

### **Sukuk Assets Administration Agreement**

The Custodian, the Sukukholders' Agent and the Sukuk Administrator are parties to the Sukuk Assets Administration Agreement, pursuant to which:

- (1) the Custodian (on behalf of the Holders) irrevocably engages the Sukuk Administrator to perform the services and other duties set out in the Sukuk Assets Administration Agreement for the duration of the Sukuk and the Sukuk Administrator agrees to so act as administrator in respect of the Sukuk Assets for and on behalf of the Holders. The Sukuk Administrator acts as independent contractor (*ajeer mushtarak*) not as employee (*ajeer khas*); and

- (2) the Sukuk Administrator agrees to the extent practicable to administer, perform and discharge the Specified Obligations and the Specified Rights relating to the Sukuk Assets. In particular, it will in relation to each Marketing Agreement, provide all the marketing services that the Issuer is required to provide to the relevant Specified Counterparty to the best of its abilities in accordance with the terms of the relevant Marketing Agreement so long as it remains in force, exercise prudence with respect to the level of Administrator's Allowable Costs, preserve and safeguard the income relating to the Sukuk Assets, ensure that accounting and auditing in relation to the income and expenses of the Custodian is carried out and that the Custodian meets all regulatory and taxation requirements.

Under the Sukuk Assets Administration Agreement, the Sukuk Administrator undertakes that it shall (a) devote to the performance of its obligations under the Sukuk Assets Administration Agreement at least the same amount of time and attention, and exercise at least the same level of skill, care and diligence as it does in performing its own rights and obligations under the Marketing Agreements (b) to the extent practicable, comply with any directions, orders and instructions which the Custodian or the Sukukholders' Agent, as the case may be, acting reasonably may from time to time give to it in connection with the performance of its obligations under the Sukuk Assets Administration Agreement and (c) promptly notify the Custodian and the Sukukholders' Agent of the following:

- (a) any part of the marketing fee income arising under the Marketing Agreements which is contested or claimed and which is material in the context of the Sukuk (including in respect of any payments to be made under the Sukuk);
- (b) if it is required to indemnify a Specified Counterparty against any losses, claims and liabilities relating to the performance by it of the relevant Specified Obligations which are material in the context of the Sukuk (including in respect of any payments to be made under the Sukuk);
- (c) as to any factor which could significantly affect the level of marketing fee income arising under a Marketing Agreement; and
- (d) if it breaches any material obligation under a Marketing Agreement and fails to remedy such a breach within any applicable grace periods resulting in the relevant Specified Counterparty selling the relevant product directly to purchasers and claiming from the Sukuk Administrator the amounts which it would have received had the Sukuk Administrator performed its obligations under the relevant Marketing Agreements, if such amounts are material in the context of the Sukuk (including in respect of any payments to be made under the Sukuk).

The Sukuk Administrator's fee in relation to the Sukuk Assets Administration Agreement is set out in Conditions 5(b) (*Sukuk Assets: Application of Proceeds - Net Income*) and 5(c) (*Sukuk Assets: Application of Proceeds - Reserve*) in the Conditions.

The Sukuk Administrator makes the following various representations and warranties to the other parties to the Sukuk Assets Administration Agreement and acknowledges that the other parties to the Sukuk Assets Administration Agreement have entered into such agreement in reliance upon such representations and warranties: (a) that it has full power and authority to enter into the Sukuk Assets Administration Agreement and to exercise its rights and perform its obligations thereunder; (b) that all acts, conditions and things required to be done, fulfilled and performed in order (i) to enable it lawfully to enter into, exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the Sukuk Assets Administration Agreement; (ii) to ensure that the obligations expressed to be assumed by it in the Sukuk Assets Administration Agreement are legal, valid, binding and enforceable, in reliance upon certain matters and subject to the matters of Saudi Arabian and Shariah law described in "Risk Factors" in the Offering Circular and the related disclaimers and exclusions set out therein, have been done, fulfilled and performed; (iii) to make the Sukuk Assets Administration Agreement (save for its translation into Arabic by a duly licensed translator) admissible in evidence in Saudi Arabia; (c) subject to the matters of Saudi Arabian and Shariah law described in "Risk Factors" in this Offering Circular and the disclaimers and exclusions set out herein, the obligations expressed to be assumed by it in the Sukuk Assets Administration Agreement are legal, valid and binding obligations, enforceable against it in accordance with the terms thereof; and (d) the execution of the Sukuk Assets Administration Agreement and its exercise of its rights and performance of its respective obligations hereunder do not and shall not (i) conflict in any material respect with any agreement, mortgage or other instrument or treaty to which it is a party or which is binding upon it or any of its assets; (ii) conflict with its constitutive documents; or (iii) conflict with any applicable law, regulation or official or judicial order.

### **Purchase Undertaking**

Pursuant to this undertaking, the Issuer:

- (1) irrevocably undertakes to the Sukukholders' Agent that, following the occurrence of an Exercise Event, it shall purchase the relevant Sukuk from the relevant Holder or Holders (as the case may be) and pay to the Transaction Account all amounts due (if any) in respect of the relevant Sukuk to the relevant Holder(s);
- (2) unconditionally and irrevocably accepts, following the receipt of an Exercise Notice from the Sukukholders' Agent, the automatic transfer of the Sukuk Assets to the Issuer free and clear of any Security Interest. By its acceptance of such Sukuk Assets, the Issuer shall be deemed to have unconditionally and irrevocably accepted and agreed that the Purchase Price together with any applicable Extra Amount or Specified Amount is a fair price for such Sukuk Assets.

## **Common terms of all documents**

### *Assignment*

The Issuer and the Custodian may not assign or transfer their rights and/or obligations under any of the Sukuk Documents or any interest in any of the Sukuk Documents. However, the Sukukholders' Agent has the right to assign or transfer its rights and obligations under any of the Sukuk Documents in accordance with, and subject to the terms of, the Declaration of Agency provided that (i) the Sukukholders' Agent assigns or transfers its rights and obligations under one of the Sukuk Documents at the same time as assigning or transferring its rights and obligations under all other Sukuk Documents; and (ii) all such assignments or transfers are made to the same party.

### *Termination*

Each of the Sukuk Documents terminates on the earlier to occur of (i) the expiry of the Transfer Period (as defined in the Sukuk Assets Transfer Agreement), (ii) and the date on which the last Sukuk which is current is purchased by the Issuer in accordance with the Purchase Undertaking.

## DESCRIPTION OF ISSUER

### Introduction

Saudi Basic Industries Corporation ("**SABIC**" and, together with its subsidiaries and affiliates, the "**SABIC Group**"), a joint stock company incorporated under the laws of Saudi Arabia ("**Saudi Arabia**"), is a holding company for a group of companies that together constitute the Middle East's largest non-oil industrial group (Source: *according to SABIC estimates*). The SABIC Group's principal business is the manufacture and sale of basic chemicals, intermediates (including industrial gases), polymers, fertilisers and metals. It is one of the world's leading producers of basic chemicals, intermediates and polymers.

For the years ended 31<sup>st</sup> December 2005 and 2006, the SABIC Group's sales were SAR 78.3 billion and SAR 86.3 billion, respectively generating net income of SAR 19.2 billion and SAR 20.3 billion, respectively. As at 31<sup>st</sup> December 2005 and 2006, the SABIC Group had total assets of SAR 136.9 billion and SAR 166.6 billion, respectively. For the three months ended 31 March 2006 and 2007, the SABIC Group's sales were SAR19.3 billion and SAR 26.3 billion, respectively generating net income of SAR 4.2 billion and SAR 6.3 billion, respectively. As at 31 March 2006 and 2007, the SABIC Group had total assets of SAR 146.9 billion and SAR180.7 billion, respectively.

The SABIC Group's businesses other than that of SABIC Europe B.V. (together with its subsidiary companies, "**SABIC Europe**") are grouped into six Strategic Business Units ("**SBU**s") reflecting its product base: Basic Chemicals, Intermediates, Polymers, Specialty Products, Fertilisers and Metals. For segment financial reporting purposes, Metals is reported as a separate unit and all other SBUs are reported on a combined basis.

The SABIC Group conducts its European operations through SABIC Europe. SABIC Europe originally comprised the petrochemical business of DSM N.V., an integrated producer of polyolefins and olefins. The business was acquired by the SABIC Group in 2002, with SABIC Europe later becoming the marketing channel for all the SABIC Group products in Europe.

The SABIC Group's global presence has grown steadily over the years. It currently has 21 manufacturing facilities (18 facilities in Saudi Arabia and a single facility in each of Germany, The Netherlands and the United Kingdom), with a further two large-scale manufacturing complexes under construction, in Al-Jubail on the Arabian Gulf coast and in Yanbu on the Red Sea coast. SABIC's global network also comprises several overseas SABIC affiliates, distribution centres, storage facilities and research, and development units strategically located to serve key markets around the world. The locations of SABIC's manufacturing and trading operations worldwide are set out in Appendix I to this Offering Circular.

In 2006, the production level of the SABIC Group was approximately 49 million tonnes of products. Through investments made on a global basis, SABIC plans to increase production capacity to 80 million tonnes per annum by 2012.

## History and Development

SABIC was established by the Saudi government in 1976 in furtherance of a government policy to diversify the Saudi industrial base outside the oil sector, and in order to make use of crude oil-associated gases at well-heads which had, until that point, been flared off. The intention was to build a chain of basic, large-scale industries located close to or with easy access to, gas resources, and to develop export-oriented non-oil businesses of strategic importance to Saudi Arabia, including hydrocarbon-based chemicals and basic metal industries.

In cooperation with the Royal Commission for Jubail and Yanbu, which built the surrounding infrastructure, SABIC transformed a fishing village on the coast of the Arabian Gulf, Al Jubail, into a modern industrial city in the late 1970s and early 1980s, building a diversified portfolio of basic industries. The first SABIC joint venture company, Saudi Methanol Company ("**AR RAZI**"), was formed in 1979 with a consortium of Japanese companies led by Mitsubishi Gas Chemical Company in order to construct a methanol plant. The plant came on stream in 1983.

In 1984, the Saudi government sold 30% of the share capital of SABIC through a public offering to Saudi citizens and investors in other GCC countries.

In 2002, SABIC acquired the petrochemical business of DSM N.V. in Europe, which became SABIC Europe. In late 2002, SABIC Europe acquired Owens Corning's 50% share in StaMax BV, a joint venture originally formed with DSM in 1999. In 2003, SABIC Europe, in a 50:50 partnership with Süd Chemie AG, acquired Scientific Design, Inc. of New Jersey, whose business is process and catalyst-related chemical technologies. In mid 2003, SABIC Europe opened a new propylene plant in Geleen, The Netherlands.

In the 4<sup>th</sup> quarter of 2005, work commenced on an expansion project to increase the production capacity of Eastern Petrochemical Company ("**SHARQ**"), a 50:50 joint venture with a Japanese consortium led by the Japanese government and the Mitsubishi group of companies, located in Al-Jubail. This project is expected to be completed by the third quarter of 2008.

In December 2005, SABIC established Yanbu National Petrochemical Company ("**Yansab**") to construct and operate a green-field, new-build petrochemicals complex in Yanbu Industrial City. With a planned production capacity of more than four million tonnes per annum, it is currently targeted to come on stream during the 3<sup>rd</sup> quarter of 2008. Yansab is owned 55% by SABIC (which includes a 4% holding owned by SABIC Industrial Investments Company ("**SIIC**"), which was sold to eligible employees at par value under a stock grant scheme), 35% by members of the public and 10% by other private investors.

In the 4<sup>th</sup> quarter of 2006, SABIC affiliate Saudi European Petrochemical Company ("**IBN ZAHR**") began construction of a polypropylene-3 plant in Al-Jubail. The project is scheduled to complete in August 2008.



In April 2006, SABIC and Al-Kayan Petrochemical Company established, Saudi Kayan Petrochemical Company, to construct and operate a green-field, new build petrochemicals complex in Al-Jubail. The complex, which is due to become fully operational during the 3<sup>rd</sup> quarter of 2010, is designed to produce approximately 6 million tonnes of diversified petrochemicals annually, including approximately 1.4 million tonnes of ethylene, making it one of the largest ethylene plants in the world, and 2.8 million tonnes of marketable products. In May 2007, SAR 6.75 billion (U.S.\$1.8 billion) was raised by Saudi Kayan Petrochemical Company from a public offering of shares constituting 45% of its total shareholding capital, with SABIC holding 35% and Al-Kayan Petrochemical Company holding 20% of the total shareholding capital.

On 29<sup>th</sup> December 2006, SABIC Europe completed the acquisition of Huntsman Petrochemicals (UK) Ltd. since renamed SABIC UK Petrochemicals Limited, giving SABIC Europe a cracker and aromatics complex based in Teesside, United Kingdom along with a 400,000 tonnes Low Density Polyethylene (LDPE) plant due to be completed by the end of 2007.

On 12 March 2007, SABIC signed a Heads of Terms with Saudi Arabian Mining Company (Ma'aden) to engage in a strategic project with an anticipated capital cost of SAR 13 billion to exploit the phosphate reserves in the minerals city in the Ras Azur Region of Saudi Arabia to produce phosphate fertilizers. In addition, the project includes a mine and a refinery in the Al-Jalameed region in the north west of the Kingdom. The Heads of Terms contemplate that SABIC will hold a 30% shareholding interest in the share capital of the joint venture company, with Ma'aden holding the remaining 70% shareholding interest.

On 21<sup>st</sup> May 2007, SABIC signed a stock purchase agreement with General Electric Company ("**GE**") to acquire its plastics business ("**GE Plastics**") for a total purchase price of U.S.\$ 11.6 billion. Completion of the acquisition, which is scheduled to take place in the third quarter of 2007, is subject to the receipt of regulatory approvals. GE Plastics is a global supplier of plastic resins widely used in automotive, healthcare, consumer electronics, transportation, performance packaging, building and construction, telecommunications and optical media applications. For more information on the acquisition of GE Plastics, see "Recent Developments and Outlook".

### **Saudi Government's Shareholding**

SABIC was established by the government of Saudi Arabia as a 100% state-owned company, subject to a requirement in its bylaws that the Saudi government should reduce its shareholding to 25% within six years from the company's incorporation. Although, in 1984, the Saudi government sold 30% of the share capital of SABIC through a public offering, no plan has been announced by the Saudi government to reduce its shareholding further. In addition, SABIC's bylaws provide that the Saudi government is required to retain ownership of twenty five per cent (25%) of SABIC shares for the duration of SABIC's existence. A portion of these retained shares may,

by a decision of the Minister of Industry and Electricity\*, be sold to public organisations, endowments or charity societies.

## **Strategy**

SABIC's strategic objective is to consolidate its position as one of the world's leading producers of petrochemicals. The key elements of this strategy are as follows:

- SABIC's "20:20" strategy (its vision of the company in the year 2020) is to diversify its product range into higher value specialty chemicals, with a target of generating 20% of its revenues from specialty chemicals by that year. With the completion of the acquisition of GE Plastics and the coming on - stream of Saudi Kayan Petrochemical Company, SABIC may be able to realise this strategic goal as early as 2010.
- SABIC intends to expand the geographical base of its operations, primarily by adding sales and distribution outlets in local markets but also by setting up or acquiring production facilities in locations which benefit from feedstock or other advantages.

## **Structure**

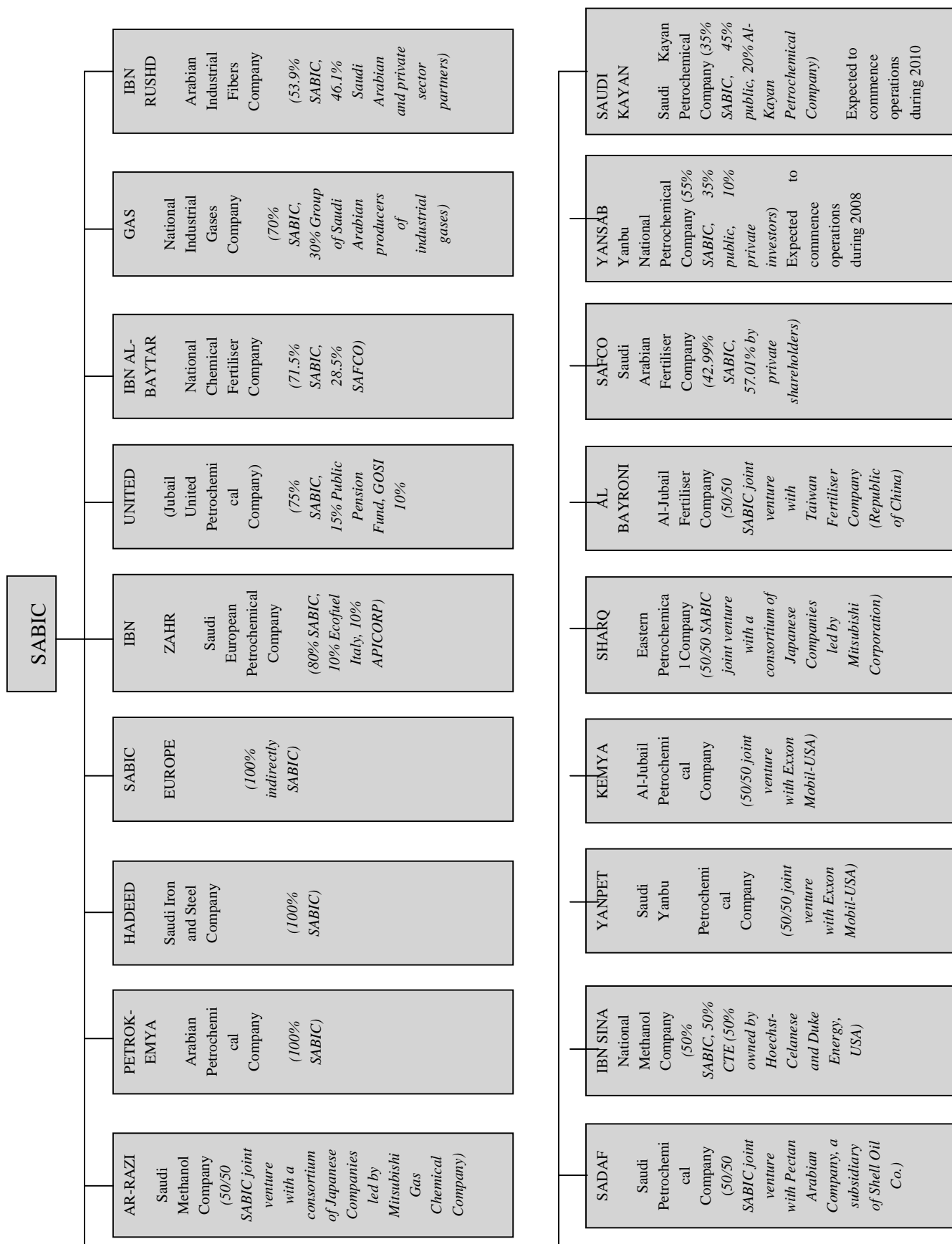
SABIC's businesses are grouped into six SBUs, supported by corporate departments and a shared services organisation. The SBUs are designed to enhance SABIC's customer-oriented focus by dedicating specialised resources and expertise to the customer and product segment that each SBU serves. The SBUs are Basic Chemicals, Intermediates, Polymers, Specialty Products, Fertilisers and Metals. The Polymers SBU was formed in November 2006 as a result of the merger of the SABIC Group's former PVC/Polyester and Polyolefins SBUs, in a move to streamline its polymer operations. Also in 2006, the SABIC Group established the Specialty Products SBU, with a focus on diversifying its product range to include high-end, value-added specialty derivatives.

In Saudi Arabia, the SABIC Group has 16, excluding Saudi Kayan Petrochemical Company and Yansab, operating companies, of which two are 100% owned by SABIC while the remainder are joint ventures with partners, such as Exxon Mobil, Mitsubishi Chemicals and Shell. Outside Saudi Arabia, its manufacturing operations are concentrated in SABIC Europe which is 100% owned by SABIC.

The following chart presents the main manufacturing companies within the SABIC Group, including SABIC's total direct and indirect percentage of ownership in these companies as of the date of this Offering Circular.

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\* Note - The Minister of Commerce and Industry has since succeeded the Minister of Industry and Electricity.



## Operations

The following table contains a breakdown by SBU of the SABIC Group's total production for the periods indicated.

	<b>Year Ended 31<sup>st</sup> December</b>	
	<b>2005</b>	<b>2006</b>
	<hr/>	
	'000s tonnes	
Basic Chemicals	20,432	20,981
Intermediates	9,444	10,341
Polymers	7,760	8,043
Specialty Products	--	--
Fertilisers	5,418	5,922
Metals	3,765	3,856
<b>Total production</b>	<b>46,819</b>	<b>49,143</b>

## Basic Chemicals

### Overview

Basic Chemicals is the SABIC Group's largest SBU accounting for approximately 40% of its total production by volume in 2006. It provides the bulk of the raw material needs of the Intermediates and Polymers SBUs. With a total production level for 2006 of approximately 21 million tonnes, it is one of the largest producers of basic chemicals globally.

Raw materials in the form of derivatives are supplied internally from within the SABIC Group and in the form of feedstocks by Saudi Aramco. This SBU comprises three businesses: Olefins, Aromatics and Oxygenates. These businesses form the foundation for SABIC's higher value-added hydrocarbon activities. In this field, SABIC operates some of the largest petrochemical plants in the world, with its hydrocarbon cracking plants averaging production levels of over one million tonnes per annum.

## **Products**

### *Olefins*

Olefins are the petrochemical industry's most common building blocks, used in the production of many petrochemicals and plastic products. The SABIC Group's primary olefins products include:

- Ethylene, which provides the base for three of the world's most extensively used polymers - polyethylene, polyvinyl chloride ("**PVC**") and polystyrene - as well as a range of chemical intermediates, such as ethylene glycol, which is used to make polyester and antifreeze. The uses of these plastic resins include sterile medical applications, detergents, energy-saving insulation, packaging, textiles and computer casings.
- Propylene, an important feedstock for the petrochemical industry, which is used in the production of polypropylene, acrylonitrile, acrylic acid and rigid polyurethane. Propylene is the basic feedstock in the manufacture of phenol and acetone.
- Butene -1, which is primarily used as a co-monomer in the production of linear low density polyethylene (LLDPE).

Expansion projects in progress are due to increase olefins production from 8.3 million tonnes in 2006 to 10.8 million tonnes by 2008 and to 12.15 million tonnes by 2009.

### *Aromatics*

Aromatics are a group of hydrocarbon products that form the basis for commodity chemicals used in the production of clothing, paints, packaging and other products.

The following are the most significant aromatics products produced by the SABIC Group:

- Styrene, a compound used in the manufacture of polystyrene, synthetic rubber and plastics.
- Benzene, which is the starting material for many of the derivatives required in the production of a wide range of goods. It combines with ethylene to produce styrene and is also used to produce cyclohexane, a precursor in the production of nylon.
- Paraxylene, a principal raw material used to produce purified terephthalic acid ("**PTA**"), a chemical used to make polyester fibres and polyethylene terephthalate ("**PET**") resins, used extensively in packaging applications and soft drink bottles.

### *Oxygenates*

Oxygenates are a group of chemicals comprising alcohols and ethers. Approximately 7.4 million tonnes per annum of oxygenates are produced by the SABIC Group. The primary oxygenates produced by the SABIC Group are:

- Methyl Tertiary Butyl Ether ("**MTBE**"), one of the major oxygenates is used as an octane enhancer that is blended with gasoline.
- Methanol, the starting material in the manufacture of the formaldehyde resins, is used extensively in the production of adhesives, paints and decorative laminate. Methanol is also used to produce MTBE, acetic acid, cleaner-burning fuels and solvents. Expansion projects in progress will increase methanol production by 1.7 million tonnes per annum by 2008.
- Crude Industrial Ethanol, which is used most commonly as a feedstock, after purification, to produce acetaldehyde and acetic acid; and in the creation of many perfumes, pharmaceuticals, cosmetics and insecticides.

### ***Production volume***

The following table sets out the production volume of the most significant basic chemicals produced by the SABIC Group (excluding SABIC Europe) and the total production volumes of SABIC Europe for periods indicated:

	<b>Year Ended 31<sup>st</sup> December</b>	
	<b>2005</b>	<b>2006</b>
	<hr/>	
	'000s tonnes	
Ethylene	7,150	7,185
Methanol	4,090	4,129
MTBE (methyl tertiary butyl ether)	3,350	3,308
Propylene	750	870
Styrene	950	1,074
Benzene	400	374
Paraxylene	250	252
Pyrolysis gasoline	90	117
CIE (crude industrial ethanol)	140	70
Butadiene	100	121
Butene-1	150	151
SABIC Europe	3,012	3,330
<b>Total production</b>	<b>20,432</b>	<b>20,981</b>

## Intermediates

### Overview

Intermediates are raw materials for products downstream from basic chemicals. The SABIC Group's Intermediates are produced for use within the SABIC Group and for export to industrial companies around the world using basic chemicals as raw materials. This SBU comprises four businesses: Chemical Intermediates, Fibre Intermediates, Linear Alpha Olefins and Industrial Gases.

### Products

#### *Fibre Intermediates*

The SABIC Group's fibre intermediates operation produces monoethylene glycol ("**MEG**"), diethylene glycol ("**DEG**"), triethylene glycol ("**TEG**") and purified terephthalic acid ("**PTA**"). A large part of ethylene glycol production is used within the SABIC Group as raw material for downstream manufacturing.

- MEG is mainly used in the production of polyester, polyethylene terephthalate and antifreeze solutions. With a production capacity of 3.5 million tonnes per annum, the SABIC Group is the world's largest producer of MEG, responsible for over 15% of global supply (Source: *according to SABIC estimates*).
- DEG is an industrial solvent, utilised in the manufacture of unsaturated polyesters, plasticisers and resins, as well as other applications.
- TEG is a common non-volatile industrial solvent used in the dehydration of gases, the manufacture of insecticides and in the synthesis of organic derivatives. Pure TEG is essential in the production of plasticisers for cellophane, glue, powdered ceramics and plastics and is a component in the formulation of printing dyes and inks.
- PTA is used in the polymerisation process that produces polyester - the world's most widely used synthetic fibre. Non-domestic sales are mainly in the Middle East and Asia but in newer markets such as Europe, PTA provides a competitive complement to ethylene glycol sales, consolidating SABIC's position as a regional supplier.

#### *Chemicals Intermediates*

The SABIC Group supplies chemical intermediates to its Polymers SBU as well as to its customers in Saudi Arabia and export markets around the world. Its principal chemical intermediate products are:

- Caustic Soda, which is used extensively in a range of applications that include acid neutralisation, bleaching in paper making and cotton processing, petroleum refining, and the production of soaps and detergents.

- Ethylene dichloride, which is created by the combination of chlorine with SABIC's ethylene feedstock and used in combination with vinyl chloride monomer ("VCM") to produce PVC. SABIC produces over 400,000 tonnes of VCM every year.
- 2-Ethyl hexanol, of which the SABIC Group produces over 150,000 tonnes per annum. It is used in the production of phthalates for rubber and plastic fabrication.
- Dioctyl phthalate, used mainly as a plasticiser, giving elasticity to plastics, and it is also used in the operation of vacuum pumps. SABIC has an annual dioctyl phthalate production capacity of about 29,000 tonnes.

### *Linear Alpha Olefins*

Linear Alpha Olefins ("**LAOs**") have a wide range of uses, from co-monomers, drilling oils and detergents to flavours and fragrances.

The SABIC Group has formed a partnership with international engineering group Linde AG to develop new technology for the competitive production of LAOs. The technology, developed jointly at the SABIC Group's research and technology division in Riyadh, is called Alpha-SABLIN. This technology enables LAOs to be made with less plant components and at lower temperatures and pressures than used in current processes. It produces very high purity levels, making the products suitable for an increased variety of uses. Alpha-SABLIN production is expected to commence in 2007 from new facilities in Al-Jubail, with a capacity of 150,000 tonnes per annum.

### ***Production volume***

The following table sets out the SABIC Group's production volume of its most significant intermediates products for the periods indicated.

	<b>Year Ended 31<sup>st</sup> December</b>	
	<b>2005</b>	<b>2006</b>
	'000s tonnes	
Monoethylene glycol (MEG)	3,055	3,505
Diethylene glycol (DEG)	296	332
Triethylene glycol (TEG)	18	18
Purified terephthalic acid (PTA)	378	298
Ethylene dichloride (EDC)	845	827
Caustic Soda (NaOH)	652	632
2-ethylene hexanol (2EH)	146	166



Dioctyle phthalate (DOP)	26	29
Vinyl chloride monomer (VCM)	422	434
Gases	3,589	4,100
ISO-Butyl Aldehyde (IBAL)	17	-
<b>Total production</b>	<b>9.444</b>	<b>10,341</b>

## Polymers

### Overview

SABIC created the Polymers Strategic Business Unit in November 2006 after merging the former PVC/Polyester and Polyolefins SBUs. The move is aimed at further streamlining the functioning of the polymers division.

Within the Middle East, the growth and development of the polymer resins converter industries depends heavily on polymers produced and marketed by the SABIC Group. This SBU benefits from access to competitively priced gas feedstock and self-sufficiency in ethylene, propylene and butene-1.

### Products

The Polymers SBU produces polyethylene and polypropylene, which are the major petrochemical derivatives produced by the SABIC Group, and also PVC, polystyrene, polyester and melamine. These products have a wide variety of uses in the converter industry, including packaging, construction, agriculture and medical supplies as well as in the processes of blown films, injection moulding and rotomoulding.

### Production volume

The following table sets out the SABIC Group's production volume of its most significant polymers products for the periods indicated.

	<b>Year Ended 31<sup>st</sup> December</b>	
	<b>2005</b>	<b>2006</b>
	'000s tonnes	
<b>Polyethylenes</b>		
Saudi Arabia	3,995	4,095
Europe	1,191	1,264
<b>Polypropylenes</b>		
Saudi Arabia	679	774

Europe	1,094	1,162
Polyvinyl chloride (PVC)	406	415
Polystyrene (PS)	174	174
Polyethylene terephthalate (PET) resin	73	79
Polyester fibres	87	8
Textile chips	40	51
Melamine	21	21
<b>Total production</b>	<b>7,760</b>	<b>8,043</b>

The SABIC Group ranks third and sixth globally in terms of volume of production in polyethylene and polypropylene, respectively, (Source: *Capital Markets Associates, Inc ("CMAI")*) and the fourth largest producer in terms of volume in polymers (Source: *according to SABIC estimates*).

## Specialty Products

### Overview

SABIC recently created a new SBU to focus on developing, producing and marketing derivative products. This is part of SABIC's long term growth strategy to expand into selected specialty derivatives. The new specialty derivatives will be selected based on maximising value addition to SABIC and recognising the special market needs of these segments. The main application segments of the new SBU include automotive, catalysts, oilfield chemicals, rubber chemicals, construction materials, specialty polymers, adhesives, sealants and polymer additives. The new SBU will focus on close customer support and product development to achieve efficient market presence and increasing market share in the targeted regions of the world. The SBU will utilise SABIC's research & development capabilities to proactively understand customers' needs and to provide high service content with a focus on application technology.

### Products

The Specialty Products SBU will be in charge of selling and marketing certain specialty derivatives to be produced by the SABIC Group. It is anticipated that the Specialty Products SBU will market approximately 500,000 tonnes per annum of specialty derivatives, including ethanoamines, ethoxylates, dimethylformamide, chlorine chloride and polycarbonates. Innovative use of resources to produce world-class specialty products for international and rapidly expanding domestic markets shall drive further product selection and expansion.

## Fertilisers

### Overview

The SABIC Group has three fertiliser manufacturing affiliates: SAFCO, Al Jubail Fertiliser Company ("**AL-BAYRONI**"), and National Chemical Fertiliser Company ("**IBN AL-BAYTAR**"). In 2006, the production level of Fertilisers SBU was 5.9 million tonnes. A new production plant is under construction by SAFCO which will increase the SBU's production capacity by around 2.2 million tonnes per annum.

SAFCO was the first fertiliser production company in Saudi Arabia, having commenced production in 1969. SAFCO is a publicly traded company, of which SABIC is a 42.99% shareholder. AL-BAYRONI (formerly known as SAMAD), a 50:50 joint venture between Taiwan Fertiliser Company and SABIC, was established in 1979 and commenced production in 1983. IBN AL-BAYTAR, a joint venture between SABIC and SAFCO in which SABIC owns a 71.5% stake and SAFCO the remainder, was established in 1987 and commenced production in 1988.

The Fertiliser SBU is dedicated to promoting agriculture and the quality crops yields. Its range of nitrogen, phosphate and compound fertilisers is used extensively to increase crop yields and the quality of food stocks worldwide. The Fertiliser SBU consists of two businesses: Urea and Ammonia/Phosphates.

The Fertiliser SBU is virtually self-sufficient in all of its raw material requirements for ammonia and urea production. Proximity to supply sources and end markets gives this SBU a competitive advantage in terms of transportation costs.

### Products

The SABIC Group produces and markets the two main grades of urea most widely consumed worldwide: prilled urea and granular urea. Urea is the most popular and economical of all nitrogenous fertilisers. Urea has a nitrogen content of 46% by weight, a higher concentration than is available in other solid sources of nitrogen. Urea is an ideal source of nitrogen for many kinds of crops (including, wheat, barley, rice and maize), and an important raw material for melamine and for the manufacture of other industrial products such as adhesives. The SABIC Group is the largest producer of granular urea globally (Source: *according to SABIC estimates*). More than 80% of SABIC's total urea capacity is designated for export to major markets in Africa, Asia, Northern America and Oceania. Ammonia/phosphates constitute SABIC's second group for fertiliser products, after urea. SABIC's production meets 90% of Saudi Arabia's requirements for phosphates and 100% of its requirements for ammonia. Approximately 75% of the ammonia produced by the SABIC Group is used by the SABIC Group companies to produce urea and other fertilisers; the remainder of which is sold in international markets (mainly Asia).

Other products include anhydrous ammonia (a gas that is the principal raw material for the production of urea, and is used as one of the raw materials for the manufacture of several other fertiliser products and has a number of industrial applications), diammonium phosphate (used in fertilisers for farming wheat, barley and vegetables),

monoammonium phosphate(used in fertilisers for farming clover, wheat and barley, especially in sandy soil) and other compounds that are used as ingredients in fertilisers with a number of applications.

### ***Production volume***

The following table sets out the SABIC Group's production volume of its most significant Fertiliser products for the periods indicated.

	<b>Year Ended 31<sup>st</sup> December</b>	
	<b>2005</b>	<b>2006</b>
	'000s tonnes	
Ammonia	2,162	2,451
Urea	2,839	3,105
Phosphate, compound and liquid	317	256
Sulphuric acid	100	97
Urea formaldehyde	-	13
<b>Total production</b>	<b>5,418</b>	<b>5,922</b>

## **Metals**

### ***Overview***

The activities of the Metals SBU are conducted through SABIC's wholly-owned subsidiary Saudi Iron & Steel Co. ("**HADEED**"). HADEED operates the largest integrated iron and steel complex in the GCC countries. It is located at Jubail and is the leading regional steel maker. Commercial operations at a new rebar and wire rod products plant began in 2006, boosting HADEED's long steel products capacity by 500,000 tonnes a year. A hot strip mill commenced commercial operations after completing an enhancement project designed to double flat production capacity to two million tonnes of hot rolled products. Other ongoing expansion projects include a new direct reduction plant, steel plant and color coating line. Between them, these projects will raise production capacity from 3.9 million tonnes in 2006 to 5.5 million tons in 2007.

SABIC also has ownership interests in two aluminium manufacturing affiliates: a 20% stake in Bahrain based Aluminium Bahrain B.S.C. (having a value of SAR 690.7 million at 31 December 2006) and a 31.28% stake in Gulf Aluminium Rolling Mill Company located in Bahrain (having a value of SAR 132.4 million as at 31 December 2006).

### ***Products***

HADEED has produced long steel products since 1983, primarily for the Saudi construction industry. It now also produces a wide range of flat steel products including hot and cold rolled flat steel and galvanised steel products for the expanding Saudi engineering and manufacturing industries. Its long steel products include reinforcing bars, wire rods, and light sections mainly for the domestic construction industry while

its flat steel products have a wide range of applications including in the manufacture of pre-engineered steel buildings, warehouses and industrial plants and in the manufacture of steel pipes used in the gas and oil industry, water pipes, tanks and oil drums, containers, auto body parts, air conditioning and refrigeration units and household appliances.

### **Production volume**

The following table sets out the SABIC Group's production volume of its most significant steel products for the years ended 31 December 2005 and 2006.

	<b>Year Ended 31<sup>st</sup> December</b>	
	<b>2005</b>	<b>2006</b>
	<hr/>	
	'000s tonnes	
Long products	2,706	2,702
Flat products	1,059	1,154
	<hr/>	
<b>Total production</b>	<b>3,765</b>	<b>3,856</b>
	<hr/>	

### **Competition**

The SABIC Group's principal competitors in the segments of basic chemicals, intermediate products and polymers products, consist of large international petrochemical companies such as BASF, The Dow Chemical Company, Basell and Formosa Plastics Corporation. SABIC competes against these companies and other competitors on the basis of price, ability to supply customers with a diversified product offering and proximity to the customer.

The SABIC Group's principal competitors in the fertiliser segment consist of international companies that produce fertilisers on a large scale. SABIC competes in this line of business on a combination of price, quality of product and standard of customer service. SABIC's main competitors in both urea and ammonia are Qatar Fertiliser Company (Qafco), the Gulf Petrochemical Industries Company and Ruwais Fertilizer Industries (FERTIL) in the Arabian Gulf; Kaltim, Bintulu and Petronas from Indonesia and Malaysia; and certain other producers based near the Black Sea. Despite a highly competitive environment, SABIC either leads or maintains its position as among the top three suppliers in most of its strategic markets for fertiliser (Source: *according to SABIC estimates*).

In the steel segment, SABIC's principal market for its long steel products is Saudi Arabia, where it is the dominant supplier. HADEED's management consider that it offers the most competitive product mix among the suppliers to the Saudi market. There are presently no flat steel producers based in Saudi Arabia other than HADEED. As with long steel products, HADEED competes in the flat steel products market based on its comprehensive product mix and customer service.

## **Suppliers**

In Saudi Arabia, the SABIC Group purchases its gas (ethane, methane, butane, propane, and natural gas) from Saudi Aramco. Saudi Aramco is the Saudi government's wholly-owned oil company and the principal supplier to the SABIC Group of gas and liquid feedstock. Supply contracts normally run for 25 to 30 years. Under these contracts, Saudi Aramco is obligated to supply the SABIC Group with the maximum quantity of ethane per annum at the Saudi government's regulated price, which has, since 1999, been set at U.S.\$ 0.75 per million British thermal units. This price is significantly lower than the SABIC Group's principal competitors are able to obtain in the open market. As feedstock costs represent a significant portion of expense for the SABIC Group's chemicals and fertilisers, the arrangement with Saudi Aramco is a significant competitive advantage for the SABIC Group. In Europe, SABIC Europe purchases its gas feedstock in the open market from a range of suppliers, generally on the basis of long-term supply contracts.

In relation to its steel-making business, HADEED's requirements for supplies of iron ore are mostly fulfilled under long term contracts with leading international suppliers. Scrap metal is sourced from Saudi-based dealers and other dealers based in the GCC at spot prices.

Within the industrial cities of Yanbu and Al-Jubail, in which most of the SABIC Group's Saudi based manufacturing facilities are located, MARAFIQ, a utility company (in which SABIC has an equity stake of 25%), supplies the SABIC Group with its water and sewage disposal requirements at its normal rates for industrial customers. Saudi Electricity Company, a Saudi public utility, meets the SABIC Group's electricity requirements across Saudi Arabia at normal rates for industrial customers. The only exception to this is SADAF, which commissioned an independent power plant to supply it with most of its electricity requirements. In Europe, utility suppliers have been specifically established to service the Geleen plants, the site in Gelsenkirchen benefits from an arrangement by which utilities are provided at cost by the site owner, and the UK site is supplied by commercial suppliers at normal rates for industrial customers.

## **Sales and Marketing**

The SABIC Group's marketing and sales activities in all regions except Europe are primarily conducted directly through the SBUs. SABIC has entered into several marketing agreements with its subsidiaries and affiliates, pursuant to which SABIC is responsible for selling their products, the proceeds of which sales are passed on to the relevant subsidiaries and affiliates net of distribution expenses and marketing fees. Within Europe, all marketing and sales of the SABIC Group products is conducted by SABIC Europe, for which SABIC Europe charges an agreed margin in respect of each sale. For details of the marketing agreements between SABIC and other SABIC Group members, see the "Marketing Agreements" section of this Offering Circular.

The following table sets forth certain information in relation to the principal components of the SABIC Group's sales and cost of sales for the periods presented:

	Year Ended		Three Months	
	31 <sup>st</sup> December		Ended 31 <sup>st</sup> March	
	2005	2006	2006	2007
	SAR (billion)	SAR (billion)	SAR (billion)	SAR (billion)
Sales	78.3	86.3	19.3	26.3
Cost of sales	(45.2)	(51.4)	(11.7)	(15.6)
Cost of sales as a percentage of sales	57.7%	59.6%	60.6%	59.3%
Gross profit	33.1	34.9	7.6	10.7

The SABIC Group operates a fleet of twenty two time-chartered vessels for the shipment of products to the Indian sub-continent, South East Asia, Far East, Arabian Gulf, Mediterranean and North West Europe. Shipment of products is handled by SABIC Terminal Services Company ("**SABTANK**"), which shipped approximately 15.5 million tonnes of chemicals to SABIC Group customers and affiliates during 2006.

### **Planned Capital Investments and Expansion Plans**

In the period from 1 January 2007 to 31 December 2010, the SABIC Group estimates the cost of projects in which SABIC will invest to be approximately SAR 110 billion.

SABIC's expansion plans for this period include:

- the construction of new petrochemical plants in Yanbu to be operated by Yansab with an annual production capacity of approximately 4 million tonnes of ethylene, ethylene glycol, polyethylene and polypropylene products by the end of 2008;
- the capacity expansion at SHARQ, a 50:50 joint venture with SPDC, a Japanese consortium headed by Mitsubishi, to add annual production capacity of approximately 3 million tonnes of ethylene, polyethylene and ethylene glycol by the end of 2008;
- the capacity expansion at AR-RAZI of additional annual production capacity of approximately 1.7 million tonnes of methanol by the first quarter of 2008;
- the capacity expansion at IBN ZAHR to add annual production capacity of 500,000 tonnes of polypropylene as well as construction of a new olefins conversion technology unit with an annual production capacity of 450,000 tonnes to be completed in the fourth quarter of 2008;

- the three-stage capacity expansion at SABIC's affiliate, National Industrial Gases Company (GAS)'s Jubail and Yanbu plants, to add production capacity of 5.2 million tonnes of oxygen and nitrogen by the end of April 2008;
- the construction of Saudi Kayan Petrochemical Company's diversified petrochemicals complex in Jubail with an expected annual production capacity of 6 million tonnes of ethylene, propylene, polypropylene, ethylene glycol, aminoethanols, aminomethyls and dimethylformamide. The project is expected to come on-stream in 2010; and
- the development of the a phosphate mine at Al Jalamid (in a joint venture with Ma'aden in which SABIC will hold a 30% shareholding interest in the share capital of the joint venture company, with Ma'aden holding the remaining 70% shareholding interest.) in north western Saudi Arabia together with fertilizer production facilities at Ras Az Zawr on the Arabian Gulf shoreline comprising an ammonia plant, sulphuric acid plant, phosphoric acid plant and diammonium phosphate (DAP) plant with the capacity to process 4.5 MTPY of phosphate concentrate into 2.9 MTPY of diammonium phosphate.

### Capital Resources and Indebtedness

SABIC Group intends to fund its planned capital investments through a combination of internally generated cash, existing and future credit facilities and debt financings and capital contributions from its partners and other shareholders, if required. The Board of Directors and the executive management of the SABIC confirm that the SABIC has sufficient working capital for the 12 month period immediately following the date of this Offering Circular.

The following table sets out details of the debt instruments issued by SABIC and its long-term debt as at 31 December:

	<b>As at 31<sup>st</sup> December</b>	
	<b>2006</b>	<b>2005</b>
	<b>SAR in thousands</b>	
Public Investment Fund (PIF)	6,698,572	6,257,974
Saudi Industrial Development Fund (SIDF)	1,263,794	1,172,904
Commercial debt	24,458,086	21,938,566
Euro Bond	3,712,350	-
Sukuk	3,000,000	-
<b>Total</b>	<b>39,132,802</b>	<b>29,369,444</b>
Less: Current portion	(5,521,174)	(6,352,264)
Non current portion	<u>33,611,628</u>	<u>23,017,180</u>

See also Note 14 to SABIC's consolidated financial statements for the year ended 31 December 2006.

As at 31 December 2006, SABIC Group had drawn short term bank facilities of SAR 607.6 million and had unused short term credit facilities of SAR 3.8 billion. The SABIC



Group had long term loans of SAR 39.1 billion as at 31 December 2006 of which the current portion amounted to SAR 5.5 billion.

As at the date of this Offering Circular, SABIC has issued a SAR 3 billion Sukuk expiring 2026 and Sabic Group plans to establish a euro medium term note programme in a principal amount of up to U.S.\$3 billion.

As at December 31, 2006, the Company's bankers have issued, on its behalf, bank guarantees amounting to SAR 2.1 billion (2005: SAR 1.5 billion) in the normal course of business. SABIC does not have any other material contingent liabilities as at the date of this Offering Circular.

For the year ended 31 December 2006, SABIC Group generated cash in the amount of SAR 36.4 billion from operating activities, used cash in the amount of SAR 17.9 billion in investing activities, and used cash in the amount of SAR 5.5 billion in financing activities, yielding a net increase in cash and cash equivalents of SAR 13.1 billion.

The following table sets forth the repayment schedule of long term debt obligations as at 31 December 2006:

	<b>SAR in thousands</b>
2007	5,521,174
2008	4,595,599
2009	3,276,057
2010	3,676,067
2011	6,051,178
Thereafter	16,012,727
<b>Total</b>	<b>39,132,802</b>

In addition to this offering, SABIC may consider future borrowings and additional equity financing activities, depending on market conditions, SABIC Group's financial performance and other relevant factors.

The SABIC Group does not have any mortgages, rights and charges on SABIC or the SABIC Group's properties other than mortgages in favour of the Saudi Industrial Development Fund securing debts of SAR1,263,794,000.

The Management of SABIC consider it is in a position to meet its long-term financial obligations through a variety of external funding sources and through cash generated through the SABIC Group's businesses.

### **Environmental, Health and Safety Matters**

Central oversight of the SABIC Group's safety, health and environmental ("**SHE**") performance is the responsibility of SABIC's Corporate Industrial Security & Environment Department and the Corporate Environmental & Industrial Hygiene Department ("**CEID**"), introduced an Environmental Management System ("**EMS**") in 2000. The EMS requirements go beyond the International Standard ISO 14001 Environmental Management Standard. An increasing number of SABIC affiliates have

achieved the ISO 14001 Environmental Management Standard. Each of the SABIC Group's sites and each department applies the EMS to ensure and improve the integrity and safe operation of the installations as well as providing adequate training for employees and the expert support required. SHE performance is systematically measured, recorded and analysed by CEIHD to ensure continued management of SHE factors and to support continual improvement. SHE audits, both internal and external, and management reviews are conducted periodically to maintain the suitability and effectiveness of the management systems

SABIC and its affiliates have achieved independent recognition for their positive health and safety records. In 2006, for example, Jubail United Petroleum Company ("**UNITED**") achieved a "Perfect Safety Award" from the National Safety Council in the United States for its safety record of 48.2 million safe man hours with an incident rate of 0.24 as compared to an industry target of 0.5.

SABIC has implemented an innovative seawater cooling technique that protects marine life by maintaining stable temperatures in the Arabian Gulf. The system transports water to SABIC's Jubail plants through a complex network of canals. As a result, water is released into the sea at a minimally increased temperature, with no harmful effect on the local ecosystem.

SABIC is carrying out a U.S.\$50 million programme to remove chlorofluorocarbons (CFCs) from all of its manufacturing processes. Over the next few years, all SABIC affiliates will phase out CFCs in line with the Montreal Protocol targets for reducing ozone depleting substances.

## **Research and Technology**

The SABIC Group research and technology development ("**R&T**") is conducted by the SABIC Group's Research and Technology Division (the "**R&T Division**"). The R&T Division's main role is to provide research into improving production efficiency, assess modifications to existing products, pilot innovative processes, and to seek and test new and emerging technologies. The division is also involved in selecting new technologies for the SABIC Group's manufacturing plants and in licensing out the use of technologies owned by the SABIC Group (either in whole or in part) to other companies within and outside Saudi Arabia. The SABIC Group additionally enters into collaborative relationships with national and/or international petrochemical companies, universities, research institutes and consultants, and projects have been undertaken with partner institutions in Finland, Italy, Germany and Japan, among others.

The commissioning of a modern industrial complex for R&T at Riyadh began in 1991, enabling the SABIC Group to launch several R&T projects to support its manufacturing affiliates, subsidiaries and customers. The facility in Riyadh remains the SABIC Group's primary centre for research and technical services. Today, the 33-acre science campus employs more than 500, researchers, engineers and technicians from around the world. The complex now consists of several pilot plants, two catalyst manufacturing units and state-of-the-art analytical testing laboratories.

The flagship R&T centre in Riyadh is supported by satellite technology centres in Jubail in Saudi Arabia, Houston in the USA, Geleen in The Netherlands and Vadodara in India. These facilities enable the SABIC Group to deliver on-the-ground technical support for customers, as well as strengthen the SABIC Group's R&T expertise by drawing on a global pool of research talent and experience.

Some research and technology activities that the SABIC Group has undertaken have resulted in: (i) the development of new processes for the production of acetic acid and linear alpha olefins with LINDE, Germany; (ii) the development of Butene-1 technology with IFP, France; (iii) the development of new catalysts and the improvement of catalysts for polyolefins; (iv) process improvements for expandable polystyrene; (v) improvements to the PET bottle manufacturing process; and (vi) improvements in the purification process of carbon dioxide by-product during production of ethylene glycol.

### **Intellectual Property**

Intellectual property plays a critical role in the operation of the SABIC Group's businesses. SABIC has obtained licences in relation to certain technologies on behalf of its affiliates and subsidiaries and licenses out intellectual property rights in relation to certain technologies itself on a worldwide basis, including polyethylene, acetic acid, linear-alpha olefins and butene-1. In 2006, 103 new patents applications were filed by members of the SABIC Group.

### **Information Technology**

SABIC recently completed a global initiative, called FANAR, which was intended to achieve the following strategic goals:

- implement a single set of consistent business processes throughout SABIC's worldwide operations; and
- support these processes with a single enterprise system used by all SABIC locations, replacing all local IT solutions.

The FANAR project also concurrently initiated the establishment of the shared services organisation which delivers accounting services, general services, employee services, IT Run & Maintain services, project engineering and supply management. The shared services organisation currently operates as a cost centre supporting all the SABIC Group companies in Saudi Arabia, including SABIC's headquarters in Riyadh and Jubail.

### **Risk Management**

The SABIC Group has in place a programme of risk management for the benefit of its affiliates and subsidiaries in order to manage and provide cover against risks associated with its business and operations, including, risks of property damage, business interruption and legal and contractual liabilities to third parties arising out of the SABIC Group's operations. SABIC is satisfied that the risk management programme that it presently has in place provides adequate cover against all material risks associated with its business and operations.

## **Price of Gas Feedstock**

The SABIC Group, as with other Saudi companies operating within the petrochemical industry, is currently accessing natural gas feedstock at U.S\$0.75 per million BTU. This price level has been unchanged since 1999. The Saudi Ministry of Petroleum and Mineral Resources has announced a policy decision stating that the price of ethane will remain fixed at this level for projects that consume ethane which are brought on-stream before 31 December 2008 for a period of seven years following the start-up of such projects.

Saudi Arabia joined the World Trade Organisation ("**WTO**") in November 2005. One of the key accomplishments of Saudi Arabia with respect to its accession to the WTO was the fact that the accession was achieved without compromising domestic feedstock pricing policy, which underlies the strong petrochemical competitive cost advantage enjoyed by the petrochemical industry in Saudi Arabia.

In European operations, gas feedstock is purchased in the open market from a range of suppliers, generally pursuant to long-term supply contracts.

## **Legal Proceedings**

As at the date of this Offering Circular, members of the SABIC Group are involved in legal proceedings, both as claimant and as defendant, in the ordinary course of their business. However, they are not currently involved in any such proceedings which could have, individually or in aggregate, a material adverse effect on the financial position of the SABIC Group given that the amounts in dispute are less than SAR 25,000,000. Accordingly, no provision has been made in respect of any such claims.

## MANAGEMENT AND EMPLOYEES

### Management

SABIC's management structure consists of a board of directors (the "**Board**") and a team of executive officers (the "**Executive Management**"). The Board's main functions are to supervise the policy of the Executive Management and the general management of SABIC and to advise the Executive Management. The Executive Management is responsible for the day-to-day management of SABIC's operations. The business address of the members of the Board and Executive Management is Saudi Basic Industries Corporation, P.O. Box 5101, Riyadh 11422, Saudi Arabia.

### **Board of Directors**

The Board consists of seven members, five of whom represent the Saudi Government, including the Chairman and Vice Chairman, and two of whom are representatives from the private sector. Currently, the Board comprises:

*His Highness Prince Saud bin Abdullah bin Thenayan Al-Saud, SABIC Chairman (Civil registry number 1-0990-7620-8; year of birth 1373H)*

His Highness was appointed by the Government as Chairman of SABIC in 2003. He also serves as Chairman of MARAFIQ and the Vice Chairman of the Prince Salman Cooperative Centre. He joined the civil service in 1977 as an engineer with the Riyadh Municipality and went on to serve in various capacities with the Riyadh Municipality. He has also been a member of the board of directors of a number of state water and electricity utilities and was appointed as the *Chairman* of the Royal Commission for Jubail and Yanbu in 2001. His Highness is a civil engineer and obtained a bachelors degree in civil engineering from King Saud University in 1977.

*Mohamed bin Hamad Al-Mady, Vice Chairman and Chief Executive Officer (Civil registry number 1-0154-2429-2; year of birth 1368H)*

Engr. Al-Mady was appointed by the Government as SABIC's Chief Executive Officer in 1998. Engr. Al-Mady also serves as Chairman of SAFCO, SABIC's R&T Executive Committee and SABIC Europe. He is also a member of the board of directors of ALBA and the US-Saudi Business Council, heads the Saudi-side of the Saudi-Taiwanese Joint Committee for Economic and Technical Cooperation, a member in the Economic Balancing Committee, Chairman of the board of directors of the Gulf Petrochemicals and Chemicals Association, a member in the Portugal Globalisation Council, and a member in the International Advisory Council at King Fahad University of Petroleum and Minerals. Engr. Al-Mady joined SABIC at its inception in 1976, is a chemical engineer and obtained a bachelor of science degree from the University of Colorado, USA in 1973 and a masters in chemical engineering from the University of Wyoming, USA in 1975.

*Ahmad bin Ibrahim Al-Hakami, Board Member (Civil registry number 1-0107-3087-5; year of birth 1365H)*

Mr. Al-Hakami was appointed by the Government to the Board of SABIC in 1994. He also serves as the Deputy Minister of Economy and Planning and heads the department responsible for the five - year development plans. He also serves as Chairman of SABIC Industrial Investments Company and as member of the Higher Committee for the Development of Riyadh. He has held a number of posts with the Ministry of Planning and has served as Chairman of AR-RAZI and has been a member of the board of directors of Saudi Consolidated Electricity Companies in the Central and Southwest Regions. Mr. Al-Hakami obtained a bachelors degree in agricultural sciences from King Saud University in 1977 and a masters degree in business administration from the Santa Clara University, USA in 1978.

*Saleh bin Eid Al-Husseini, Board Member (Civil registry number 1-0372-0558-8; year of birth 1379H)*

Mr. Al-Husseini was appointed by the Government to the Board of SABIC in 2001. He also serves as a member of the Shoura Council and a member of the Gulf Organisation for Industrial Consulting. He previously served as the Deputy Minister of Industrial Affairs at the Ministry of Commerce and Industry and has held a number of posts at the Ministry of Finance and National Economy. He also worked at the International Monetary Fund from 1991 to 1996 and was a member in the Saudi Arabian World Trade Organisation accession negotiating team. Mr. Al-Husseini obtained a bachelors degree in economics from King Saud University in 1980 and a masters degree in development economics from the American University, Washington, USA.

*Abdulmuhsin bin Abdulaziz Al-Faris, Board Member (Civil registry number 1-0554-7903-2; year of birth 1380H)*

Mr. Al-Faris was appointed by the Government to the Board of SABIC in 2004. He is the Chief Executive Officer designate of Inma' Bank (currently under formation). He has previously served with the Saudi Arabian Monetary Agency as Director of the Internal Audit Department and then as the Director of the Public Accounts Department. He also worked with Ernst & Young at its office in Los Angeles, USA. Mr. Al-Faris obtained a bachelors degree in accounting from King Saud University in 1982 and a masters degree in accounting from Western Illinois University, USA in 1989. He also qualified as a Certified Public Accountant in California, USA. Mr. Al-Faris worked with the Department of Zakat and Income Tax as its Director General.

*Mohammed bin Suliman Abanumay, Board Member (Civil registry number 1-0001-0843-9; year of birth 1378H)*

Mr. Abanumay was elected to the Board of SABIC by the general meeting of the shareholders in 1989 and is representative from the private sector. He is the General Manager of the Abanumay Industrial Establishment and is currently a member of the board of directors of United Gulf Industrial Company. He has previously been a member of the board of directors of Samba Financial Group, SAFCO, IBN AL-BAYTAR and the National Shipping Company of Saudi Arabia. Mr. Abanumay obtained a

bachelors degree in business administration from Western Illinois University, USA in 1981.

*Abdullah bin Mohammed Al-Issa, Board Member (Civil registry number 1-0012-3490-3; year of birth 1375H)*

Mr. Al-Issa was elected to the Board of SABIC by the general meeting of the shareholders in 1990 and is a representative from the private sector. He is the owner of the Abdullah Mohammed Al-Issa establishment for engineering consultancy and is currently a member of the board of directors of Mohammed Al-Issa and Sons Company, Saudi Cement Company, Saudi Hotels and Resorts Company and Gulf Resorts Company. He has previously been a member of the board of directors of National Chemicals Transport Company, Tabuk Hotels Company and National Cargo Company. Mr. Al-Issa obtained a bachelors degree in industrial engineering from Southern Methodist University, Texas, USA in 1978 and masters degree in industrial engineering from the same university in 1980.

*Ahmed bin Mohammed Al-Umar, Secretary to the Board (Civil registry number 1-0114-0199-7; year of birth 1384H)*

Mr. Al-Umar was appointed as Secretary to the Board in 2001 and also serves as the General Manager for Aromatics & Olefins Marketing. He is a member of the board of directors of AR-RAZI and previously has been a member of the board of directors of IBN SINA. Mr. Al-Umar obtained a bachelors degree in business administration from King Abdulaziz University in 1995, and is currently finishing his MBA.

### ***Executive Management***

SABIC's Vice Chairman and Chief Executive Officer, Engr. Mohamed H. Al-Mady (see above), leads an experienced team of twelve Vice Presidents. Key administrative services are managed under the Corporate Core group, which includes five functions: Corporate Finance, Corporate Control, Human Resources, Shared Services and Research and Technology. The Petrochemicals group co-ordinates the three Chemicals SBUs: Basic Chemicals, Polymers and Intermediates. The two other SBUs are Fertilisers and Metals.

*Mutlaq Al-Morished, Vice President, Corporate Finance (Civil registry number 1-0186-1468-3; year of birth 1376H)*

Mr. Al-Morished is the Vice President of Corporate Finance at SABIC. Prior to his present post, he was Vice President of Shared Services and President of SADAF and HADEED consecutively. Currently, Mr. Al-Morished is the Chairman of the Board of Directors of Yansab, of Saudi Kayan Petrochemical Company and of SABIC Captive Insurance Company Limited, member of the Executive Committee of SABIC R&T, and Board member of ALBA, SABIC Industrial Investments Company and The Saudi Fund for Development. Mr. Al-Morished holds a bachelors degree in nuclear physics and mathematics from the University of Denver, USA, a masters degree in nuclear engineering from Princeton University, USA and a masters degree in business administration from Stanford University, USA.

*Yousef Al-Zamel, Vice President, Basic Chemicals (Civil registry number 1-0128-2642-4; year of birth 1372H)*

Mr. Al-Zamel was appointed Vice President of Basic Chemicals SBU in 2002 and is responsible for SABIC's Olefins, Aromatics, and Oxygenates businesses.

Mr. Al-Zamel joined SABIC during its inception in 1977. Since that time, he has held various positions in the organisation, most recently as the Group President of SABIC's Fertilisers, Vice President of Marketing (SABIC Marketing Ltd.) and General Manager of SANAPIK (Saudi Arabian Fertilizer Marketing Co.) and has held different positions in SABIC's petrochemical, engineering, operations, and marketing departments. He is also the Chairman of Jubail United Petrochemical Co. (UNITED)'s Board of Directors. Mr. Al-Zamel obtained his Chemical Engineering Degree from King Fahd University of Petroleum and Minerals in 1976.

*Khaled Al-Mana, Vice President, Intermediate Chemicals (Civil registry number 1-0005-7129-7; year of birth 1379H)*

Mr. Al-Mana joined SABIC in 1990 and became the Regional Sales Manager for SABIC Singapore in 1993. Later that year he was assigned Country Manager / Chief Representative of SABIC Far East Limited, based in the Taiwan office. In 1998 he became the General Manager of SABIC Far East Limited, based in Hong Kong; and in 1999 returned to Singapore as General Manager of SABIC Asia Pacific Limited. Mr. Al-Mana is Chairman of the Board of SABIC Americas Inc, and a member of SABIC's R&T executive committee. Mr. Al-Mana obtained a bachelors degree in engineering from Meiji University, Tokyo in 1984. He obtained a masters degree in engineering from the National Taiwan University in 1989. Mr. Al-Mana is fluent in Japanese and Chinese languages.

*Dr. Abdulrahman Al-Ubaid, Vice President, Polymers (Civil registry number 1-0329-1299-8; year of birth 1372H)*

Dr Al-Ubaid is responsible for the Global Sales and Marketing of polymers - SABIC's core business product.

Dr. Al-Ubaid joined SABIC in 1989 as the Director of Development at the SABIC Industrial Complex for R&D. In 1996, he was promoted to be the Director General of R&D responsible for the overall research and technology activities of SABIC. Following organisational changes, his title was changed to Executive Vice President of Research & Technology. He played an important role in the establishment and management of the state of the art SABIC R&D Complex. Dr Al-Ubaid has previously held the positions of President SABIC's Intermediate Business Group, Vice President of Polyolefins SBU and Chairman of SABIC's Affiliates Ibn Sina (2001-2004), Ibn Zahr (1998-2001) and Ar-Razi (1997-1998). Dr. Al-Ubaid is currently the Chairman of the Board of Directors of IBN ZAHR, member of the Advisory Board of SABIC Europe and member of SABIC R&T Executive Committee. He was also the Chairman of SABIC's Technical Committee. Prior to working at SABIC, Dr. Al-Ubaid was Associate Professor of Chemical Engineering at the King Saud University in Riyadh. Dr. Al-Ubaid obtained a bachelors degree in chemical engineering from King Fahd University of



Petroleum and Minerals. He holds a masters degree from the University of California (awarded in 1984) and acquired a Ph.D. in chemical engineering from the University of Notre Dame, USA.

*Fahad Al-Sheaibi, Vice President, Fertilizers (Civil registry number 1-0037-1397-9; year of birth 1376H)*

Mr. Al-Sheaibi was appointed Vice President of SABIC's Fertilizers on 1 November 2006. Mr. Al-Sheaibi joined SABIC in 1979 as a Petrochemicals Researcher. Between 1980 and 1982 he received training in the United States. In 1984 he became Regional Sales Manager for Europe with responsibility for marketing research, logistics and plastics, progressing to General Manager with responsibility for creating SABIC's European network. In 1991, Mr. Al-Sheaibi returned to Riyadh as Business Manager, Plastics, SABIC Marketing Ltd. with responsibilities for global plastics sales and marketing. In 1994, he became Vice President, Sales. Prior to his present position Mr. Al-Sheaibi was Group President, Polymers (1999-2002), Vice President, PVC/Polyester (2002-2006). Mr Al-Sheaibi also holds the position of Chairman of the Board of Directors Steering Committee. He has also represented SABIC at a number of international conferences and presented papers at same. Mr. Al Sheaihi obtained a bachelors degree in business administration from King Saud University in 1978.

*Mohammed Al-Jabr, Vice President, Metals (Civil registry number 1-0212-9369-9; year of birth 1377H)*

Mr. Al-Jabr joined HADEED in 1983 where he has held a number of different positions in the Sales and Marketing, HR, Financial, and IT fields. He was General Manager of Finance & Administration before his appointment as President of HADEED and Vice President of SABIC's Metals Group in September 2002. Mr. Al-Jabr is a Board member of Aluminium Bahrain (ALBA), and also serves as a member of ALBA 's Board Audit Committee and Hedging Committee and Human Resources Committee. Mr Al-Jabr is also a member of the Executive Committee of SABIC's Shared Services and R&T. He is a Director of the International Iron & Steel Institute (IISI) and was recently elected as Chairman of the Arab Iron & Steel Union (AISU). Mr. Al-Jabr holds a bachelors degree in administrative science, major in economics from the King Saud University in Riyadh (awarded in 1981).

*Mosaed Al-Ohali, Vice President, Specialty Products (Civil registry number 1-0108-5910-4; year of birth 1379H)*

Mr. Al-Ohali heads SABIC's the Specialty Products business. He is also Vice Chairman of the Board of Directors of SADAFA and SAFCO, a Board member of MARAFIQ and a member of the Executive Committee of SABIC R&T. Mr. Al-Ohali is also Chairman of the Arab Fertilisers Association. Mr. Al-Ohali began his career in September 1984 with SADAFA as a process engineer and member of the ethanol plant start-up team. He advanced through various positions in operations, technical and planning within SADAFA (SABIC/Shell joint venture) and became the President of SADAFA in March 1999. On 1 September 2004, Mr. Al-Ohali was appointed Vice President (Fertilisers) and on 1 November 2006 he was appointed as Vice President of

Specialty Products. Mr. Al-Ohali holds a masters degree in chemical engineering from King Fahd University of Petroleum and Minerals (awarded in 1984).

*Homood Al-Tuwaijri, Vice President, Petrochemicals Coordination (Civil registry number 1-0091-7186-7; year of birth 1372H)*

Mr. Homood Al-Tuwaijri was appointed Vice President of Petrochemicals Coordination in 2004. His responsibilities include overseeing the optimisation of business results and synergy realisation for the Base Chemicals SBU, Intermediates SBU and Polymers the SBU, in addition to Group Logistics. Prior to his current assignment, Mr. Al-Tuwaijri was appointed Vice President for Corporate Finance in September 2002 in the new organisation structure designed to spearhead the SABIC globalisation drive and to assure the sustainability of its profitable growth. Mr. Al-Tuwaijri graduated from Georgia Institute of Technology with a master of Industrial Engineering in 1983. Mr. Al-Tuwaijri is a member of the Board of Directors of the Royal Commission for Jubail and Yanbu. Mr. Al-Tuwaijri is also a Supervisory Board Member of SABIC Europe, the Chairman of the Board of Directors of PETROKEMYA and the International Shipping and Transportation Company, and Chairman of the Executive Steering Committee for the SABIC Business Transformation Project.

*Mohammad Al-Bat'hi, Vice President, Corporate HR (Civil registry number 1-0147-4381-7; year of birth 1376H)*

Mr Al-Bat'hi is responsible for the company's HR and Corporate Communications a role which he assumed in September 2002. Mr Al-Bat'hi is Chairman of the Board of Directors of SABIC Asia Pacific Pte Limited, Singapore. Mr. Al-Bat'hi joined SABIC in 1981. Since then he has fulfilled a number of roles across the business, most recently as General Manager of SABIC Americas in Houston. He started life at SABIC with its affiliate KEMYA, working on the materials management organisation, and then at its HR division. Since then, he has been Director of Marketing Research and has worked on the start-up of SABIC's Shared Services organisation, and the implementation of the Consolidated Procurement Organisation (CPO). Mr. Al-Bat'hi has also played an influential role in SABIC Japan Ltd, and chaired the Board from 1992 to 1996. Mr. Al-Bat'hi graduated from King Fahd University of Petroleum and Minerals in 1981.

*Ali Al-Khuraimi, Vice President, Research & Technology (Civil registry number 1-0074-0736-2; year of birth 1373H)*

Prior to working at SABIC's headquarters, Mr. Al-Khuraimi was the President of YANPET. Prior to his current position Mr. Al-Khuraimi was the Vice President of Corporate Control. Mr. Al-Khuraimi is the Chairman of the Board of Directors of KEMYA and YANPET. Mr. Al-Khuraimi holds a bachelors degree in applied chemical engineering from King Fahd University of Petroleum and Minerals, Dhahran (awarded in 1974).

*Ibrahim Al-Shuweir, Vice President, Legal and Audit (Civil registry number 1-0151-9446-5; year of birth 1376H)*

Prior to his current position, Mr. Al-Shuweir had been the President of Ibn-Hayyan Plastic Products Company (TAYF) and SHARQ and Vice President of PETROKEMYA. He is the Chairman of the Board of the National Industrial Gases Company (GAS) and Vice Chairman of Gulf Aluminium Rolling Mill Co. (GARMCO). He has chaired the Board of TAYF. He has also been a member of SADAF's Pricing and Industrial Committees, and was Vice Chairman of the board of directors of SADAF. He was also Vice President of the Intermediates SBU and was Vice President for Research and Technology. He has also been appointed as SABIC's representative in the Saudi/Russian committee for economic, commercial, educational and technical cooperation. Mr. Al-Shuweir obtained a bachelors degree in chemical engineering from King Fahd University of Petroleum and Minerals in 1977.

*Mansour Al-Kharboush, Vice President, Shared Services Organisation (Civil registry number 1-0225-3789-6; year of birth 1375H)*

Mr. Al-Kharboush is the Vice President of the Shared Services Organisation. Prior to his current position, he was the Project Executive for the SABIC Business Transformation Project (FANAR) and before that he was the General Manager of the Polyolefins SBU and served KEMYA, SHARQ, and YANPET. Mr. Al-Kharboush obtained a bachelor's degree in electrical engineering from Louisiana State University, USA, in 1981 and a masters degree in electrical engineering from the same institution in 1982. Mr. Al-Kharboush is the Chairman of the Board of Directors of HADEED and SABIC India Pvt. Limited.

#### ***Directors' compensation and interests of directors and executive management***

During June 2007, the number of shares held by each of the directors of SABIC (including their respective relatives) in SABIC and other members of the SABIC Group were as follows:

Directors' Name	Date of holding	No. of shares held in SABIC	No. of shares held in YANSAB	No. of shares held in SAFCO
His Highness Prince Saud bin Abdullah bin Thenayan Al-Saud	25 June 2007	48,331	9,995	0
Mohamed Al-Mady	18 June 2007	5,000	9,747	0
Ahmed Ibrahim Al-Hakami	12 June 2007	0	0	0
Saleh Al-Husseini	11 June 2007	0	0	0
Abdulmuhsin Ibn Abdulaziz Al-Faris	12 June 2007	0	0	0

Directors' Name	Date of holding	No. of shares held in SABIC	No. of shares held in YANSAB	No. of shares held in SAFCO
Mohammed Abanumay	12 June 2007	214,000	0	206,000
Abdullah Al-Issa	12 June 2007	250,000	0	0

During June 2007, the number of shares held by the Secretary to the Board and each member of the executive management of SABIC (including their respective relatives) in SABIC and other members of the SABIC Group were as follows:

Name and Title	Date of holding	No. of shares held in SABIC	No. of shares held in YANSAB	No. of shares held in SAFCO
Ahmed bin Mohammed Al-Umar, Secretary to the Board	18 June 2007	0	0	0
Yousef Al-Zamel, Vice President, Basic Chemicals	10 June 2007	27,581	1,155	16,110
Khaled Al-Mana, Vice President, Intermediate Chemicals	10 June 2007	0	110	0
Abdulrahman Al-Ubaid, Vice President, Polymers	10 June 2007	0	80	0
Fahad Al-Sheaibi, Vice President, Fertilisers	10 June 2007	6,723	110	56,885
Mohammed Al-Jabr, Vice President, Metals	10 June 2007	625	175	300
Mosaed Al-Ohali, Vice President, Specialty Products	9 June 2007	1,234	495	0

Name and Title	Date of holding	No. of shares held in SABIC	No. of shares held in YANSAB	No. of shares held in SAFCO
Homood Al-Tuwaijri, Vice President, Petrochemicals Coordination	10 June 2007	3,780	6,800	0
Mohammad Al-Bat'hi, Vice President, Corporate HR	10 June 2007	1,893	0	500
Ali Al-Khuraimi, Vice President, Research & Technology	9 June 2007	0	0	0
Ibrahim Al-Shuweir, Vice President, Corporate Control	10 June 2007	0	130	0
Mutlaq Al-Morished, Vice President, Corporate Finance	10 June 2007	8,556	6,075	2,000
Mansour Al-Kharboush, Vice President, Shared Services Organisation	10 June 2007	2,068	0	0

Except for the employee stock grant scheme in relation to shares in Yansab which is described in more detail in note 2 to SABIC's consolidated financial statements for the year ended 31 December 2006 in this Offering Circular, no member of the executive management of SABIC has received any commission, discount, brokerage or other non-cash compensation or has been granted special terms or options in connection with the issue or sale of any securities by SABIC or any of its subsidiaries or affiliates in the two years preceding the date of this Offering Circular.

No director SABIC has received any commission, discount, brokerage or other non-cash compensation or has been granted special terms or options in connection with the issue or sale of any securities by SABIC or any of its subsidiaries or affiliates in the two years preceding the date of this Offering Circular.

As of the date hereof, none of the directors, executive management, or the secretary of SABIC has been in bankruptcy.

No contract or arrangement is in effect or contemplated at the date of this Offering Circular in which any of the Chief Operating Officer, the Chief Executive Officer

("CEO") and the directors of SABIC and their respective relatives is materially interested which is significant in relation to the business of SABIC Group.

The compensation of the members of Board of Directors of SABIC is set by proposal of the Board of Directors to the annual general meeting of the shareholders (the "Annual General Meeting"), which must then either approve or reject the Board's recommendation. For the years ended 31 December 2005 and 2006 the aggregate remuneration (including benefits in kind) paid to members of the Board Directors was SAR 1.4 million respectively in each year.

### ***Appointment of CEO and directors***

The representatives of the Government on the Board of SABIC (including the CEO) are appointed directly by the Council of Ministers for periods specified in the relevant resolution of the Council of Ministers, while the other members of the Board of Directors are appointed by the general meeting of the shareholders, normally for a period of three years. As at the date of this Offering Circular none of the members of the Board have any service contracts with SABIC.

The remuneration of the CEO is determined by the Board and as at the date of this Offering Circular the CEO does not have any service or employment contract with SABIC.

### ***Powers of CEO and directors***

For a summary of the powers of the directors, see "General Information" of this Offering Circular.

As at the date of this Offering Circular, the bylaws of SABIC do not grant any member of the Board any powers to vote on a contract or proposal in which he has a material interest nor any powers to borrow from SABIC.

The CEO is a member of the Board and as such has a right to vote. However, the CEO has no right to vote on a contract or proposal in which he has a material interest nor does he have any power to borrow from SABIC pursuant to Articles 69 and 71 respectively of the Regulations for Companies pursuant to Royal Decree No. M/6 dated 22-3-1385H (corresponding to 22 July 1965).

### ***Employees***

The SABIC Group has approximately 19,000 employees worldwide of which approximately 15,600 are located with Saudi Arabia. Approximately 87% of the workforce employed in Saudi Arabia are Saudi Arabian nationals.

The following table sets forth SABIC Group's employees by category of activity for the period indicated.

Position	As at 31 December 2006
Senior-Level Leader Positions	194
Mid-Level Manager Positions	2,909

Position	As at 31 December 2006
Other Positions	16,182
Total Positions	19,285

(Note: The figures in the above table are subject to a 1% margin of error)

For the purposes of the above table:

**"Senior-Level Leader Positions"** includes Vice Chairman, Company President, Executive Vice President, Senior Vice President, Vice President, Group President and General Managers;

**"Mid-Level Manager Positions"** includes all Managers, Section Heads, Superintendents, Supervisors, Chiefs, Group Leaders and Foremen; and

**"Other Positions"** includes any job title not in Senior-Level Leader Positions or Mid-Level Manager Positions.

There were no material changes to the number of employees within the SABIC Group during the financial year ended 31 December 2006.

## RECENT DEVELOPMENTS AND OUTLOOK

On 12 March 2007, SABIC signed a Heads of Terms with Saudi Arabian Mining Company (Ma'aden) to engage in a strategic project with an anticipated capital cost of SAR 13 billion to exploit the phosphate reserves in the minerals city in the Ras Azur Region of Saudi Arabia to produce phosphate fertilizers. In addition, the project includes a mine and a refinery in the Al-Jalameed region in the north west of the Kingdom. The Heads of Terms contemplate that SABIC will hold a 30% shareholding interest in the share capital of the joint venture company, with Ma'aden holding the remaining 70% shareholding interest.

On 21<sup>st</sup> May 2007, SABIC signed a share purchase agreement with GE to acquire GE Plastics for a total purchase price of U.S.\$ 11.6 billion. Completion of the acquisition, which is scheduled to take place in the third quarter of 2007, is subject to the receipt of regulatory approvals. GE Plastics is a global supplier of plastic resins widely used in automotive, healthcare, consumer electronics, transportation, performance packaging, building and construction, telecommunications and optical media applications.

The company manufactures and compounds polycarbonate, acrylonitrile butadiene styrene, styrene acrylonitrile, acrylonitrile styrene acrylate, polyphenylene ether, polycarbonate/acrylonitrile butadiene styrene, polybutylene terephthalate and polyetherimide resins, as well as the high-performance specialty compounds. GE Plastics, specialty Film and Sheet manufactures high-performance sheets and film products used in thousands of demanding applications worldwide. In addition, GE Plastics' dedicated automotive organisation is an experienced, world-wide competitor, offering leading plastics solutions for five key automotive segments: body panels and glazing; under the hood applications; component; structures and interiors; and lighting.

SABIC believes that GE Plastic's business is complementary to, and does not compete with, the business of the SABIC Group. The acquisition will represent an important step in the SABIC Group's strategy of growth and diversification into higher value specialty products.

The SABIC Group currently employs more than 200 people in the United States through its own operations and a joint venture in New Jersey. The acquisition will increase its workforce in the United States to almost 30,000 people.



The following consolidated interim balance sheet and income statement information for the three months ended 31 March 2007 and 31 March 2006 have been extracted from, SABIC's interim financial statements which have been reviewed by SABIC's auditors Deloitte & Touche Bakr Abulkhair & Co.

### Consolidated Interim Income Statement

	31 March 2007	31 March 2006
	<i>(SAR in millions)</i>	
Sales	26,266	19,267
Cost of sales	(15,563)	(11,684)
Gross profit	10,703	7,583
Administration and marketing expenses	(1,140)	(969)
Operating income	9,563	6,614
Investment income and others	792	331
Financial charges	(580)	(341)
Income before minority interest and Zakat	9,775	6,604
Minority interests in net income of subsidiaries	(2,938)	(2,271)
Income before Zakat	6,837	4,333
Zakat	(550)	(150)
<b>Net income</b>	<b>6,287</b>	<b>4,183</b>
<b>Earnings per share for the quarter in SAR (based on 2.5 billion shares)</b>	<b>2.51</b>	<b>1.67</b>

### Consolidated Interim Balance Sheet

	31 March 2007	31 March 2006
	(SAR in millions)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	43,834	38,843
Accounts receivable	16,717	14,339
Inventories	14,147	11,051
Other receivables and prepayments	2,925	1,789
<b>Total current assets</b>	<b>77,623</b>	<b>66,022</b>
<b>Non-current assets</b>		
Investment in associates and others	8,971	3,047
Property, plant and equipment-net	84,130	68,397
Intangible assets	5,019	4,980
Other non-current assets	4,975	4,504
Total non-current assets	103,095	80,928
<b>TOTAL ASSETS</b>	<b>180,718</b>	<b>146,950</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short-term bank facilities	784	447
Accounts payable	11,777	8,298
Current portion-long term debt	4,823	6,431
Accrued liabilities and provisions	16,205	7,882
<b>Total current liabilities</b>	<b>33,589</b>	<b>23,058</b>
<b>Non-current liabilities</b>		
Long-term debt	38,449	23,781
Other non-current liabilities	6,710	6,006
<b>Total non-current liabilities</b>	<b>45,159</b>	<b>29,787</b>
<b>Shareholders' equity:</b>		
Share capital	25,000	20,000
Statutory reserve	11,445	9,416
Research and technology reserve	1,292	1,292
General reserve	28,895	17,589
Retained earnings	6,287	18,226
<b>Total shareholders' equity</b>	<b>72,919</b>	<b>66,523</b>
<b>Minority interests</b>	<b>29,051</b>	<b>27,582</b>
<b>Total Equity</b>	<b>101,970</b>	<b>94,105</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>180,718</b>	<b>146,950</b>

## DESCRIPTION OF SHARE CAPITAL AND DIVIDENDS

As at the date of this Offering Circular, SABIC had an authorised share capital of SAR 25,000,000,000, represented by 2,500,000,000 authorised ordinary shares with a nominal value of SAR 10 each.

SABIC is currently 70%-owned by the government of Saudi Arabia (the “**Saudi Government**”). Public subscribers from Saudi Arabia, other GCC countries, and Saudi residents hold the remaining 30% of SABIC’s share capital. As of the date of this Offering Circular, no shareholder other than the Saudi Government holds more than 5% of SABIC’s share capital.

SABIC’s authorised share capital as at 31 December 2002, 2003, and 2004, was SAR 15,000,000,000, represented in each case by 300,000,000 authorised ordinary shares, with a nominal value of SAR 50 each.

On 16 April 2005, the Extraordinary General Meeting approved an increase in capital by way of a stock dividend of 100,000,000 ordinary shares, with a nominal value of SAR 50 each. See Note 17 to the audited financial statements for the year ended 31 December 2005. Accordingly, as at 31 December 2005, SABIC’s authorised share capital was SAR 20,000,000,000 represented by 400,000,000 authorised ordinary shares with a nominal value of SAR 50 each.

The Council of Ministers passed a resolution requiring that the nominal value of shares in all listed joint stock companies be reduced to SAR 10. The Board of Governors of the Authority passed a resolution no. 4-154-2006 dated 27 March 2006 (the “**Authority’s Resolution**”), which implemented the resolution of the Council of Ministers. Pursuant to the Authority’s Resolution, the number of ordinary shares in SABIC’s share capital were increased to 2,000,000,000 with a nominal value of SAR 10 per share with effect from 15 April 2006.

On 22 April 2006, the Extraordinary General Meeting approved an increase in capital by way of a stock dividend of 500,000,000 ordinary shares, with a nominal value of SAR 10 each, thereby increasing the share capital of SABIC to SAR 25,000,000,000 represented by 2,500,000,000 authorised ordinary shares.

On 31 March 2007, the Annual General Meeting approved a dividend of SAR 10,000,000,000 being a dividend of SAR 4 per share, including an interim cash dividend of SAR 1.5 per share.

For years ended 31 December 2005 and 2006 earnings per share of SABIC (determined based on the number of shares outstanding at the end of the year and in respect of the 2005 shares as adjusted retroactively to reflect the bonus shares and the stock split)) were SAR 7.66 and SAR 8.12, respectively.

The following table sets forth dividends declared and paid by SABIC in respect of the periods presented.

Record date	Pay date	Amount per share	Pro forma amount per share based on par value of SR 10 per share
		(SAR)	(SAR)
31 March 2007	14 April 2007	2.5	2.50
31 July 2006	21 August 2006	1.5	1.50
22 April 2006	6 May 2006	15.00	3.00
30 June 2005	23 July 2005	8.00	1.60
16 April 2005	30 April 2005	15.00	3.0
17 April 2004	1 May 2004	12.00	2.40
19 April 2003	5 May 2003	5.00	1.00
31 March 2002	14 April 2002	3.00	0.60
14 April 2001	24 April 2001	5.00	1.00

The amount of dividend payable is determined or recommended by the Board in light of SABIC's financial condition at the relevant time. While SABIC expects to continue to pay future dividends, this will ultimately be determined by the level of its income which may include dividends, cash distributions or other income from its subsidiaries and affiliates. Certain of SABIC's subsidiaries and affiliates may agree to restrictions on their ability to make distributions.

Prospective Holders should note that a portion of YANSAB shares have been set aside for an employee stock grant scheme which is described in more detail in note 2 to SABIC's consolidated financial statements for the year ended 31 December 2006 attached to this Offering Circular. Otherwise, no capital of SABIC or any of the other members of the SABIC Group is under any option.

## TAXATION AND ZAKAT

The following is a general description of certain Saudi Arabian zakat/tax considerations relating to the Sukuk. It does not purport to be a complete analysis of all zakat/tax considerations relating to the Sukuk nor does it address the considerations that are dependant on individual circumstances. Prospective purchasers of Sukuk should consult their own tax advisers to determine the zakat/tax consequences for them of acquiring, holding and disposing of any Sukuk and receiving distributions, payments of principal, profit and/or other amounts under the Sukuk and the consequences of such actions under the zakat/tax regulations of Saudi Arabia. This summary is based upon the regulations in effect in Saudi Arabia at the date of this Offering Circular and is subject to any change in such regulations that may take effect after such date.

### **GCC persons resident in Saudi Arabia.**

Sukuk Holders who are GCC nationals with permanent residence in Saudi Arabia, or legal entities established in accordance with the laws of a GCC country (which are 100% held and owned by GCC nationals, officially registered with a permanent establishment in Saudi Arabia), are not subject to any Saudi Arabian tax, whether withholding or direct assessment, in respect of any payment or gain realised from the Sukuk.

However, such a Holder will be subject to zakat. This summary does not consider the extent to which a potential Holder would be liable to zakat as a consequence of acquiring, holding or disposing of its Sukuk.

"**GCC person**" means (a) a citizen of any of the GCC countries (namely, Saudi Arabia, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar and the State of Kuwait), and (b) any legal entity owned 100% by GCC citizens and established under the laws of a GCC country.

### **Non-GCC persons resident in Saudi Arabia.**

Holders who are non-GCC persons resident in Saudi Arabia, as defined in Article 3 of the Income Tax Regulation issued under Royal Decree No. M/1 dated 15/01/1425H (the "**Income Tax Regulation**"), will be subject to Saudi Arabian tax.

Article 3 of the Income Tax Regulation defines Residency as follows:

- (A) A natural person is considered a resident in the Kingdom for a taxable year if he meets either of the two following conditions:
  - (1) He has a permanent place of residence in the Kingdom and resides in the Kingdom for a total of not less than thirty (30) days in the taxable year; or
  - (2) He resides in the Kingdom for a period of not less than one hundred eighty three (183) days in the taxable year.

For the purposes of this paragraph, residence in the Kingdom for part of a day is considered residence for the whole day, except in the case of a person in transit between two ports outside the Kingdom.

- (B) A company is considered resident in the Kingdom during the taxable year if it meets either of the following conditions:
- (1) It is formed in accordance with the Companies Law; or
  - (2) Its central management is located in the Kingdom.

#### **Holders who are not resident in Saudi Arabia**

Holders who are not residents in Saudi Arabia (whether such Holders are Saudi Arabian nationals or not Saudi Arabian nationals including Holders resident in Dubai or Bahrain) will be subject to withholding tax at the rate of 5 per cent. on all payments in the nature of profit in respect of the Sukuk.

Holders who are non-residents with a permanent establishment in Saudi Arabia ("**PE**") (as defined in Article 4 of the Income Tax Regulation), will be subject to Saudi Arabian tax and may, pursuant to Article 5 of the Income Tax Regulation, also be subject to a withholding tax at the rate of 5% on all payments in the nature of profit in respect of the Sukuk.

A non-resident carrying out an activity in Saudi Arabia through a licensed branch (as defined in Article 4(b)4 of the Income Tax Regulation) is considered to have a PE in Saudi Arabia.

All payments in the nature of profit in respect of the Sukuk to a Holder who has a PE in Saudi Arabia, will be part of the Holder's gross income that is subject to income tax after deduction of allowable costs and certain other adjustments. The current income tax rate in Saudi Arabia is 20%.

A Holder, whether such Holder is resident in Saudi Arabia (as defined in Article 3 of the Income Tax Regulation) or non-resident in Saudi Arabia (as defined in Article 1(2)(b) of the Bylaws to the Income Tax Regulation and whether such a Holder has or does not have a PE in Saudi Arabia, will be subject to capital gains tax at the rate of 20% on any gain realized on the disposal or repurchase of its Sukuk if such Sukuk were not traded in accordance with the Capital Market Law of Saudi Arabia and its implementing regulations.

#### **General**

Holders who are natural persons with or without a PE in Saudi Arabia at the time of their death will not be subject to inheritance or other taxes of a similar nature in Saudi Arabia.

Holders will not be deemed to be resident, domiciled or carrying on business in Saudi Arabia solely by reason of holding any Sukuk.

Under the zakat regulations which are in effect as the date of this Offering Circular in Saudi Arabia, long-term investments in Sukuk are not deductible from the zakat base of the investor.

## SUBSCRIPTION AND SALE

### Underwriting Agreement

The Lead Managers will enter into an underwriting agreement before the Closing Date (as the same may be amended, supplemented or novated, the "**Underwriting Agreement**") with the Issuer relating to the distribution and underwriting of the Sukuk. Pursuant to the Underwriting Agreement, the Lead Managers will severally agree to severally underwrite the Sukuk on the terms provided therein.

The Underwriting Agreement will be subject to a number of conditions and may, in certain circumstances, be terminated by the Lead Managers prior to payment of the net proceeds of the issue of the Sukuk to the Issuer. If the Underwriting Agreement is terminated prior to the Closing Date, the offer of Sukuk may also terminate and any proceeds received from subscribers will be refunded.

### Application by potential investors

During the Investor Presentation Period, the Lead Managers may solicit expressions of interest from potential investors for acquiring the Sukuk, during which time the Issuer and the Lead Managers shall consult and agree on the Margin.

Towards the end of the Investor Presentation Period, the Issuer shall cause the Margin to be published on the websites of the Issuer ([www.sabic.com](http://www.sabic.com)) and the Lead Managers ([www.sabb.com](http://www.sabb.com) and [www.riyadbank.com](http://www.riyadbank.com)).

Persons wishing to purchase the Sukuk will be required to submit a duly completed form (an "**Investor Application Form**") to either of the Lead Managers before the end of the Investor Presentation Period. Investor Application Forms will be available from either of the Lead Managers. Applications to purchase Sukuk for less than SAR 50,000 or in amounts which are not integral multiples of SAR 10,000 in excess of SAR 50,000, or from applicants who are not Institutional Investors, will not be accepted. Qualified Persons who are not Institutional Investors may be able subsequently to purchase Sukuk from Institutional Investors.

Allocation of Sukuk will be at the discretion of the Issuer and the Lead Managers and will be made following the end of the Investor Presentation Period. Once the allocation of Sukuk has been completed, the Issuer shall cause the Margin and the aggregate face amount, together with the anticipated aggregate net proceeds, of the Sukuk to be issued to be published on the Issuer's and the Lead Managers' websites.

Only persons who are Qualified Persons as defined in Condition 1 (*Definitions*) of the Sukuk may be registered as Holders. "**Qualified Person**" for these purposes means, a person who is a national or resident of Saudi Arabia or a national of a member state of the GCC or, Saudi Arabian or GCC companies, banks or mutual funds and, in each case, who is not a Specified Counterparty;



The primary distribution of the Sukuk will be only to Institutional Investors (as defined below).

**"Institutional Investor"** means a Qualified Person who is one of the following:

- (a) a person who is authorised to carry on securities business by the Authority;
- (b) an exempt person as specified in Annex 1 to the Securities Business Regulations of the Authority;
- (c) any of the following:
  - (i) any company which owns, or which is a member of a group which owns, net assets of not less than SAR 50 million (or equivalent GCC currency);
  - (ii) any unincorporated body, partnership or other organisation which has net assets of not less than SAR 50 million (or equivalent GCC currency);  
or
  - (iii) any person ("A") whilst acting in the capacity of director, officer or employee of a person ("B") falling within sub-paragraphs (i) or (ii) where A is responsible for B undertaking any securities activity;
- (d) an institution that has received a licence to engage in banking business in accordance with the laws of Saudi Arabia; or
- (e) any other person who purchases Sukuk through an authorised person (as defined in the Securities Business Regulations of the Authority).

All potential investors must carefully read the Conditions of the Sukuk prior to completing an application for the purchase of the Sukuk since the execution of the Investor Application Form constitutes acceptance of and agreement to the Conditions.

## **General**

Other than the application for admission of the Sukuk to the Official List maintained by the Authority in Saudi Arabia, no action has been or will be taken in any jurisdiction by the Issuer or any Manager that would, or is intended to, permit an offering of the Sukuk, or possession or distribution of this Offering Circular or any other offering material thereto, where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer and the Lead Managers to comply with all applicable laws and regulations in relation to the purchase, offer, sale or delivery of the Sukuk or, have in their possession or distribute this Offering Circular or any other offering material relating to the Sukuk, in all cases at their own expense.

## **Bahrain**

No offering of the Sukuk will be made to the public in the Kingdom of Bahrain. This Offering Circular is to be read by the addressee only and is not to be shown to, issued to, or made available to the public generally.

## **Dubai International Financial Centre**

The Offering Circular relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("**DFSA**"). It is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set out in it and has no responsibility for it. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorised financial adviser.

## **Oman**

This Offering Circular is strictly private and confidential. The Sukuk have not been and will not be approved or licensed by, or registered with, the Oman Capital Market ("**OCMA**"), the Central Bank of Oman ("**CBO**") or any other relevant licensing authorities in the Sultanate of Oman. Each Manager undertakes that it will not offer or sell any Sukuk directly or indirectly, in the Sultanate of Oman or to, or for the benefit of, any Omani Person or to others for re-offering or resale, directly or indirectly, in the Sultanate of Oman or to any Omani Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines and in effect at the relevant time. The Sukuk may not be offered or sold directly or indirectly to any Omani Person and this Offering Circular shall not be or be deemed to be either an offer to sell, purchase or subscribe for any investment or a solicitation of such an offer. The OCMA and the CBO take no responsibility for the accuracy of the statements and information contained in this Offering Circular nor shall the OCMA or CBO have any liability to any person for damage or loss resulting from reliance on any statement or information contained in this Offering Circular. The Sukuk, this Offering Circular or any offering material relating to the Sukuk may not be distributed to any Omani Person without the prior consent of the OCMA and then only in accordance with any terms and conditions of such consent. For the purposes of this paragraph, "Omani Person" shall mean any person resident in the Sultanate of Oman, including any corporation or other entity organised under the laws of the Sultanate of Oman.

## **Qatar**

No licenses or registrations have been obtained or effected which would permit any offer or sale of the schedule to investors in Qatar. This Offering Circular may only be used in Qatar for the purpose of marketing and educating investors about the Sukuk and not for effecting any sales in Qatar. Offers and sales of Sukuk may be made to Qatari Institutional Investors but only outside Qatar and on the basis that such offering and sale is governed by the laws of a jurisdiction other than Qatar and any dispute relating to such sale is to be settled in such jurisdiction.

## **United Arab Emirates**

Each Manager has represented and agreed that Sukuk have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Furthermore, the information contained in this Offering Circular does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No 8 of 1984 (as amended)) or otherwise, and is not intended to be a public offer and, the information contained in this Offering Circular is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

## **Clearing, Settlement and Payments**

The Sukuk will be admitted to the clearing and settlement system of the Registrar. However, as of the Closing Date the Sukuk will not be admitted to any trading system or platform and trading of the Sukuk will need to be conducted through over-the-counter transactions. The Issuer may in the future apply for the Sukuk to be admitted to one or more trading systems or platforms in Saudi Arabia when and if such systems and platforms for the trading of debt securities are established.

Investors must either maintain an account directly with the Registrar or through a custodian or other intermediary in order to hold Sukuk.

In addition, pursuant to Condition 9 (*Payments*), all payments under the Sukuk will be made to Saudi Riyal-denominated accounts in Saudi Arabia as notified from time to time to the Registrar and the Payments Administrator. Accordingly, investors will need to make appropriate arrangements to receive payments under the Sukuk in such an account. Investors are required to consult with their own advisers as to the requirements of setting up the accounts referred to above and must take any necessary action in respect of opening such account themselves. Neither the Issuer nor any of the Lead Managers shall have any responsibility for ensuring that investors comply with the correct process, regulations and requirements in relation to opening such accounts in order to hold Sukuk and receive payments and none of them accept any liability for any loss arising directly or indirectly as a consequence of any action or inaction in respect of setting up such accounts.

## GENERAL INFORMATION

1. The Issuer's legal address is Eastern Circle, King Khalid Airport Road, Exit 8, P.O. Box 5101, Riyadh 11422.
2. The Issuer was incorporated on 13 Ramadan 1396H (corresponding to 6 September 1976) as a public joint stock company under the laws of Saudi Arabia. Its commercial registration number is 1010010813.
3. As of the date of this Offering Circular, the Issuer has an authorised share capital of SAR 25,000,000,000, represented by 2,500,000,000 of authorised ordinary shares, with a nominal value of SAR 10 each. SABIC has no other classes of shares outstanding.
4. The Extraordinary General Assembly of SABIC has approved in its meeting held on 7 Rabi Al-Awwal 1426H (corresponding to 16 April 2005) an amendment to the Bylaws of SABIC authorising the Board of Directors of SABIC to issue bonds/sukuk to the public or otherwise in such amounts and on such terms as decided upon by the Board of Directors of SABIC.
5. The creation and issue of the Sukuk and the Issuer's entry into the Sukuk Documents has been authorised by a resolution of the Board of Directors of the Issuer passed at a meeting held on 9/6/2007.
6. There are no legal or arbitration proceedings against or affecting the Issuer's group taken as a whole or any of its assets or revenues, nor is the Issuer aware of any pending or threatened proceedings of such kind, which are or might be material in the context of the issue of the Sukuk.
7. Since 31 December 2006 and in the two immediately preceding financial years up to the date of this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer or the Issuer's group that is material in the context of the issue of the Sukuk.
8. As of the date of this Offering Circular, none of the experts identified in the "Advisers and Parties" section of this Offering Circular (for the avoidance of doubt only the auditors to the Issuer constitute such experts for the purposes of the Listing Rules) or their relatives (as defined in the Authority's glossary) have any shareholding or interest of any kind in the Issuer or any of its affiliates or subsidiaries (such affiliates or subsidiaries being those listed in Appendix I (*SABIC Global Directory*) hereto). The Issuer also confirms that neither the Lead Managers nor any of the legal advisers involved in the issuance of the Sukuk own any shares or have any interest of any kind in the Issuer.
9. No promoter or expert has received any commission, discount, brokerage or other non-cash compensation or has been granted special terms or options in connection with the issue or sale of any securities by SABIC or any of its subsidiaries or affiliates (such affiliates or subsidiaries being those listed in

Appendix I (*SABIC Global Directory*) hereto) in the two years preceding the date of this Offering Circular.

10. The management of SABIC believes that SABIC has, with its subsidiaries, sufficient working capital for the 12 month period immediately following the date of this Offering Circular.
11. SABIC is guided by the Corporate Governance Regulations issued by the Authority on 21-10-1427H (corresponding to 12 November 2006) in a manner that complies with SABIC's Bylaws. SABIC also complies with the Regulations for Companies enacted pursuant to Royal Decree No. M/6 dated 22-3-1385H (corresponding to 22 July 1965).
12. For so long as any of the Sukuk are current, copies of the following documents (together with, in the case of items (d) to (g) below, translations thereof into Arabic) may be inspected during normal business hours at the specified office of the Issuer (in respect of paragraph (a) and (b)) and otherwise at the specified office of the Payments Administrator:
  - (a) the Issuer's Bylaws and Commercial Registration Certificate;
  - (b) the audited consolidated financial statements of the Issuer for the years 31 December 2004, 31 December 2005 and 31 December 2006;
  - (c) the latest published unaudited interim consolidated financial statements of the Issuer;
  - (d) the Declaration of Agency;
  - (e) the Sukuk Assets Transfer Agreement;
  - (f) the Sukuk Assets Administration Agreement;
  - (g) the Payments Administration Agreement; and
  - (h) the Purchase Undertaking.
13. Tadawul will be appointed as registrar of the Sukuk as described in "Terms and Conditions of the Sukuk - Register, Title and Transfers".
14. The following is a summary of the Issuer's Bylaws:

#### **Adoption of Bylaws and Amendments**

The bylaws of SABIC were adopted pursuant to Royal Decree No. M/66 dated 13 Ramadan 1396H (corresponding to 6 September 1976). Since then, the bylaws have been amended on four occasions, which were as follows:

- (a) Amendment dated 23 Ramadan 1406H (corresponding to 31 May 1986) to amend Article 9 of the bylaws regarding the maximum number of shares that a single person may hold in SABIC.

- (b) Amendment dated 18 Ramadan 1407H (corresponding to 16 May 1987) to amend Articles 6 and 24 of the bylaws regarding the authorised share capital of SABIC and the minimum number of shares that a director must own in SABIC.
- (c) Amendments dated 17 Safar 1424H (corresponding to 19 March 2003) to amend Articles 21, 22, 23, 26, 30 and 32 of the bylaws regarding the Board of Directors of SABIC and their powers to manage the company.
- (d) Amendments dated 7 Rabi Al-Awwal 1426H (corresponding to 16 April 2005) to amend Article 6 of the bylaws regarding the authorised share capital of SABIC, Article 30 of the bylaws regarding the powers of the Board of Directors of SABIC to manage the company and to include a new Article 52 in the bylaws to authorise the Board of Directors of SABIC to issue "sukuk" and/ or bonds.
- (e) Amendment dated 24 Rabi Al-Awwal 1427H (corresponding to 22 April 2006) to amend Article 6 of the bylaws regarding the authorised share capital of SABIC.

## **Objects**

The objects of SABIC are:

- (a) Implementation of petrochemical, fertiliser and other hydrocarbon-based industries.
- (b) Implementation of iron and steel and aluminium industries.
- (c) Implementation of other basic industries which the private sector can not undertake, with the concurrence of the Ministry of Industry and Electricity.
- (d) Execution of projects necessary to supply SABIC with its raw material requirements.
- (e) Marketing industrial products inside and outside the Kingdom.

## **Duration of SABIC**

The duration of SABIC will be fifty (50) years from the date of issuance of the Royal Decree authorising its incorporation, which may be extended for a similar or shorter period by a decision of the Extraordinary General Meeting of SABIC.

## **Government Shareholding**

Within six (6) years from the date of establishing SABIC, the Government is required to sell seventy five per cent (75%) of the shares by the normal procedure followed in issuing shares of joint stock companies for general subscription. The Government is required to retain ownership of twenty five per cent (25%) of SABIC shares for the duration of SABIC's existence. A portion of these retained shares may, by a decision

of the Minister of Industry and Electricity, be sold to public organisations, endowments or charity societies.

## **Shares**

All of the shares of SABIC shall be registered. Non-Saudis may not subscribe for or own these shares unless a decision is taken by the Council of Ministers in this regard and which would specify the percentage of shares that may be owned by non-Saudis. This percentage may not exceed twenty five per cent (25%) of the total shares.

Registered shares shall be transferred by means of an entry in the shareholders' register maintained by SABIC, which shall include the shareholders' names, places of residence, occupations, nationalities, the serial numbers of the shares and the paid-up portion thereof. Such entry shall be certificated on the Sukuk relating thereto. Transfer of any of the shares shall only be regarded as effective by SABIC or by third parties from the date of entry in the said register.

Any single person shall not be entitled to own more than one two hundredth (1/200) of SABIC's capital.

## **Alteration of Share Capital**

The authorised share capital may be increased by resolution of an Extraordinary General Meeting specifying the method of increasing the share capital, **provided that** the initial authorised share capital has been fully paid-up. Shareholders shall have priority in subscribing for any new shares in cash. New shares issued when increasing the capital may be issued for cash or for contributions in kind. The share capital may be reduced by resolution of the Extraordinary General Meeting, at the recommendation of the Board of Directors, specifying the extent and method of reduction.

## **Management**

SABIC will be managed by a Board of Directors of seven (7) members. Two (2) members at least shall represent the Government and shall be appointed by a Council of Ministers' Decision upon nomination by the Minister of Industry and Electricity. The Council of Ministers' Decision shall specify the period of membership of each as well as his salary or remuneration. The General Meeting shall appoint the remaining members of the Board for a term of three (3) years and shall specify their remunerations. Such remuneration may consist of a specified salary or of an attendance fee for Board meetings which shall be in addition to the share of profits assigned to the Board of Directors in accordance with the bylaws. It may also consist of a combination of two or more of these benefits.

Each Board Member must own not less than two thousand shares of SABIC's shares, which shall be deposited in one of the banks. These shares shall be set aside as a guarantee for the Board Member's liability and shall remain non-negotiable until the General Meeting exonerates the Board Member from responsibility during this membership term. If a Board Member fails to submit such guarantee shares within the period specified therefore, he must forfeit his membership. The foregoing conditions shall not apply to Board Members appointed by the Council of Ministers.

The Chief Executive Officer of SABIC will also be the Vice Chairman of the Board of Directors and will carry out the functions of the Chairman of the Board of Directors in the Chairman's absence. The Chief Executive Officer will be responsible for executing the Board's resolutions, administering the day to day business of SABIC and overseeing all SABIC's employees under the supervision of the Board of Directors. The Board of Directors will specify the Chief Executive Officer's remunerations, salaries or other material benefits in addition to the remuneration prescribed for Board Members.

The Chairman of the Board of Directors or whomever he designates with the approval of the Board of Directors will represent SABIC in all legal actions.

### **Meetings and Resolutions of the Board of Directors**

The Board of Directors shall meet at the SABIC's head office at the request of its Chairman but the Board may convene in a place other SABIC's head office if the need arises to do so. The Chairman must call for a meeting whenever requested to do so in writing by two (2) Board Members. The meeting of the Board will not be valid unless it is attended by at least four (4) members, one of whom must be a member who has been appointed by the Council of Ministers.

Resolutions of the Board shall be adopted by a majority vote of the Board Members present. In case of a tie, the Chairman's vote shall carry. In exceptional cases, the Board may adopt resolutions without a meeting if all Board Members consent to the resolution in writing. Such resolutions shall be presented to the Board of Directors at its next meeting.

Subject to the prerogatives vested in the General Meeting, the Board of Directors shall have the widest authority to manage, and conduct the affairs of, SABIC and to dispose of its assets, properties and real properties. The Board of Directors shall have the power to purchase, sell, transfer, give and release mortgages and to make and receive payments, **provided that** the minutes and the particulars of the resolution of the Board of Directors relating to the disposal of SABIC's assets, properties and real properties comply with the following conditions: (1) the Board of Directors should specify the reasons and justifications for the sale, (2) the sale price should be the approximate price for comparable assets, (3) it shall be a spot-sale, except in cases of urgency, **provided that** there are sufficient guarantees and (4) the disposal does not result in stopping any of SABIC's activities or increasing its commitments.

The Board of Directors may contract for loans with funds and governmental finance institutions (irrespective of the term of each such loan) and may contract for loans with banks, **provided that** the term of such loans does not exceed SABIC's term, **provided that**: (1) the value of the loans which may be entered into by the Board of Directors in a fiscal year may not exceed 50% of SABIC's share capital, (2) the Board of Directors specifies the purpose of the loan and the repayment mechanism in the relevant resolution and (3) ensures that the conditions of the loan and the security provided in respect of the loan do not harm SABIC or its shareholders.



The Board of Directors shall also have the power to settle, assign, contract, undertake and commit in the name, and on behalf, of SABIC, and shall have the power to carry out all actions and business to realise SABIC's objects. The Board of Directors may delegate its powers and authorities to others.

The Board of Directors may release SABIC's debtors from their liabilities if this is in SABIC's interests, **provided that** the minutes and the particulars of the resolution of the Board of Directors to release the debtors comply with the following conditions: (1) the release is after a minimum of one (1) year from the relevant debt coming into existence, (2) the release is in relation to a specified annual allowance for each debtor and (3) the power to release from liability is not delegable by the Board of Directors.

### **Meetings and Resolutions of the Ordinary and Extraordinary General Meeting**

A duly constituted General Meeting represents all shareholders and the resolutions adopted by it which fall within its jurisdiction shall be binding on all shareholders. Any shareholder holding twenty shares will have the right to attend a General Meeting in person or by proxy given in writing to another shareholder who is not himself a member of the Board of Directors. The Minister of Industry and Electricity will designate the Government representatives in the General Meeting.

Except for matters reserved expressly for the Extraordinary General Meeting, the Ordinary General Meeting shall be competent for all matters concerning SABIC.

The General Meeting will be held at SABIC's head office and a meeting will be held at least once a year and within six (6) months from the end of each financial year of SABIC. The Board of Directors may call other Ordinary General Meeting whenever it deems it necessary.

Votes at the Ordinary and Extraordinary General Meeting shall be counted on the basis of one (1) vote for every twenty (20) shares. Nevertheless, Board Members may not vote on resolutions relevant to their relief from liability for the period of their membership.

The Ordinary General Meeting will not be valid unless attended by shareholders representing at least fifty per cent (50%) of the capital. If such quorum is lacking at the first meeting, a second meeting shall be called to be held within the next thirty (30) days following the previous meeting. The second meeting shall be valid regardless of the number of shares represented at the meeting. Resolutions of the Ordinary General Meeting shall be passed by majority votes and the Chairman's vote shall carry in case of a tie.

The Extraordinary General Meeting shall be empowered with changing the bylaws of SABIC and will be valid only if attended by shareholders representing at least sixty per cent (60%) of the capital. If such quorum is lacking at the first meeting, a second meeting shall be called and shall be valid if attended by shareholders representing at least forty per cent (40%) of the capital. Resolutions of the Extraordinary General Meeting shall be passed by a two thirds (2/3) majority of the shares represented at the meeting. If a resolution concerns the increase or decrease of the capital, extension or

reduction of the duration of SABIC, it must be passed by a majority of three quarters (3/4) of the shares represented at the meeting.

### **Auditors**

SABIC will have one or more auditors appointed annually by the Ordinary General Meeting. The auditor will present an annual report to the Ordinary General Meeting.

### **Financial Year**

SABIC's financial year shall begin on the first day of January and end on the last day of December of each year.

### **Statutory Reserve and Distribution of Dividends**

SABIC shall set aside ten per cent (10%) of its net profits every year to form a statutory reserve. The Board of Directors may decide to stop this deduction when the statutory reserve reaches fifty per cent (50%) of the capital of SABIC. If in any year the statutory reserve falls below fifty per cent (50%) of the capital, then SABIC must set aside sufficient additional funds so that the reserve reaches fifty per cent (50%) of the capital.

After deducting the statutory reserve and any other reserve that may be decided upon by the Ordinary General Meeting, five per cent (5%) of the paid-up capital shall be distributed from the balance of net profits to the shareholders as an initial dividend. A percentage of the remaining balance of the net profits, as determined by the General Meeting shall be devoted for remuneration for the Board of Directors. Such remuneration may not exceed one half of a per cent (0.5%) of the balance of net profits after the making of the required deductions. Any funds remaining thereafter will be distributed to the shareholders as an additional dividend. The Board of Directors will determine the place and times for the distribution of dividends.

### **Dissolution and Liquidation**

SABIC will be dissolved before the termination of its duration if its losses amount to half the capital, unless the Extraordinary General Meeting decides otherwise. Upon expiry of SABIC's duration or in the event of its dissolution before the expiry of its duration, the Ordinary General Meeting shall specify the liquidation procedure and shall appoint one or more liquidators and define their powers. The services of the Board of Directors shall end with the appointment of the liquidator, but the Ordinary General Meeting shall continue in session throughout the liquidation period and until it approves liquidation process.

## CERTAIN DEFINED TERMS

Set out below is a glossary of certain terms used in the "Description of the Issuer" section of this Offering Circular.

<b>2-EH</b>	2-ethyl hexanol
<b>ALBA</b>	Aluminium Bahrain B.S.C.
<b>AL-BAYRONI</b>	Al Jubail Fertiliser Company
<b>Saudi Aramco</b>	Saudi Arabian Oil Company
<b>AR-RAZI</b>	Saudi Methanol Company
<b>CEIHD</b>	SABIC's Corporate Environment & Industrial Hygiene Department
<b>CIE</b>	Crude industrial ethanol
<b>CTS</b>	Customer Technical Support
<b>DOP</b>	Dioctyl phthalate
<b>EDC</b>	Ethylene dichloride
<b>EG</b>	Ethylene glycol
<b>EMS</b>	Environmental Management System
<b>Environmental Regulations</b>	Environmental regulations created in 1999 by the Royal Commission for Jubail and Yanbu
<b>EPS</b>	Styrenes which are expandable
<b>ERP</b>	Enterprise Resource Planning
<b>GARMCO</b>	Gulf Aluminium Rolling Mill Company
<b>GCC</b>	Gulf Corporation Council
<b>GPPS</b>	Styrenes which are solid
<b>HADEED</b>	Saudi Iron & Steel Co.
<b>HDPE</b>	High density polyethylene
<b>IBN AL-BAYTAR</b>	National Chemical Fertiliser Company
<b>IBN RUSHD</b>	The Arabian Industrial Fibers Company
<b>IT</b>	Information Technology
<b>LAO</b>	Linear-alpha olefins
<b>LDPE</b>	Low density polyethylene
<b>LLDPE</b>	Linear low density polyethylene
<b>MEG</b>	Mono Ethylene Glycol
<b>MEOH</b>	Methanol MGS Master Gas System
<b>MTBE</b>	Methyl tertiary butyl ether
<b>PETROKEMYA</b>	The Arabian Petrochemical Company
<b>PME</b>	Presidency of Environment and Meteorology
<b>PVC</b>	Polyvinyl chloride
<b>R&amp;T</b>	Research and Technology
<b>R&amp;T Division</b>	SABIC's Research and Technology Division
<b>SABIC</b>	Saudi Basic Industries Corporation
<b>SABIC Group</b>	SABIC, together with its subsidiaries and affiliates
<b>SAFCO</b>	Saudi Arabian Fertiliser Company
<b>SAP ERP System</b>	System Application Product
<b>Saudi Arabia</b>	The Kingdom of Saudi Arabia
<b>SBU</b>	Strategic Business Units

<b>SHEMS</b>	SABIC Headquarters Environmental Management System
<b>SM</b>	Styrene monomer
<b>SSO</b>	Shared Services Organisation
<b>STCs</b>	SABIC Technology Centre
<b>UNITED</b>	Jubail United Petrochemical Company
<b>VCM</b>	Vinyl chloride monomer
<b>YANSAB</b>	Yanbu National Petrochemical Company

**Saudi Basic Industries Corporation**

**A Saudi Joint Stock Company**

**CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER  
31, 2006**

## **AUDITORS' REPORT**

To the shareholders  
Saudi Basic Industries Corporation (SABIC)  
Riyadh – Kingdom of Saudi Arabia

We have audited the accompanying consolidated balance sheet of Saudi Basic Industries Corporation – a Saudi joint stock company – and subsidiaries ("the Company") as of December 31, 2006, and the related consolidated statements of income, cash flows and shareholders' equity for the year then ended and notes 1 to 29 which form an integral part of these consolidated financial statements as prepared by the Company's management and presented to us with all the necessary information and explanations which we required. These consolidated financial statements are the responsibility of the Company's management. 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 financial statements are free of material misstatement. 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.

In our opinion, the consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the Regulations for Companies and SABIC's articles of association with respect to the preparation and presentation of the consolidated financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.



Bakr A. Abulkhair  
License No. 101  
Safar 8, 1428  
February 26, 2007

## CONSOLIDATED BALANCE SHEET

	Note	2006 SR'000	2005 SR'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	41,227,735	28,172,569
Accounts receivable	4	16,475,589	14,520,648
Inventories	5	13,658,245	10,642,446
Other receivables and prepayments	6	2,612,872	2,945,182
<b>Total current assets</b>		<b>73,974,441</b>	<b>56,280,845</b>
<b>Non-current assets</b>			
Investments	7	3,531,839	5,898,098
Property, plant and equipment	8	79,970,622	66,096,734
Intangible assets	9	5,094,003	4,957,112
Other non current assets	10	4,017,915	3,717,691
<b>Total non-current assets</b>		<b>92,614,379</b>	<b>80,669,635</b>
<b>TOTAL ASSETS</b>		<b>166,588,820</b>	<b>136,950,480</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable	12	11,065,422	7,781,718
Short term bank facilities	13	607,622	351,695
Current portion of long term debt	14	5,521,174	6,352,264
Accrued liabilities and provisions	15	8,529,868	7,461,439
<b>Total current liabilities</b>		<b>25,724,086</b>	<b>21,947,116</b>
<b>Non-current liabilities</b>			
Long term debt	14	33,611,628	23,017,180
Other non-current liabilities	16	6,762,869	6,764,647
<b>Total non-current liabilities</b>		<b>40,374,497</b>	<b>29,781,827</b>
<b>TOTAL LIABILITIES</b>		<b>66,098,583</b>	<b>51,728,943</b>
<b>EQUITY</b>			
<b>Shareholders' equity</b>			
Share capital	17	25,000,000	20,000,000
Statutory reserve	18	11,445,362	9,415,968
Research and technology reserve	18	1,291,691	1,291,691
General reserve	18	20,631,558	17,589,241
Retained earnings		14,514,548	14,043,717
<b>Total shareholders' equity</b>		<b>72,883,159</b>	<b>62,340,617</b>
<b>Minority interests</b>		<b>27,607,078</b>	<b>22,880,920</b>
<b>TOTAL EQUITY</b>		<b>100,490,237</b>	<b>85,221,537</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>166,588,820</b>	<b>136,950,480</b>

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

## CONSOLIDATED STATEMENT OF INCOME

	Note	2006 SR'000	2005 SR'000
Sales		<b>86,327,862</b>	78,253,536
Cost of sales		<b>(51,415,477)</b>	(45,169,206)
<b>GROSS PROFIT</b>		<b>34,912,385</b>	33,084,330
Administration and marketing expenses	19	<b>(4,026,265)</b>	(3,914,352)
<b>INCOME FROM OPERATIONS</b>		<b>30,886,120</b>	29,169,978
Other income	20	<b>2,552,369</b>	1,237,428
Finance charges		<b>(1,567,042)</b>	(1,397,257)
<b>INCOME BEFORE MINORITY INTERESTS AND ZAKAT</b>		<b>31,871,447</b>	29,010,149
Minority interests		<b>(10,527,505)</b>	(9,100,464)
<b>INCOME BEFORE ZAKAT</b>		<b>21,343,942</b>	19,909,685
Zakat	21	<b>(1,050,000)</b>	(750,000)
<b>NET INCOME FOR THE YEAR</b>		<b>20,293,942</b>	19,159,685
<b>Earnings per share (SR)</b>	22	<b>8.12</b>	7.66

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

	2006 SR'000	2005 SR'000
<b>OPERATING ACTIVITIES</b>		
Net income for the year before Zakat	21,343,942	19,909,685
Adjustments for:		
Depreciation and amortization	6,119,236	6,530,723
Equity in earnings of associated companies	(196,974)	(526,168)
Minority interests in net income of subsidiaries	10,527,505	9,100,464
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(1,622,631)	(968,480)
Inventories	(3,015,799)	(1,487,822)
Accounts payable, accrued liabilities and provisions	4,065,404	(889,327)
Other non current liabilities	(1,778)	1,797,940
Zakat paid	(813,028)	(331,019)
<b>Net cash from operating activities</b>	<b>36,405,877</b>	<b>33,135,996</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment, net	(18,752,640)	(7,599,562)
Investments, net	2,563,233	(2,681,959)
Intangible assets, net	(644,554)	561,241
Other non current assets, net	(1,033,045)	(906,369)
<b>Net cash used in investing activities</b>	<b>(17,867,006)</b>	<b>(10,626,649)</b>
<b>FINANCING ACTIVITIES</b>		
Short term bank facilities, net	255,927	(131,834)
Long term debt, net	9,763,358	(3,973,596)
Dividends paid	(9,701,643)	(7,421,564)
Minority interests, net	(5,801,347)	(6,054,915)
<b>Net cash used in financing activities</b>	<b>(5,483,705)</b>	<b>(17,581,909)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>13,055,166</b>	<b>4,927,438</b>
Cash and cash equivalents at the beginning of the year	28,172,569	23,245,131
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>41,227,735</b>	<b>28,172,569</b>
(note 3)		

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

# **CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

	Note	Share capital		Total share capital SR'000	Statutory reserve SR'000	Research and technology reserve SR'000	General reserve SR'000	Retained earnings SR'000	Total equity SR'000
		Government SR'000	Private sector SR'000						
Balance at December 31, 2004		<b>10,500,000</b>	<b>4,500,000</b>	<b>15,000,000</b>	<b>7,500,000</b>	<b>1,291,691</b>	<b>13,881,503</b>	<b>13,209,138</b>	<b>50,882,332</b>
Increase in share capital	17	3,500,000	1,500,000	5,000,000	-	-	-	(5,000,000)	-
Final dividends for 2004		-	-	-	-	-	-	(4,500,000)	(4,500,000)
Board of directors' remuneration		-	-	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	18	-	-	-	-	-	3,707,738	(3,707,738)	-
Net income for the year		-	-	-	-	-	-	19,159,685	19,159,685
Transfer to statutory reserve	18	-	-	-	1,915,968	-	-	(1,915,968)	-
Interim dividends for 2005	26	-	-	-	-	-	-	(3,200,000)	(3,200,000)
Balance at December 31, 2005		<b>14,000,000</b>	<b>6,000,000</b>	<b>20,000,000</b>	<b>9,415,968</b>	<b>1,291,691</b>	<b>17,589,241</b>	<b>14,043,717</b>	<b>62,340,617</b>
Increase in share capital	17	<b>3,500,000</b>	<b>1,500,000</b>	<b>5,000,000</b>	-	-	-	<b>(5,000,000)</b>	-
Final dividends for 2005		-	-	-	-	-	-	<b>(6,000,000)</b>	<b>(6,000,000)</b>
Board of Directors' remuneration		-	-	-	-	-	-	<b>(1,400)</b>	<b>(1,400)</b>
Transfer to general reserve	18	-	-	-	-	-	<b>3,042,317</b>	<b>(3,042,317)</b>	-
Net income for the year		-	-	-	-	-	-	<b>20,293,942</b>	<b>20,293,942</b>
Transfer to statutory reserve	18	-	-	-	<b>2,029,394</b>	-	-	<b>(2,029,394)</b>	-
Interim dividends for 2006	26	-	-	-	-	-	-	<b>(3,750,000)</b>	<b>(3,750,000)</b>
Balance at December 31, 2006		<b>17,500,000</b>	<b>7,500,000</b>	<b>25,000,000</b>	<b>11,445,362</b>	<b>1,291,691</b>	<b>20,631,558</b>	<b>14,514,548</b>	<b>72,883,159</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. ORGANIZATION AND ACTIVITIES

Saudi Basic Industries Corporation (SABIC) is a Saudi joint stock company established pursuant to Royal Decree Number M/66 dated 13 Ramadan 1396 (September 6, 1976) and registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397 (January 4, 1977). SABIC is 70% owned by the Government of the Kingdom of Saudi Arabia and 30% by the private sector.

The principal activities of SABIC and its main subsidiaries ("the Company") are the execution of petrochemical, fertilizers, metal, steel, aluminium and basic hydrocarbon industries; and the establishment of projects to supply the Company with raw material requirements, and the marketing of industrial products inside and outside the Kingdom.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the standard of General Presentation and Disclosure issued by the Ministry of Commerce and in compliance with the accounting standards issued by the Saudi Organization of Certified Public Accountants ("SOCPA standards"). Following is a summary of the significant accounting policies applied by the Company.

#### Basis of consolidation

The consolidated financial statements are prepared on the basis of the individual audited financial statements of SABIC and subsidiaries, as adjusted by the elimination of significant inter-company balances and transactions. The subsidiaries are consolidated from the date on which control is transferred to SABIC. The subsidiary companies consolidated in these financial statements are as follows:

	Shareholding %	
	2006	2005
SABIC Industrial Investments Company and its subsidiaries (SIIC)	100.00	100.00
SABIC Luxembourg S.a.r.l. and its subsidiaries	100.00	100.00
SABIC Asia Pacific Pte. Ltd. and its subsidiaries	100.00	100.00
Arabian Petrochemical Company and its subsidiary (Petrokemya)	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	100.00	100.00
SABIC Antilles N.V.	100.00	100.00
SABIC Sukuk Company (SUKUK)	100.00	-
Saudi European Petrochemical Company (Ibn Zahr)	80.00	70.00
Jubail United Petrochemical Company (United)	75.00	75.00

National Chemical Fertilizer Company (Ibn Al-Baytar)	<b>71.50</b>	71.50
National Industrial Gases Company (Gas)	<b>70.00</b>	70.00
Yanbu National Petrochemical Company (Yansab)	<b>55.95</b>	-
Arabian Industrial Fiber Company (Ibn Rushd)	<b>53.90</b>	53.90
Saudi Methanol Company (Ar-Razi)	<b>50.00</b>	50.00
Al-Jubail Fertilizer Company (Al-Bayroni)	<b>50.00</b>	50.00
Saudi Yanbu Petrochemical Company (Yanpet)	<b>50.00</b>	50.00
National Methanol Company (Ibn Sina)	<b>50.00</b>	50.00
Saudi Petrochemical Company (Sadaf)	<b>50.00</b>	50.00
Eastern Petrochemical Company (Sharq)	<b>50.00</b>	50.00
Al-Jubail Petrochemical Company (Kemya)	<b>50.00</b>	50.00
Saudi Arabian Fertilizer Company (Safco)	<b>42.99</b>	42.99

All subsidiaries are incorporated in the Kingdom of Saudi Arabia except for Sabic Luxembourg S.a.r.l., SABIC Antilles N.V. and SABIC Asia Pacific Pte. Ltd., which are incorporated in Luxembourg Netherlands and Republic of Singapore, respectively.

Pursuant to the Ministerial resolution number 10446 of Dhul Qa'da 5, 1426 (December 7, 2005), Yanbu National Petrochemical Company (Yansab), a Saudi joint stock company was established with a share capital of SR 5,625 million, divided into 112.5 million shares of SR 50 each (562.5 million shares of SR 10 each after the split). The Company owns 55.95% of the share capital of Yansab. Included in this holding is 4% (4.5 million shares, 22.5 million shares after the split) owned by SIIC, which was sold to eligible employees at par value under a stock grant scheme. Yansab's legal incorporation process was completed on Muharram 14, 1427 (February 13, 2006).

During the year, SABIC acquired the share of one of the shareholders of Saudi European Petrochemical Co. (Ibn Zahr) representing 10% of total shareholding, consequently, the equity interest of SABIC in Ibn Zahr increased from 70% to 80%.

SABIC Sukuk LLC (SUKUK), a limited liability company, was incorporated on Jumada Al Awal 29, 1427 H, corresponding to June 14, 2006, with a share capital of SR 500,000 and is wholly owned by SABIC. SUKUK's objective is to provide services and support related to bonds/sukuk issued by SABIC.

On December 29, 2006, the Company acquired 100% of the voting shares of Huntsman Petrochemicals (UK) Ltd., an unlisted company based in the United Kingdom engaged in the production of basic chemicals for a cash consideration of USD 685 million. Huntsman Petrochemicals (UK) Ltd. renamed SABIC UK Petrochemicals Company owns and operates 865 ktpa ethylene cracker, 1.3 million tones per annum aromatics units and 400 ktpa propylene with extensive logistical facilities at Wilton and North East Britain. SABIC is continuing the execution of Polyethylene facility with a capacity of 400 ktpa per annum.

The financial statements of SABIC UK Petrochemicals Company as of December 31, 2006 are included in the accompanying consolidated financial statements.

SABIC is currently in the process of incorporating "Saudi Kayan Petrochemical Company", located in Madinat Al-Jubail Al-Sinaiyah with a share capital amounting to SR 15 billion, in which SABIC and Kayan Petrochemical Company will hold 35% and 20% of the shares respectively and the remaining 45% will be offered for public subscription.

### **Accounting convention**

The consolidated financial statements are prepared under the historical cost convention except for the measurement of available for sale securities at fair value, wherever available, and for accounting for investments in associated companies on the equity basis.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation except for freehold land and construction work in progress which are stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure for betterments is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight- line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated years of depreciation of the principal classes of assets are as follows:

	<u>Years</u>
Plant and equipment	20
Buildings	33
Furniture and office equipment	4-20
Vehicles	4

### **Inventories**

Inventories are stated at the lower of cost or market value. Cost of raw materials, consumables, spare parts and finished goods is principally determined on a weighted average cost basis. Inventories of work in progress and finished goods include cost of materials, labor and an appropriate proportion of direct overheads.

### **Investments**

#### **Associated companies**

Associated companies are companies in which SABIC has a long term interest of at least 20% in the voting capital and/or over which it exerts significant influence. The consolidated financial statements include an appropriate share of the associated companies' post acquisition results and reserves based on

their latest financial statements. SABIC's share in the earnings of associated companies is included in other income in the consolidated statement of income.

### **Available for sale**

This represents investments in financial assets not acquired for trading purposes. These are stated at fair value. Differences between the fair value and the cost, if significant, are reported separately in the statement of shareholders' equity. Any decline other than temporary in the value of these investments are charged to the consolidated statement of income.

Fair value is determined by reference to the market value if an open market exists, or on the basis of the most recent financial statements. Otherwise, cost is considered to be the fair value.

### **Held to maturity**

Investments acquired with the intention of being held to maturity are carried at cost. The cost is adjusted for any premium, discount, and any permanent decline in value.

### **Pre-operating expenses**

Expenses incurred during the development and start up periods, and which are expected to provide benefits in future periods, are deferred or capitalised. The deferred pre-operating expenses are amortised starting from the commencement of the commercial operations using a straight line method over the shorter of the estimated period of benefit or seven years.

### **Accounts receivable**

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the accounts receivable amount is considered doubtful. Bad debts are written off as incurred.

### **Employees' home ownership program**

Unsold housing units constructed for eventual sale to eligible employees are included under land and buildings and are depreciated over 33 years. Upon signing the sale contract, these housing units are classified under other non current assets.

### **Goodwill**

The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill and at the end of each reporting period is measured and reported in the financial statements at carrying value after being adjusted for impairment, if any, as per the amended accounting standard issued by SOCPA on intangible assets. The carrying amount of negative goodwill, if any, is netted off against fair value of property and equipment.

The Company ceased the amortization of the goodwill effective January 1, 2006 and considered the net book value as of December 31, 2005 as cost and implemented the amended SOCPA standards on intangible assets.

### **Dividends**

Dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

### **Employees' end of service benefits and early retirement plan**

Employees' end of service benefits are provided for in accordance with the Company's policies and the requirements of the Saudi Arabian Labor Law. Employees' early retirement plan costs were provided for in accordance with the Company's policies and are charged to the consolidated statement of income in the year the employee retires.

### **Revenue recognition**

Sales represent the invoiced value of goods shipped and services rendered by the Company during the year, net of trade and quantity discounts. Generally sales are reported net of marketing expenses in accordance with executed marketing and off take agreements.

Investment income from associated companies is recognized based on the equity method. Earnings on bank deposits are recognized on an accrual basis.

### **Zakat and income tax**

Zakat is provided in accordance with the Regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of income. Any differences resulting from the final assessments are recorded in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the consolidated financial statements.

For subsidiaries outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with tax regulations in the respective countries if required.

### **Research and technology expenses**

Research and technology expenses are charged to the consolidated statement of income when incurred.

### **Administration and marketing expenses**

Production costs and direct expenses are classified as cost of sales. All other expenses, including selling and distribution expenses not deducted from sales, are classified as administration and marketing expenses.

## **Foreign currency translation**

Transactions in foreign currencies (which are not covered by forward foreign exchange contracts) are translated into Saudi Riyals at the rates of exchange prevailing at the time of such 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 are included in the consolidated statement of income.

The financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rates for revenues and expenses. Components of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Translation adjustments, if material, are recorded as a separate component of shareholders' equity.

## **Derivative financial instruments**

The Company uses derivative financial instruments, primarily to manage its interest rate risk exposure. Derivative assets related to the financial instruments are initially recognized in the financial statements at cost, and any gains and losses on maturity are included in the consolidated statement of income.

## **Leasing**

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Company at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the income statements over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.



## Impairment

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

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are expensed in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or the cash 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 recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the consolidated statement of income.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank balances and cash on hand, short term deposits, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

The cash and cash equivalents at December 31 were:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
Bank balances and cash	<b>3,868,104</b>	4,910,716
Short term deposits	<b>37,359,631</b>	23,261,853
	<b>41,227,735</b>	28,172,569

Cash and cash equivalents at December 31, 2006 included restricted balances of SR 152 million (2005: SR 94 million).

### 4. ACCOUNTS RECEIVABLE

The accounts receivable at December 31 were:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
Trade accounts receivable	<b>14,307,783</b>	12,035,888

Amounts due from joint venture partners (note 11)	<b>2,359,857</b>	2,661,764
Allowance for doubtful debts	<b>(192,051)</b>	(177,004)
	<b>16,475,589</b>	14,520,648

No single customer accounts for more than 5% of the Company's sales for the years ended December 31, 2006 and 2005.

## 5. INVENTORIES

The inventories at December 31 were:

	<b>2006</b>	2005
	<b>SR'000</b>	SR'000
Finished goods	<b>7,410,559</b>	5,671,138
Spare parts	<b>3,185,727</b>	2,735,530
Raw materials	<b>2,124,443</b>	1,840,039
Work in progress	<b>131,461</b>	108,828
Goods in transit	<b>806,055</b>	286,911
	<b>13,658,245</b>	10,642,446

## 6. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments at December 31 were:

	<b>2006</b>	2005
	<b>SR'000</b>	SR'000
Due from Yansab	-	1,274,745
Prepaid expenses	<b>403,859</b>	307,066
Employee loans and home ownership receivables	<b>562,397</b>	300,453
Others	<b>1,646,616</b>	1,062,918
	<b>2,612,872</b>	2,945,182

Due from Yansab represents capital expenditure incurred on behalf of Yansab during 2005.

## 7. INVESTMENTS

The investments at December 31 were:

	Share holding %	<b>2006</b>	2005
		<b>SR'000</b>	SR'000
<b>Associated companies - (a)</b>			

Gulf Petrochemical Industries Co. (GPIC)	33.33	<b>632,906</b>	586,766
Gulf Aluminum Rolling Mills Co. (GARMCO)	31.28	<b>132,477</b>	118,292
National Chemical Carrier Company (NCC)	20.00	<b>149,259</b>	141,921
Power and Water Utilities Company for Jubail and Yanbu (MARAFIQ)	25.00	<b>762,224</b>	651,211
Aluminum Bahrain BSC (ALBA)	20.00	<b>690,656</b>	1,180,470
Others		<b>397,796</b>	188,047
		<b>2,765,318</b>	2,866,707
<b>Available for sale - (b)</b>		<b>766,521</b>	-
<b>Held to maturity - (c)</b>		-	50,000
<b>Yansab (note 2) – and (d) below</b>		-	2,981,391
		<b>3,531,839</b>	5,898,098

(a) The movement of investments in associated companies is as follows:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
Balance at the beginning of the year	<b>2,866,707</b>	2,574,816
Movements during the year , net	<b>(126,707)</b>	310,231
Valuation adjustments, net	<b>25,318</b>	(18,340)
Balance at the end of the year	<b>2,765,318</b>	2,866,707

NCC and MARAFIQ are incorporated in the Kingdom of Saudi Arabia. GPIC, GARMCO and ALBA are incorporated in the Kingdom of Bahrain. Others include investments in associated companies by SABIC Luxembourg S.à.r.l and its subsidiaries.

(b) This item represents investments in financial assets.

(c) This item represents investments held by a subsidiary in Saudi Government Development Bonds.

(d) This represents SABIC's share in the share capital of YANSAB.

8. **PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	Construction work in progress SR'000	Land and buildings SR'000	Plant and equipment SR'000	Furniture, fixtures and vehicles SR' 000	<b>Total 2006 SR'000</b>	<b>Total 2005 SR'000</b>
At the beginning of the year	10,106,748	13,008,156	97,980,733	3,176,412	<b>124,272,049</b>	118,031,589
Currency translation adjustment	46,790	71,901	1,034,652	25,618	<b>1,178,961</b>	(1,311,466)
Additions	15,390,195	775,416	3,726,085	290,995	<b>20,182,691</b>	9,119,908
Transfers	(2,952,637)	(444,763)	1,518,708	(8,808)	<b>(1,887,500)</b>	-
Disposals	(39,655)	(186,358)	(564,040)	(74,761)	<b>(864,814)</b>	(1,567,982)
At the end of the year	22,551,441	13,224,352	103,696,138	3,409,456	<b>142,881,387</b>	124,272,049
<b>Depreciation</b>						
At the beginning of the year	-	4,742,635	51,107,438	2,325,242	<b>58,175,315</b>	54,187,838
Currency translation adjustment for accumulated depreciation	-	28,379	627,502	19,441	<b>675,322</b>	(799,712)
Charge for the year	-	703,036	3,818,350	357,366	<b>4,878,752</b>	5,346,579
Transfers	-	(189,351)	-	-	<b>(189,351)</b>	-
Disposals/transfers	-	(42,640)	(517,581)	(69,052)	<b>(629,273)</b>	(559,390)
At the end of the year	-	5,242,059	55,035,709	2,632,997	<b>62,910,765</b>	58,175,315
<b>Net book amounts</b>						
At December 31, 2006	<b>22,551,441</b>	<b>7,982,293</b>	<b>48,660,429</b>	<b>776,459</b>	<b>79,970,622</b>	
At December 31, 2005	10,106,748	8,265,521	46,873,295	851,170	-	66,096,734

## 8. PROPERTY, PLANT AND EQUIPMENT (Continued)[9/1•]

The construction in progress mainly represents the expansion of existing plants and new projects being executed by certain subsidiaries. The related commitments are reported in note 27. The finance charges capitalized during the year 2006 amounted to SR 281 million (2005: SR 54 million).

Land and Buildings include an amount of SR 47.7 million at December 31, 2006 and 2005 representing the cost of freehold land.

The recovery of net book value of assets of Ibn Rushd (a 53.90 % owned subsidiary) which are included in property, plant and equipment and intangible assets amounting to SR 5.3 billion (2005: SR 5.6 billion) is dependent upon the success of the future operations of Ibn Rushd.

The plots of land on which plant and related facilities of certain subsidiaries are constructed are leased from the Royal Commission for Jubail and Yanbu under renewable lease agreements for periods ranging from 20 to 30 years.

Property, plant and equipment of certain subsidiaries are mortgaged to Saudi Industrial Development Fund (SIDF) as security for term loans (note 14).

## 9. INTANGIBLE ASSETS

Intangible assets at December 31 were:

	<b>2006</b> <b>SR'000</b>	<b>2005</b> <b>SR'000</b>
Pre-operating expenses and others, net - (a)	<b>1,886,231</b>	2,011,061
Goodwill, net - (b)	<b>3,207,772</b>	2,946,051
	<b>5,094,003</b>	4,957,112

(a) Pre-operating expenses include plant commissioning, start-up costs, and other items. The deferred pre-operating expenses are amortized over a period of benefit not exceeding 7 years. The total accumulated amortisation at December 31, 2006 amounted to SR 4.7 billion (2005: SR 4 billion).

(b) Goodwill represents the excess of consideration paid over the fair value of net assets acquired:

	<b>2006</b> <b>SR'000</b>	<b>2005</b> <b>SR'000</b>
<b>Cost</b>		
At the beginning of the year	<b>3,720,640</b>	4,248,960
Exchange differences	<b>299,611</b>	(528,320)
At the end of the year	<b>4,020,251</b>	3,720,640
<b>Amortisation</b>		
At the beginning of the year	<b>774,589</b>	612,182
Exchange differences	<b>37,890</b>	(73,308)
Provided during the year	-	235,715
At the end of the year	<b>812,479</b>	774,589
<b>Net book value as at December 31</b>	<b>3,207,772</b>	2,946,051

10. **OTHER NON CURRENT ASSETS**

Other non current assets at December 31 were:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
Employee loans and home ownership receivables - (a)	<b>1,446,677</b>	1,190,669
Other assets - (b)	<b>2,571,238</b>	2,527,022
	<b>4,017,915</b>	<b>3,717,691</b>

(a) Certain subsidiaries have established employees home ownership programs that offer eligible employees the opportunity to buy residential units constructed by these subsidiaries. The cost of the land and direct construction costs are repayable by the employees over a period of 20 years. The ownership of the housing units is transferred to the employees upon full payment of the amounts due.

(b) Other assets include employees stock grant scheme (note 2), advances to contractors, deferred taxes and others.

11. **TRANSACTIONS WITH JOINT VENTURE PARTNERS**

In the ordinary course of business operations, certain affiliates of SABIC sell their products to joint venture partners in accordance with the marketing and off take agreements. Sales to joint venture partners amounted to SR 12.6 billion (2005: SR 8.9 billion). Certain joint venture partners also provide research and technology and other services to certain SABIC affiliates in conformity with the executed agreements.

See notes 4 and 12, respectively.

12. **ACCOUNTS PAYABLE**

The accounts payable at December 31 were:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
Trade accounts payable	<b>11,041,659</b>	7,759,961
Amounts due to joint venture partners (note 11)	<b>23,763</b>	21,757
	<b>11,065,422</b>	<b>7,781,718</b>

13. **SHORT TERM BANK FACILITIES**

The short term bank facilities at December 31, 2006, which bear finance charges at prevailing market rates, amounted to approximately SR 608 million (2005: SR 352 million). The Company had unused credit facilities at December 31, 2006 of SR 3.8 billion (2005: SR 1.7 billion).

#### 14. LONG TERM DEBT

The long term debt as at December 31 were:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
Public Investment Fund (PIF)	<b>6,698,572</b>	6,257,974
Saudi Industrial Development Fund (SIDF)	<b>1,263,794</b>	1,172,904
Commercial debt	<b>24,458,086</b>	21,938,566
Euro Bond	<b>3,712,350</b>	-
Sukuk	<b>3,000,000</b>	-
<b>Total</b>	<b>39,132,802</b>	29,369,444
Less: Current portion	<b>(5,521,174)</b>	(6,352,264)
Non current portion	<b>33,611,628</b>	23,017,180

The PIF loans are generally repayable in semi annual installments and finance charges on these loans are at varying rates above LIBOR.

The SIDF loans are repayable in semi annual installments commencing on various dates. The administration fees related to such loans paid in advance were capitalized as part of the plant construction costs.

The commercial debt are repayable in conformity with the varying repayment terms set out in the applicable loan agreements. The financial charges are payable in accordance with the terms set out in the applicable loan agreements.

During the year, SABIC Europe B.V. (a wholly owned subsidiary of SABIC Luxembourg S.a.r.l) issued an unsecured Euro 750 million Euro bond. The seven year Euro bond carries a fixed coupon rate of 4.5% with final maturity date due on 28 November 2013.

On July 29, 2006, the Company issued a SR 3 billion Sukuk, at par value of SR 50,000 each without discount or premium, maturing in 2027. The Sukuk bears a maximum rate of return based on SIBOR plus a margin of 40 basis points per annum payable quarterly in arrears from the net income from the Sukuk assets held by the Sukuk custodian "SABIC Sukuk Company", a wholly owned subsidiary of the Company.

At the end of each five years period, the Company shall pay an amount equal to 10% of the aggregate face value of the Sukuk as bonus to the Sukuk holders. The Company has provided an undertaking to the Sukuk holders to purchase the Sukuk from its holders during the years 2011, 2016, 2021 at an amount equivalent to 90%, 60% and 30% of the face value respectively.

The aggregate repayment schedule of long term debt is as follows:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
2006	-	6,352,264
2007	<b>5,521,174</b>	9,447,327
2008	<b>4,595,599</b>	4,067,346

2009	<b>3,276,057</b>	2,695,588
2010	<b>3,676,067</b>	2,332,647
2011	<b>6,051,178</b>	2,255,616
Thereafter	<b>16,012,727</b>	2,218,656
Total	<b>39,132,802</b>	29,369,444

#### 15. ACCRUED LIABILITIES AND PROVISIONS

The accrued liabilities and provisions at December 31 were:

	<b>2006</b>	2005
	<b>SR'000</b>	SR'000
Zakat and tax provision	<b>2,778,132</b>	3,291,800
Accrued liabilities	<b>2,337,969</b>	2,319,407
Dividend payable	<b>664,782</b>	616,425
Others	<b>2,748,985</b>	1,233,807
	<b>8,529,868</b>	7,461,439

Others include employee related accruals, contract retentions, and other accruals and provisions.

#### 16. OTHER NON CURRENT LIABILITIES

The other non current liabilities at December 31 were:

	<b>2006</b>	2005
	<b>SR'000</b>	SR'000
Employees' end of service benefits	<b>4,081,033</b>	3,519,633
Employees' thrift plan	<b>305,298</b>	248,784
Employees' early retirement plan	<b>72,427</b>	103,328
Others	<b>2,304,111</b>	2,892,902
	<b>6,762,869</b>	6,764,647

Others include obligation under capital lease, deferred taxes and other non-current payables.

#### 17. SHARE CAPITAL

In accordance with the Capital Market Authority's announcement No. 4/154/2006 dated Safar 27, 1427 (March 27, 2006) issued pursuant to the Councils of Ministers resolution to split the shares of joint stock companies, the par value of the share has been split to SR 10 instead of SR 50. Accordingly, the Company's number of shares became 2 billion shares. The shares resumed trading after the split effective Rabie Al-Awal 17, 1427 (April 15, 2006).

The Extraordinary General Assembly in its meeting held on 24 Rabi Al Awal, 1427 corresponding to April 22, 2006, approved to increase the share capital by SR 5 billion through issuance of 1 bonus share for every 4 shares held. Accordingly the Company's share capital as of December 31, 2006 was SR 25 billion is divided into 2.5 billion shares of SR 10 each (2005: SR 20 billion divided into 2 billion shares of SR 10 each).



18. **RESERVES**

**Statutory reserve**

As required by The Saudi Arabian Regulations for Companies, 10% of the annual net income must be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

**Other reserves**

In accordance with SABIC's byelaws, the General Assembly can establish other reserves as an appropriation of retained earnings. Such reserves can be increased or decreased by a resolution of the shareholders. Such reserves are available for distribution.

19. **ADMINISTRATION AND MARKETING EXPENSES**

The administration and marketing expenses during the year ended December 31 comprised:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
Employees' cost	<b>1,099,684</b>	930,288
Selling and marketing	<b>1,610,697</b>	1,276,497
Depreciation and amortization	<b>170,736</b>	394,127
Administrative expenses	<b>1,145,148</b>	1,313,440
	<b>4,026,265</b>	3,914,352

20. **OTHER INCOME**

The other income during the year ended December 31 comprised:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
Earnings on bank deposits	<b>2,073,026</b>	1,141,012
Equity in earnings of associated companies, net	<b>196,974</b>	526,168
Exchange differences, net	<b>281,419</b>	(487,220)
Others	<b>950</b>	57,468
	<b>2,552,369</b>	1,237,428

21. **ZAKAT**

During 2006, SABIC received the preliminary objection committee's decision regarding the zakat assessments on the unconsolidated financial statements of SABIC for the years 1983 through 2002. SABIC has filed an appeal with the appellate committee contesting the preliminary objection committee's decision and is awaiting the hearing.

DZIT finalized the zakat assessments for the years 2003 and 2004 against which SABIC has filed an objection, contesting these assessments. The zakat return for the year 2005 is currently under review by DZIT.

In the opinion of the management, adequate provision has been made in the consolidated financial statements.

The following is the movement of the zakat provision for the years ended December 31:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
Balance at the beginning of the year	<b>1,731,999</b>	1,313,018
<b>Less:</b> Payments during the year, net	<b>(813,028)</b>	(331,019)
<b>Add:</b> Current year provision	<b>1,050,000</b>	750,000
Balance at the end of the year	<b>1,968,971</b>	1,731,999

## 22. EARNINGS PER SHARE

The earnings per share are calculated based on the number of outstanding shares at the end of the period. The outstanding number of shares at December 31, 2006 was 2.5 billion shares (2 billion shares at December 31, 2005 adjusted for the stock split).

The calculation of the earnings per share for the comparative financial year of 2005 has been adjusted retroactively to reflect the bonus share and the stock split.

## 23. SEGMENT INFORMATION

The segment information is provided based on the following three segments:  
the petrochemicals segment, includes basic chemicals, intermediates, polymers and fertilizer products.

the metals segment, consists of steel products and investments in aluminium production facilities.

the corporate segment, includes the corporate operations, and research and technology centers.

There are no significant inter segment revenues between the petrochemicals and the metal segments.

<b>2006</b>	<b>Petrochemicals</b>	<b>Metals</b>	<b>Corporate</b>	<b>Total</b>
	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>	<b>SR'000</b>
<b>Sales</b>	<b>74,066,639</b>	<b>7,611,579</b>	<b>4,649,644</b>	<b>86,327,862</b>
<b>Gross profit</b>	<b>31,528,212</b>	<b>1,975,616</b>	<b>1,408,557</b>	<b>34,912,385</b>
<b>Net Income</b>	<b>17,247,124</b>	<b>1,725,077</b>	<b>1,321,741</b>	<b>20,293,942</b>
<b>Total assets</b>	<b>106,616,223</b>	<b>16,205,783</b>	<b>43,766,814</b>	<b>166,588,820</b>
<b>Total liabilities</b>	<b>32,280,078</b>	<b>6,267,450</b>	<b>27,551,055</b>	<b>66,098,583</b>
<b>2005</b>				
Sales	66,638,178	7,193,152	4,422,206	78,253,536
Gross profit	28,816,673	2,282,748	1,984,909	33,084,330

Net Income	14,757,787	1,874,290	2,527,608	19,159,685
Total assets	86,951,135	14,475,961	35,523,384	136,950,480
Total liabilities	27,309,785	5,287,933	19,131,225	51,728,943

A substantial portion of SABIC's operating assets are located in the Kingdom of Saudi Arabia. The principal markets for SABIC petrochemical products are Europe, the Middle East, and Asia Pacific. While the corporate activities are in the Kingdom of Saudi Arabia, the metals segment sales are mainly in Saudi Arabia and Gulf Cooperative Council Countries. It is not practicable to summarise the sales of the petrochemicals segment by geographic areas.

## 24. RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable and other assets, bank borrowings, accounts payable and accrued and other current liabilities.

**Credit Risk** is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is substantially placed with national banks with sound credit ratings. Trade accounts receivable are carried net of provision for doubtful debts.

**Interest Rate Risk** is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company has no significant interest bearing long term assets, but has interest bearing liabilities at December 31, 2006. The Company manages its borrowings made at floating rates by using interest rate swaptions (note 25), which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaptions, when exercised, provide the Company with the right to agree with the counter party to exchange, at specified intervals, the difference between fixed contract rates and floating interest amounts, calculated by reference to the agreed notional principal amounts.

**Liquidity Risk** is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

**Currency Risk** is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management monitors the fluctuations in currency exchange rates and manages its effect on the consolidated financial statements accordingly.

**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.

As the Company's consolidated financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Company's consolidated financial assets and liabilities are not materially different from their carrying values.

## 25. **DERIVATIVES**

The Company entered into interest rate swap agreements and swap arrangements to hedge the volatility in interest rates related to debt outstanding at year end amounting to SR 13.6 billion (SR 13.2 billion as of December 31, 2005). The swap agreements can be exercised on different dates. The agreements state that premiums should be paid quarterly.

## 26. **APPROPRIATION OF NET INCOME**

The General Assembly, in its annual meeting held on Rabie Al-Awal 24, 1427 (April 22, 2006), approved the appropriation of the net income for the year ended December 31, 2005 as follows:

- cash dividends of SR 9,200 million (SR 23 per share) including interim cash dividends of SR 3,200 million (SR 8 per share)
- transfer 10% of net income to statutory reserve
- payment of SR 1.4 million as Board of Directors' remuneration
- transfer the remaining balance to the general reserve

The Board of Directors proposed on 27 Dhul Qaida 1427, corresponding to December 18, 2006, to distribute cash dividends of SR 10,000 million (SR 4 per share), for the year ended December 31, 2006, including interim cash dividends of SR 3,750 million (SR 1.5 per share) previously approved by the Board of Directors on July 15, 2006.

## 27. **COMMITMENTS**

### **Capital Commitments**

The Company's commitment for capital expenditures at December 31, 2006 amounted to SR 66.5 billion (2005: SR 36.1 billion).

### **Operating Lease Commitments**

Commitments under non-cancelable operating leases with initial terms of greater than one year are as follows:

	<b>2006</b>	<b>2005</b>
	<b>SR'000</b>	<b>SR'000</b>
2006	-	370,924
2007	<b>477,130</b>	414,272
2008	<b>426,739</b>	417,146
2009	<b>418,739</b>	417,944

2010	<b>417,239</b>	417,944
Thereafter	<b>2,927,621</b>	2,923,316
	<b><u>4,667,468</u></b>	<u>4,961,546</u>

### **Obligations under capital leases**

Commitments under capital leases with initial terms of greater than one year are as follows:

	<b>2006 SR'000</b>	2005 SR'000
2006	-	82,620
2007	<b>82,620</b>	82,620
2008	<b>82,620</b>	82,620
2009	<b>82,620</b>	82,620
2010	<b>82,620</b>	82,620
Thereafter	<b>1,191,105</b>	1,191,105
	<b><u>1,521,585</u></b>	<u>1,604,205</u>

## **28. CONTINGENCIES**

The Company is involved in litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty, management does not expect that they will have a material adverse effect on the consolidated financial statements of the Company.

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 2.1 billion (2005: SR 1.5 billion) in the normal course of business.

## **29. COMPARATIVE FIGURES**

Certain prior year figures have been re-classified to conform with the current year's presentation.

**Saudi Basic Industries Corporation**

**A Saudi Joint Stock Company**

**CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER  
31, 2005**

## AUDITORS' REPORT

To the shareholders  
Saudi Basic Industries Corporation (SABIC)  
Riyadh – Kingdom of Saudi Arabia

We have audited the accompanying consolidated balance sheet of Saudi Basic Industries Corporation – a Saudi joint stock company – and subsidiaries ("the Company") as of December 31, 2005, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and notes 1 to 29 which form an integral part of these consolidated financial statements as prepared by the Company's management and presented to us with all the necessary information and explanations which we required. These consolidated financial statements are the responsibility of the Company's management. 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 financial statements are free of material misstatement. 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.

In our opinion, the consolidated financial statements taken as a whole present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the Regulations for Companies and SABIC's articles of association with respect to the preparation and presentation of the consolidated financial statements.

Deloitte & Touche  
Bakr Abulkhair & Co.



Bakr A. Abulkhair  
License No. 101  
Safar 5, 1427  
March 5, 2006

## CONSOLIDATED BALANCE SHEET

	Note	2005 SR'000	2004 SR'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	<b>28,172,569</b>	23,245,131
Accounts receivable	4	<b>14,520,648</b>	13,504,142
Inventories	5	<b>10,642,446</b>	9,154,624
Other receivables and prepayments	6	<b>2,945,182</b>	2,993,208
<b>Total current assets</b>		<b>56,280,845</b>	48,897,105
Investments	7	<b>5,898,098</b>	2,689,971
Property, plant and equipment	8	<b>66,096,734</b>	63,843,751
Intangible assets	9	<b>5,335,038</b>	5,998,646
Other non-current assets	10	<b>3,339,765</b>	3,515,173
<b>TOTAL ASSETS</b>		<b>136,950,480</b>	124,944,646
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable	12	<b>7,781,718</b>	8,298,460
Short term bank facilities	13	<b>351,695</b>	483,529
Current portion of long term loans	14	<b>6,352,264</b>	6,050,315
Accrued liabilities and provisions	15	<b>7,461,439</b>	7,135,207
<b>Total current liabilities</b>		<b>21,947,116</b>	21,967,511



**SCHEDULE 1****Non-current liabilities**

Long term loans	14	<b>23,017,180</b>	27,292,725
Other non-current liabilities	16	<b>6,764,647</b>	4,966,707
<b>Total non current liabilities</b>		<b>29,781,827</b>	32,259,432
<b>Minority interests</b>		<b>22,880,920</b>	19,835,371

**Shareholders' equity**

Share capital	17	<b>20,000,000</b>	15,000,000
Statutory reserve	18	<b>9,415,968</b>	7,500,000
Research and technology reserve	18	<b>1,291,691</b>	1,291,691
General reserve	18	<b>17,589,241</b>	13,881,503
Retained earnings		<b>14,043,717</b>	13,209,138
<b>Total shareholders' equity</b>		<b>62,340,617</b>	50,882,332

**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY****136,950,480** 124,944,646

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

## CONSOLIDATED STATEMENT OF INCOME

	Note	2005 SR'000	2004 SR'000
Sales		<b>78,253,536</b>	68,539,076
Cost of sales		<b>(45,169,206)</b>	(41,604,638)
<b>GROSS PROFIT</b>		<b>33,084,330</b>	26,934,438
Administration and marketing expenses	19	<b>(3,914,352)</b>	(3,429,494)
<b>Income from operations</b>		<b>29,169,978</b>	23,504,944
Other income	20	<b>1,237,428</b>	1,299,199
Finance charges		<b>(1,397,257)</b>	(1,020,541)
Loss arising from a legal case	6	-	(1,782,355)
<b>Income before minority interests and zakat</b>		<b>29,010,149</b>	22,001,247
Minority interests		<b>(9,100,464)</b>	(7,337,559)
<b>INCOME BEFORE ZAKAT</b>		<b>19,909,685</b>	14,663,688
Zakat	21	<b>(750,000)</b>	(450,000)
<b>NET INCOME FOR THE YEAR</b>		<b>19,159,685</b>	14,213,688
<b>Earnings per share (SR)</b>	22	<b>47.89</b>	35.53

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

	2005 SR'000	2004 SR'000
<b>OPERATING ACTIVITIES</b>		
Net income for the year before zakat	19,909,685	14,663,688
Adjustments for:		
Depreciation and amortization	6,530,723	6,424,135
Equity in earnings of associated companies	(526,168)	(331,995)
Minority interests in net income of subsidiaries	9,100,464	7,337,559
Changes in operating assets and liabilities:		
Accounts receivable and prepayments	(968,480)	(5,480,478)
Inventories	(1,487,822)	(2,110,657)
Accounts payable, accrued liabilities and provisions	(889,327)	3,501,714
Other non-current liabilities	1,797,940	906,885
Zakat paid	(331,019)	(376,189)
<b>Net cash from operating activities</b>	<b>33,135,996</b>	<b>24,534,662</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment, net	(7,599,562)	(4,452,453)
Investments, net	(2,681,959)	314,407
Intangible assets, net	183,315	611,901
Other non-current assets, net	(528,443)	(1,995,170)
<b>Net cash used in investing activities</b>	<b>(10,626,649)</b>	<b>(5,521,315)</b>
<b>FINANCING ACTIVITIES</b>		
Long term loans, net	(3,973,596)	(3,073,217)
Short term bank facilities, net	(131,834)	24,270
Dividends paid	(7,421,564)	(3,532,486)
Minority interests, net	(6,054,915)	(3,807,685)
<b>Net cash used in financing activities</b>	<b>(17,581,909)</b>	<b>(10,389,118)</b>
<b>Increase in cash and cash equivalents</b>	<b>4,927,438</b>	<b>8,624,229</b>
Cash and cash equivalents at the beginning of the year	23,245,131	14,620,902
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 3)</b>	<b>28,172,569</b>	<b>23,245,131</b>

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

# **CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note	Share Capital		Total share capital SR'000	Statutory reserve SR'000	Research and technology reserve SR'000	General reserve SR'000	Retained earnings SR'000	Total equity SR'000
		Government sector SR'000	Private sector SR'000						
Balance at December 31, 2003		10,500,000	4,500,000	15,000,000	6,495,449	1,291,691	11,456,363	6,026,541	40,270,044
Dividends		-	-	-	-	-	-	(3,600,000)	(3,600,000)
Board of Directors' remuneration		-	-	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	18	-	-	-	-	-	2,425,140	(2,425,140)	-
Net income for the year		-	-	-	-	-	-	14,213,688	14,213,688
Transfer to statutory reserve	18	-	-	-	1,004,551	-	-	(1,004,551)	-
Balance at December 31, 2004		<b>10,500,000</b>	<b>4,500,000</b>	<b>15,000,000</b>	<b>7,500,000</b>	<b>1,291,691</b>	<b>13,881,503</b>	<b>13,209,138</b>	<b>50,882,332</b>
Increase in share capital	17	3,500,000	1,500,000	5,000,000	-	-	-	(5,000,000)	-
Annual dividends		-	-	-	-	-	-	(4,500,000)	(4,500,000)
Board of Directors' remuneration		-	-	-	-	-	-	(1,400)	(1,400)
Transfer to general reserve	18	-	-	-	-	-	3,707,738	(3,707,738)	-
Net income for the year		-	-	-	-	-	-	19,159,685	19,159,685
Transfer to statutory reserve	18	-	-	-	1,915,968	-	-	(1,915,968)	-
Interim dividends	26	-	-	-	-	-	-	(3,200,000)	(3,200,000)
<b>Balance at December 31, 2005</b>		<b>14,000,000</b>	<b>6,000,000</b>	<b>20,000,000</b>	<b>9,415,968</b>	<b>1,291,691</b>	<b>17,589,241</b>	<b>14,043,717</b>	<b>62,340,617</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. LEGAL FORM AND ACTIVITIES

Saudi Basic Industries Corporation (SABIC) is a Saudi joint stock company established pursuant to Royal Decree number M/66 dated Ramadan 13, 1396 (September 6, 1976) and registered in Riyadh under commercial registration number 1010010813 dated Muharram 14, 1397 (January 4, 1977). SABIC is 70% owned by the Government of the Kingdom of Saudi Arabia and the remaining 30% is owned by citizens of the Kingdom of Saudi Arabia and other Gulf Cooperation Council States.

The principal activities of SABIC and subsidiaries ("the Company") are the setting up of petrochemical, fertilizer, metals, and basic hydrocarbon industries, the execution of projects necessary to supply the Company with its raw material requirements, and the marketing of industrial products inside and outside the Kingdom of Saudi Arabia.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the standard of General Presentation and Disclosure issued by the Ministry of Commerce and in compliance with the accounting standards issued by the Saudi Organization of Certified Public Accountants. Following is a summary of the significant accounting policies applied by the Company.

#### Basis of consolidation

The consolidated financial statements are prepared on the basis of the individual audited financial statements of SABIC and subsidiaries, as adjusted by the elimination of significant inter-company balances and transactions.

The subsidiaries are consolidated from the date on which control is transferred to SABIC. The subsidiary companies consolidated in these financial statements are as follows:

	Shareholding %	
	2005	2004
Arabian Petrochemical Company and subsidiary (Petrokemya)	100.00	100.00
Saudi Iron and Steel Company (Hadeed)	100.00	100.00
SABIC Industrial Investments Company and subsidiaries (SIIC)	100.00	100.00
SABIC Luxembourg S.à.r.l. and subsidiaries	100.00	100.00
SABIC Asia Pacific Pte. Ltd. and subsidiaries	100.00	100.00
SABIC Antilles N.V.	100.00	100.00
Jubail United Petrochemical Company (United)	75.00	75.00
National Chemical Fertilizer Company (Ibn Al-Baytar)	71.50	71.50
National Industrial Gases Company (Gas)	70.00	70.00
Saudi European Petrochemical Company (Ibn Zahr)	70.00	70.00

Arabian Industrial Fiber Company (Ibn Rushd)	<b>53.90</b>	53.90
Saudi Methanol Company (Ar-Razi)	<b>50.00</b>	50.00
Al-Jubail Fertilizer Company (Al-Bayroni )	<b>50.00</b>	50.00
Saudi Yanbu Petrochemical Company (Yanpet)	<b>50.00</b>	50.00
National Methanol Company (Ibn Sina)	<b>50.00</b>	50.00
Saudi Petrochemical Company (Sadaf)	<b>50.00</b>	50.00
Eastern Petrochemical Company (Sharq)	<b>50.00</b>	50.00
Al-Jubail Petrochemical Company (Kemya)	<b>50.00</b>	50.00
Saudi Arabian Fertilizer Company (Safco)	<b>42.99</b>	42.99

All subsidiaries are incorporated in the Kingdom of Saudi Arabia except for SABIC Luxembourg S.à.r.l., SABIC Antilles N.V. and SABIC Asia Pacific Pte. Ltd. which are incorporated in Luxembourg, Netherlands and the Republic of Singapore respectively.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Pursuant to the ministerial resolution number 10446 of Dhul-Qa'dah 5, 1426 (December 7, 2005), Yanbu National Petrochemical Company (Yansab), a Saudi joint stock company was established with a share capital of SR 5,625 million, divided into 112.5 million shares of SR 50 each. The Company owns 55.95% of the share capital of (Yansab). Included in this holding is 4% (4.5 million shares) owned by SIIC, which is sold to eligible employees at par value under a stock grant scheme. Yansab's legal incorporation process was completed on Muharram 14, 1427 (February 13, 2006). The accompanying consolidated financial statements reflect the Company's investment in (Yansab) on cost basis (note 7).

### **Accounting convention**

The consolidated financial statements are prepared under the historical cost convention except for the measurement of available for sale securities at fair value and for accounting for investments in associated companies on the equity basis.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation except for freehold land and construction work in progress which are stated at cost. Expenditure on maintenance and repairs is expensed, while expenditure for betterments is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight- line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated years of depreciation of the principal classes of assets are as follows:

	<b>Years</b>
Plant and equipment	20
Buildings	33
Furniture and office equipment	4-20
Vehicles	4

## **Inventories**

Inventories are stated at the lower of cost and market value. Cost of raw materials, consumables, and goods for resale is determined on a first-in, first-out (FIFO) or on a weighted average cost basis. Spare parts are valued using the weighted average cost basis. Inventories of work in progress and finished goods include cost of raw materials, labor and an appropriate proportion of direct overheads.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Investments**

#### **Associated companies**

Associated companies are companies in which SABIC has a long term interest of at least 20% in the voting capital and/or over which it exerts significant influence. The consolidated financial statements include an appropriate share of the associated companies' post acquisition results and reserves based on their latest financial statements. SABIC's equity in the earnings of associated companies is included in other income in the consolidated statement of income.

#### **Available for sale securities**

Investments of less than 20% of the voting capital of investee companies, which are not bought for trading purposes, are classified as available for sale securities and are included under non current assets, unless they will be sold in the next year. Available for sale securities are stated at fair value.

Differences between the fair value and the cost, if significant, are reported separately in the statement of changes in shareholders' equity. Any decline other than temporary in the value of these securities is charged to the consolidated statement of income.

Fair value is determined by reference to the market value if an open market exists, or on the basis of the most recent financial statements. Otherwise, cost is considered to be the fair value.

#### **Held to maturity**

Investments that are bought with the intention of being held to maturity are carried at cost (adjusted for any premium or discount); less any decline other than temporary in their value. Such investments are classified as non current assets with the exception of bonds which mature in the next fiscal period, which are classified as current assets.

#### **Pre-operating expenses**

Expenses incurred during the development and start up periods, and which are expected to provide benefits in future periods, are deferred or capitalised. The deferred pre-operating expenses are amortised starting from the commencement of the commercial operations using a straight line method over the shorter of the estimated period of benefit or seven years.

#### **Accounts receivable**

Accounts receivable are stated at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when the collection of the accounts receivable amount is considered doubtful. Bad debts are written off as incurred.

#### **Employees' home ownership program**

Unsold housing units constructed for eventual sale to eligible employees are included under land and buildings and are depreciated over 33 years. Upon signing the sale contract, these housing units are classified under other non current assets.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Goodwill and amortization**

The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill and is amortised over the estimated period of benefit or 20 years, whichever is shorter.

#### **Dividends**

Dividends are recognized as a liability at the time of their approval by the General Assembly. Interim dividends are recorded as approved by the Board of Directors.

#### **Employees' end-of-service benefits and early retirement plan**

Employees' end-of-service benefits are provided for in accordance with the Company's policies and the requirements of the Saudi Arabian Labor Law. Employees' early retirement plan costs are provided for in accordance with the Company's policies and are charged to the consolidated statement of income in the year the employee retires.

#### **Revenue recognition**

Sales represent the invoiced value of goods shipped and services rendered by the Company during the year, net of trade and quantity discounts. Generally sales are reported net of marketing expenses in accordance with executed marketing and off take agreements.



Investment income from associated companies is recognized based on the equity method. Earnings on bank deposits are recognized on an accrual basis.

### **Zakat**

Zakat is provided in accordance with the Regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of income. Any differences resulting from the final assessments are recorded in the year of their finalization. Foreign shareholders in subsidiaries are subject to income tax which is included in minority interest in the consolidated financial statements.

### **Research and technology expenses**

Research and technology expenses are charged to the consolidated statement of income when incurred.

### **Administration and marketing expenses**

Production costs and direct expenses are classified as cost of sales. All other expenses, including selling and distribution expenses not deducted from sales, are classified as administration and marketing expenses.

### **Foreign currency translation**

Transactions in foreign currencies (which are not covered by forward foreign exchange contracts) are translated into Saudi Riyals at the rates of exchange prevailing at the time of such 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 are included in the consolidated statement of income.

The financial statements of foreign operations are translated into Saudi Riyals using the exchange rate at each balance sheet date, for assets and liabilities, and the average exchange rates for revenues and expenses. Components of equity, other than retained earnings, are translated at the rates prevailing at the date of their occurrence. Translation adjustments, if material, are recorded as a separate component of shareholders' equity.

### **Derivative financial instruments**

The Company uses derivative financial instruments, including interest rate swaps and options, to hedge its risks associated with interest rate and foreign currency fluctuations. Derivative assets related to the financial instruments are initially recognized in the balance sheet at cost and are subsequently

measured at fair market value, with gains and losses being included in the consolidated statement of income.

### **Leases**

Capital leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value of the leased asset at inception, and the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases, for which the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are expensed in the consolidated statement of income on a straight line basis over the lease term.

### **Impairment**

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

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are immediately expensed in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, **provided that** the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the consolidated statement of income.

## **3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of bank balances and cash on hand, short term deposits, and investments that are readily convertible into known amounts of cash and have a maturity of three months or less when purchased.

The cash and cash equivalents at December 31 were:

	<b>2005</b>	2004
	<b>SR'000</b>	SR'000
Bank balances and cash	<b>4,910,716</b>	4,059,333
Short term deposits	<b>23,261,853</b>	19,185,798
	<b><u>28,172,569</u></b>	<u>23,245,131</u>

Cash and cash equivalents at December 31, 2005 included restricted balances of SR 25 million (2004: SR 60 million).

#### 4. **ACCOUNTS RECEIVABLE**

The accounts receivable at December 31 were:

	<b>2005</b>	2004
	<b>SR'000</b>	SR'000
Trade accounts receivable	<b>12,035,888</b>	11,581,895
Amounts due from joint venture partners (note 11)	<b>2,661,764</b>	2,160,429
Allowance for doubtful debts	<b>(177,004)</b>	(238,182)
	<b><u>14,520,648</u></b>	<u>13,504,142</u>

No single customer accounts for more than 5% of the Company's sales for the years ended December 31, 2005 and 2004.

#### 5. **INVENTORIES**

The inventories at December 31 were:

	<b>2005</b>	2004
	<b>SR'000</b>	SR'000
Goods for resale and finished goods	<b>5,671,138</b>	4,645,988
Spare parts	<b>2,735,530</b>	2,578,787
Chemicals and raw materials	<b>1,840,039</b>	1,039,553
Work in progress	<b>108,828</b>	504,198
Goods in transit	<b>286,911</b>	386,098
	<b><u>10,642,446</u></b>	<u>9,154,624</u>

The Saudi Accounting Standards require that the cost of inventory should be determined using the weighted average method. The management believes that for the finished goods, the first in first out method is more appropriate considering the nature and the physical flow of the products. Had the Company used the weighted average method, the cost of inventory would not have been materially different.

#### 6. **OTHER RECEIVABLES AND PREPAYMENTS**

Other receivables and prepayments at December 31 were:

	<b>2005</b>	2004
	<b>SR'000</b>	SR'000
Due from (Yansab)	<b>1,274,745</b>	-
Letter of guarantee	-	1,676,796
Prepaid expenses	<b>307,066</b>	203,199
Employee loans and home ownership receivables	<b>300,453</b>	458,756
Other receivables	<b>1,062,918</b>	654,457
	<b>2,945,182</b>	2,993,208

Due from (Yansab) represents capital expenditure incurred on behalf of (Yansab) during 2005.

The letter of guarantee represented cash held by a bank in respect of a letter of guarantee issued in connection with a legal case. Pursuant to the judgment of the court in United States of America, with respect to a legal case, the Company made a provision for the full amount of the liability in 2004 consolidated financial statements and settled the amount during 2005.

## 7. INVESTMENTS

The investments at December 31 were:

	<i>Shareholding</i>	<b>2005</b>	2004
		<b>SR'000</b>	SR'000
	<b>%</b>		
<b>Associated companies - (a)</b>			
Gulf Petrochemical Industries Co. (GPIC)	33.33	<b>586,766</b>	546,937
Gulf Aluminum Rolling Mills Co. (GARMCO)	31.28	<b>118,292</b>	108,118
National Chemical Carrier Company (NCC)	20.00	<b>141,921</b>	179,341
POWER AND WATER UTILITIES COMPANY FOR JUBAIL AND YANBU (MARAFIQ)	25.00	<b>651,211</b>	546,618
Aluminum Bahrain BSC (ALBA)	20.00	<b>1,180,470</b>	911,108
Others		<b>188,047</b>	282,694
		<b>2,866,707</b>	2,574,816
<b>Available for sale securities - (b)</b>		-	15,155
<b>Held to maturity securities - (c)</b>		<b>50,000</b>	100,000
<b>Yansab (note 2)</b>		<b>2,981,391</b>	-
		<b>5,898,098</b>	2,689,971

(a) The movement of investments in associated companies is as follows:

	<b>2005</b>	2004
	<b>SR'000</b>	SR'000
Balance at the beginning of the year	<b>2,574,816</b>	2,428,075
Additions during the year	<b>310,231</b>	206,306
Valuation adjustments, net	<b>(18,340)</b>	(59,565)
Balance at the end of the year	<b>2,866,707</b>	2,574,816

NCC and MARAFIQ are incorporated in the Kingdom of Saudi Arabia. GPIC, GARMCO and ALBA are incorporated in the Kingdom of Bahrain. Others include investments in associated companies by SABIC Luxembourg S.à.r.l.

(b) Available for sale securities consist of investments in ordinary shares of listed companies and are valued at their fair value at the balance sheet date.

(c) Held to maturity securities represent investments held by a subsidiary in Saudi Government Development Bonds.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2005**

**8. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Construction work in progress SR'000</b>	<b>Land and buildings SR'000</b>	<b>Plant and equipment SR'000</b>	<b>Furniture, fixtures and vehicles SR' 000</b>	<b>Total 2005 SR'000</b>	<b>Total 2004 SR'000</b>
At the beginning of the year	5,908,063	12,862,649	96,225,590	3,035,287	<b>118,031,589</b>	113,476,165
Currency translation adjustment	(44,318)	(90,707)	(1,141,905)	(34,536)	<b>(1,311,466)</b>	805,573
Additions	6,484,983	29,599	2,467,585	137,741	<b>9,119,908</b>	4,853,921
Transfers to assets	(2,215,464)	255,655	824,267	213,786	<b>(921,756)</b>	(790,509)
Disposals	(26,516)	(49,040)	(394,804)	(175,866)	<b>(646,226)</b>	(313,561)
At the end of the year	<b>10,106,748</b>	<b>13,008,156</b>	<b>97,980,733</b>	<b>3,176,412</b>	<b>124,272,049</b>	<b>118,031,589</b>
<b>Depreciation</b>						
At the beginning of the year	-	4,370,564	47,603,574	2,213,700	<b>54,187,838</b>	48,715,868
Currency translation adjustment for accumulated depreciation	-	(34,253)	(735,310)	(30,149)	<b>(799,712)</b>	428,921
Charge for the year	-	432,165	4,707,648	206,766	<b>5,346,579</b>	5,369,000
Accumulated depreciation related to assets transferred	-	-	(110,307)	110,020	<b>(287)</b>	(65,813)
Disposals	-	(25,841)	(358,167)	(175,095)	<b>(559,103)</b>	(260,138)
At the end of the year	-	<b>4,742,635</b>	<b>51,107,438</b>	<b>2,325,242</b>	<b>58,175,315</b>	<b>54,187,838</b>
<b>Net book amounts</b>						
At December 31, 2005	<b>10,106,748</b>	<b>8,265,521</b>	<b>46,873,295</b>	<b>851,170</b>	<b>66,096,734</b>	
At December 31, 2004	5,908,063	8,492,085	48,622,016	821,587		<b>63,843,751</b>

## 8. **PROPERTY, PLANT AND EQUIPMENT** (continued)

The construction in progress mainly represents the expansion of existing plants and new projects being executed by certain subsidiaries. The related commitments are reported in note 27. The finance charges capitalized during the year 2005 amounted to SR 54 million (2004: SR 62 million).

Land and Buildings include an amount of SR 47.7 million at December 31, 2005 and 2004 representing the cost of freehold land.

The recovery of net book value of assets of Ibn Rushd (a 53.90 % owned subsidiary) which are included in property, plant and equipment and intangible assets amounting to SR 5.6 billion (2004: SR 6.1 billion) is dependent upon the success of the future operations of Ibn Rushd.

The plots of land on which plant and related facilities of certain subsidiaries are constructed are leased from the Royal Commission for Jubail and Yanbu under renewable lease agreements for periods ranging from 20 to 30 years.

Property, plant and equipment of certain subsidiaries are mortgaged to financial institutions as security for term loans (note 14).

## 9. **INTANGIBLE ASSETS**

Intangible assets at December 31 were:

	<b>2005</b>	2004
	<b>SR'000</b>	SR'000
Pre-operating expenses and others, net - (a)	<b>2,388,987</b>	2,361,868
Goodwill, net - (b)	<b>2,946,051</b>	3,636,778
	<b>5,335,038</b>	5,998,646

(a) Pre-operating expenses comprise plant commissioning and start up costs. The deferred pre-operating expenses are amortized over a period of benefit not exceeding 7 years. The total accumulated amortisation at December 31, 2005 amounted to SR 4 billion (2004: SR 3.1 billion).

(b) Goodwill represents the excess of consideration paid over the fair value of net assets acquired:

	<b>2005 SR'000</b>	<b>2004 SR'000</b>
<b>Cost</b>		
At the beginning of the year	<b>4,248,960</b>	3,986,002
Exchange differences	<b>(528,320)</b>	262,958
At the end of the year	<b>3,720,640</b>	4,248,960
<b>Amortisation</b>		
At the beginning of the year	<b>612,182</b>	320,078
Exchange differences	<b>(73,308)</b>	24,032
Provided during the year	<b>235,715</b>	268,072
At the end of the year	<b>774,589</b>	612,182
<b>Net book value as at December 31</b>	<b>2,946,051</b>	3,636,778

10. **OTHER NON-CURRENT ASSETS**

Other non-current assets at December 31 were:

	<b>2005 SR'000</b>	<b>2004 SR'000</b>
Employee loans and home ownership receivables - (a)	<b>1,190,669</b>	1,007,871
Other assets - (b)	<b>2,149,096</b>	2,507,302
	<b>3,339,765</b>	3,515,173

(a) Certain subsidiaries have established employees home ownership programs that offer eligible employees the opportunity to buy residential units constructed by these subsidiaries. The cost of the land and direct construction costs are repayable by the employees over a period of 20 years. The ownership of the housing units is transferred to the employees upon full payment of the amounts due.

(b) Other assets include employees stock grant scheme (note 2), advances to contractors, deferred taxes and others.



# 11. **TRANSACTIONS WITH JOINT VENTURE PARTNERS**

In the ordinary course of business operations, certain affiliates of SABIC sell their products to joint venture partners in accordance with the marketing and off take agreements. Sales to joint venture partners amounted to SR 16.3 billion (2004: SR 10.4 billion). Certain joint venture partners also provide research and technology and other services to certain SABIC affiliates in conformity with the executed agreements.

See notes 4 and 12, respectively.

# 12. **ACCOUNTS PAYABLE**

The accounts payable at December 31 were:

	<b>2005</b>	<b>2004</b>
	<b>SR'000</b>	<b>SR'000</b>
Trade accounts payable	<b>7,759,961</b>	8,248,258
Amounts due to joint venture partners (note 11)	<b>21,757</b>	50,202
	<b><u>7,781,718</u></b>	<b><u>8,298,460</u></b>

# 13. **SHORT TERM BANK FACILITIES**

The short term bank facilities at December 31, 2005, which bear finance charges at prevailing market rates, amounted to approximately SR 352 million (2004: SR 483 million). The Company had unused credit facilities at December 31, 2005 of SR 1.7 billion (2004: SR 2.2 billion).

# 14. **LONG TERM LOANS**

The long term loans at December 31 were:

	<b>2005</b>	<b>2004</b>
	<b>SR'000</b>	<b>SR'000</b>
Public Investment Fund (PIF)	<b>6,257,974</b>	6,395,431
Saudi Industrial Development Fund (SIDF)	<b>1,172,904</b>	1,427,704
Commercial loans	<b>21,938,566</b>	25,519,905
	<b>29,369,444</b>	33,343,040
<u>Less:</u> Current portion	<b>(6,352,264)</b>	(6,050,315)
Non-current portion	<b><u>23,017,180</u></b>	<b><u>27,292,725</u></b>

The PIF loans are generally repayable in semi annual installments and finance charges on these loans are at varying rates above LIBOR.

The SIDF loans are repayable in semi annual installments commencing on various dates. The administration fees related to such loans paid in advance were capitalized as part of the plant construction costs.

The commercial loans are repayable in conformity with the varying repayment terms set out in the applicable loan agreements. The financial charges are payable in accordance with the terms set out in the applicable loan agreements.

The aggregate repayment schedule of long term loans is as follows:

	<b>2005 SR'000</b>	<b>2004 SR'000</b>
2005	-	6,050,315
2006	<b>6,352,264</b>	5,861,442
2007	<b>9,447,327</b>	10,031,950
2008	<b>4,067,346</b>	3,417,784
2009	<b>2,695,588</b>	2,487,506
2010	<b>2,332,647</b>	1,761,166
Thereafter	<b>4,474,272</b>	3,732,877
Total	<b>29,369,444</b>	33,343,040

#### 15. **ACCRUED LIABILITIES AND PROVISIONS**

The accrued liabilities and provisions at December 31 were:

	<b>2005 SR'000</b>	<b>2004 SR'000</b>
Zakat and tax provision	<b>3,291,800</b>	2,286,236
Accrued liabilities and other provisions	<b>2,319,407</b>	3,326,531
Dividend payable	<b>616,425</b>	337,989
Other liabilities	<b>1,233,807</b>	1,184,451
	<b>7,461,439</b>	7,135,207

16. **OTHER NON-CURRENT LIABILITIES**

The other non-current liabilities at December 31 were:

	<b>2005</b>	2004
	<b>SR'000</b>	SR'000
Employees' end of service benefits	<b>3,519,633</b>	3,228,467
Employees' thrift plan	<b>248,784</b>	220,699
Employees' early retirement plan	<b>103,328</b>	229,077
Other liabilities	<b>2,892,902</b>	1,288,464
	<b>6,764,647</b>	4,966,707

Other liabilities include obligation under capital lease, deferred taxes and other non-current payables.

17. **SHARE CAPITAL**

The share capital is divided into 400 million shares of SR 50 each (2004: 300 million shares). The General Assembly in its meeting held on Rabi Al Awal 7, 1426 (April 16, 2005) approved to increase the share capital by issuing one bonus share for every three shares held.

18. **RESERVES**

**Statutory Reserve**

As required by The Saudi Arabian Regulations for Companies, 10% of the annual net income must be transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve equals 50% of the share capital. The reserve is not available for distribution.

**Other Reserves**

In accordance with SABIC's byelaws, the General Assembly can establish other reserves as an appropriation of retained earnings. Such reserves can be increased or decreased by a resolution of the shareholders. Such reserves are available for distribution.

19. **ADMINISTRATION AND MARKETING EXPENSES**

The administration and marketing expenses during the year ended December 31 comprised:

	<b>2005</b>	2004
	<b>SR'000</b>	SR'000
Employees' cost	<b>930,288</b>	902,081
Selling and marketing	<b>1,276,497</b>	1,198,981
Depreciation and amortization	<b>394,127</b>	324,194
Administrative services	<b>1,313,440</b>	1,004,238
	<b><u>3,914,352</u></b>	<u>3,429,494</u>

20. **OTHER INCOME**

The other income during the year ended December 31 comprised:

	<b>2005</b>	2004
	<b>SR'000</b>	SR'000
Earnings on bank deposits	<b>1,141,012</b>	486,532
Equity in earnings of associated companies, net	<b>526,168</b>	331,995
Exchange differences, net	<b>(487,220)</b>	445,294
Miscellaneous	<b>57,468</b>	35,378
	<b><u>1,237,428</u></b>	<u>1,299,199</u>

21. **ZAKAT**

During 2005, DZIT finalized the assessments on the unconsolidated financial statements of SABIC up to December 31, 2002. SABIC has contested these assessments and has discussed them with the preliminary objection committee which has not yet issued its opinion.

In the opinion of the management, adequate provision has been made for any liability to the DZIT that may arise from the decision of the preliminary objection committee.

The following is the movement of the zakat provision for the years ended December 31:

	<b>2005 SR'000</b>	<b>2004 SR'000</b>
Balance at the beginning of the year	<b>1,313,018</b>	1,239,207
<u>Less:</u> Payments during the year, net	<b>(331,019)</b>	(376,189)
<u>Add:</u> Current year provision	<b>750,000</b>	450,000
Balance at the end of the year	<b>1,731,999</b>	1,313,018

## 22. EARNINGS PER SHARE

The earnings per share are calculated based on the number of outstanding shares at the end of the year. The outstanding number of shares at December 31, 2005 was 400 million shares (400 million shares at December 31, 2004 adjusted retroactively by the issue of bonus shares). The comparative earnings per share for 2004 has been adjusted retroactively to reflect the effect of the bonus shares issued in 2005.

## 23. SEGMENT INFORMATION

The segment information is provided based on the following three segments:

the petrochemicals segment, includes basic chemicals, intermediates, PVC and polyesters, polyolefins and fertilizer products

the metals segment, consists of steel products and investments in aluminium production facilities

the corporate segment, includes the corporate operations, and research and technology centers.

There are no significant inter segment revenues between the petrochemicals and the metal segments.

<b>2005</b>	<b>Petrochemicals SR'000</b>	<b>Metals SR'000</b>	<b>Corporate SR'000</b>	<b>Total SR'000</b>
<b>Sales</b>	<b>66,638,178</b>	<b>7,193,152</b>	<b>4,422,206</b>	<b>78,253,536</b>
<b>Gross profit</b>	<b>28,816,673</b>	<b>2,282,748</b>	<b>1,984,909</b>	<b>33,084,330</b>
<b>Net income</b>	<b>14,757,787</b>	<b>1,874,290</b>	<b>2,527,608</b>	<b>19,159,685</b>
<b>Total assets</b>	<b>86,951,135</b>	<b>14,475,961</b>	<b>35,523,384</b>	<b>136,950,480</b>
<b>Total liabilities</b>	<b>27,309,785</b>	<b>5,287,933</b>	<b>19,131,225</b>	<b>51,728,943</b>

## 2004

Sales	59,469,635	6,572,630	2,496,811	68,539,076
Gross profit	22,508,785	2,631,948	1,793,705	26,934,438
Net income	11,519,590	2,395,986	298,112	14,213,688
Total assets	80,959,837	11,708,257	32,276,552	124,944,646
Total liabilities	30,886,097	4,309,775	19,031,071	54,226,943

A substantial portion of SABIC's operating assets are located in the Kingdom of Saudi Arabia. The principal markets for SABIC petrochemical products are Europe, the Middle East, and Asia Pacific. While the corporate activities are in the Kingdom of Saudi Arabia, the metals segment sales are mainly in Saudi Arabia and Gulf Cooperative Council Countries. It is not practicable to summarise the sales of the petrochemicals segment by geographic areas.

## 24. **RISK MANAGEMENT**

Financial instruments carried on the balance sheet principally include cash and cash equivalents, accounts receivable and other assets, bank borrowings, accounts payable and accrued and other current liabilities.

Credit Risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is substantially placed with national banks with sound credit ratings. Trade accounts receivable are carried net of provision for doubtful debts.

Interest Rate Risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company has no significant interest bearing long term assets, but has interest bearing liabilities at 31 December 2005. The Company manages its borrowings made at floating rates

by using interest rate swaptions (note 25), which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaptions, when exercised, provide the Company with the right to agree with the counter party to exchange, at specified intervals, the difference between fixed contract rates and floating interest amounts, calculated by reference to the agreed notional principal amounts.

Liquidity Risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

Currency Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Management monitors the fluctuations in currency exchange rates and manages its effect on the consolidated financial statements accordingly.

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. As the Company's consolidated financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair value of the Company's consolidated financial assets and liabilities are not materially different from their carrying values.

## 25. **DERIVATIVES**

The Company entered into interest rate swap agreements and swaption arrangements to hedge the volatility in interest rates related to loans outstanding at year end amounting to SR 13.2 billion (2004: SR 10.6 billion).

26. **APPROVAL OF FINANCIAL STATEMENTS AND APPROPRIATION OF NET INCOME**

The Board of Directors has proposed on Dhul Hijjah 17, 1426 (December 19, 2005) to distribute cash dividends of SR 9,200 million (SR 23 per share) for the year ended December 31, 2005 including interim cash dividends of SR 3,200 million (SR 8 per share) which was previously approved by the Board of Directors on Rabie Al-Thani 29, 1426 (June 6, 2005) and distributed. The Board of Directors, in its meeting held on Safar 5, 1427 (March 5, 2006), approved the consolidated financial statements and proposed the appropriation of the net income for the year ended December 31, 2005 as follows:

- payment of SR 1.4 million as Board of Directors' remuneration
- transfer the remaining balance to the general reserve

The above are subject to the approval of the shareholders at the Annual General Meeting.

27. **COMMITMENTS**

**Capital Commitments**

The Company's commitment for capital expenditures at December 31, 2005 amounted to SR 36.1 billion (2004: SR 19.2 billion).

**Operating Lease Commitments**

Commitments under non-cancelable operating leases with initial terms of greater than one year are as follows:

	<b>2005 SR'000</b>	<b>2004 SR'000</b>
2005	-	221,721
2006	<b>370,924</b>	263,224
2007	<b>414,272</b>	330,614
2008	<b>417,146</b>	293,325
2009	<b>417,944</b>	293,325
Thereafter	<b>3,341,260</b>	1,707,570
Total	<b>4,961,546</b>	3,109,779



## **Obligations under Capital Leases**

Commitments under capital leases with initial terms of greater than one year are as follows:

	<b>2005</b>	<b>2004</b>
	<b>SR'000</b>	<b>SR'000</b>
2006	<b>82,620</b>	-
2007	<b>82,620</b>	-
2008	<b>82,620</b>	-
2009	<b>82,620</b>	-
Thereafter	<b>1,273,725</b>	-
Total	<b>1,604,205</b>	-

## 28. **CONTINGENCIES**

The Company is involved in litigation matters in the ordinary course of business, which are being defended. While the ultimate results of these matters cannot be determined with certainty, management does not expect that they will have a material adverse effect on the consolidated financial statements of the Company.

The Company's bankers have issued, on its behalf, bank guarantees amounting to SR 1.5 billion (2004: SR 2.7 billion) in the normal course of business.

## 29. **COMPARATIVE FIGURES**

Certain of the prior year figures have been re-classified to conform with the current year's presentation.

## **LETTER FROM DIRECTORS**

The directors of SABIC have submitted a letter to the Authority in accordance with section 4(a)(4) of Annex V to the Listing Rules of the Authority, confirming that the financial information has been extracted without material adjustment from the audited financial statements, and that such financial statements have been prepared and audited in accordance with the accounting standards issued by SOCPA.

## APPENDIX I

### SABIC Global Directory

Country	Name of Company
<b>Bahrain</b>	ALBA, Aluminium Bahrain Gulf Petrochemical Industrial Company
<b>Belgium</b>	SABIC Belgium N.V.
<b>Czech Republic</b>	SABIC Central Europe
<b>China</b>	SABIC (Shanghai) Trading Co. Ltd
<b>Denmark, Sweden, Norway and Finland</b>	SABIC Nordic A/S
<b>Egypt</b>	SABIC Egypt
<b>France</b>	SABIC France S.A.S.
<b>Germany</b>	SABIC Deutschland GmbH & Company. KG
<b>Hong Kong</b>	SABIC Hong Kong Ltd.
<b>Italy</b>	SABIC Italia SPA
<b>India</b>	SABIC India Pvt. Ltd. SABIC Research & Technology Pvt. Ltd.
<b>Indonesia</b>	SABIC Indonesia Rep Office
<b>Iran</b>	SABIC Iran
<b>Japan</b>	SABIC Japan Ltd.
<b>Lebanon</b>	SABIC Lebanon
<b>Netherlands</b>	SABIC Europe B.V.
<b>Philippines</b>	SABIC Asia Pacific Pte LTD.
<b>Poland</b>	SABIC Poland
<b>Singapore</b>	SABIC Asia Pacific Pte. Ltd.
<b>South Korea</b>	SABIC Korea Ltd
<b>Saudi Arabia</b>	SABIC Basic Industries Corporation (HQ) Dammam Office Jeddah Office Al-Jubail Office Qassim Office SABIC Terminal Services Co. (SABTANK) Yanbu Office Saudi Methanol Company (AR-RAZI) Al-Jubail Fertilizer Company (AL-BAYRONI) National Chemical Fertilizer Company (IBN AL-BAYTAR) National Industrial Gases Company (GAS) Saudi Iron & Steel Company (HADEED) Al-Jubail Petrochemical Company (KEMYA) Arabian Petrochemical Company (PETROKEMYA) Arabian Industrial Fiber Company (IBN RUSHD) Saudi Petrochemical Company (SADAF)

<b>Country</b>	<b>Name of Company</b>
	Saudi Arabian Fertilizer Company (SAFCO)
	Saudi Kayan Petrochemical Co. (Saudi Kayan)
	National Methanol Company (IBN SINA)
	Eastern Petrochemical Company (SHARQ)
	Ibn Hayyan Plastic Products Company (TAYF)
	Jubail United Petrochemical Company (UNITED)
	Yanbu National Petrochemical Company (YANSAB)
	Saudi Yanbu Petrochemical Company (YANPET)
	Saudi European Petrochemical Company (IBN ZAHR)
<b>Spain</b>	SABIC Marketing Iberica S.A.
<b>Taiwan</b>	SABIC Asia Pacific Pte Ltd.
<b>Turkey</b>	SABIC Turkey
<b>United Arab Emirates</b>	SABIC Dubai
<b>United Kingdom and Ireland</b>	SABIC UK Petrochemicals
<b>United States of America</b>	SABIC Americas. Inc.
	SABIC Technology Center
<b>Vietnam</b>	SABIC Vietnam Rep Office

**APPENDIX II**  
**Form of Specific Instruction**

To: HSBC Saudi Arabia Limited  
as Sukukholders' Agent

**SAUDI BASIC INDUSTRIES CORPORATION**  
**Sukuk expiring 2027 (the "Sukuk")**

**SPECIFIC INSTRUCTION**

We hereby instruct you, in accordance with Condition 11.1(c) (*Fifth-year Date*) of the terms and conditions of the Sukuk set out in the Offering Circular dated 9 July 2007 issued by Saudi Basic Industries Corporation (the "**Conditions**"), to give an Exercise Notice under the Purchase Undertaking in relation to the following Sukuk and the Fifth-year Date falling in July [2012/2017/2022]\*:

Name of registered Holder: \_\_\_\_\_

Aggregate face amount of Sukuk: SAR \_\_\_\_\_

Terms and expressions used in this instruction but not defined herein have the same meanings as given to them in the Conditions.

Yours faithfully

By: \_\_\_\_\_  
*duly authorised*  
for and on behalf of

Name of Holder: \_\_\_\_\_

Date: \_\_\_\_\_

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\* Delete as appropriate.

**APPENDIX III**  
**Form of Purchase Notice**

To: HSBC Saudi Arabia Limited  
as Sukukholders' Agent

**SAUDI BASIC INDUSTRIES CORPORATION**  
**Sukuk expiring 2027 (the "Sukuk")**

**PURCHASE NOTICE**

We hereby declare, in accordance with Condition 11.2 (*Events of Default*) of the terms and conditions of the Sukuk set out in the Offering Circular dated 9 July 2007 issued by the Saudi Basic Industries Corporation (the "**Conditions**"), the following Sukuk to be purchasable under the Purchase Undertaking on account of the Event of Default specified below having occurred and being continuing as of the date hereof.

Name of registered Holder: \_\_\_\_\_

Aggregate face amount of Sukuk: SAR \_\_\_\_\_

Details of Event of Default:\*

Terms and expressions used in this notice but not defined herein have the same meanings as given to them in the Conditions.

Yours faithfully

By: \_\_\_\_\_

*duly authorised*  
for and on behalf of

Name of Holder: \_\_\_\_\_

Date: \_\_\_\_\_

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\* Set out brief details.

**APPENDIX IV**  
**Form of Exercise Notice**

To: Saudi Basic Industries Corporation

**SAUDI BASIC INDUSTRIES CORPORATION**  
**Sukuk expiring 2027 (the "Sukuk")**

**EXERCISE NOTICE**

We refer to:

- (f) the offering circular dated 9 July 2007 issued by Saudi Basic Industries Corporation (the "**Offering Circular**"); and
- (g) the purchase undertaking dated [•] 2007 given by Saudi Basic Industries Corporation in connection with the Sukuk.

We hereby give you notice that:

*[select one of the following and complete/delete as appropriate]*

- pursuant to Condition 11.1(c) (*Fifth-year Date*) that we have received Standing Instructions (which have not been subsequently revoked) and/or Specific Instructions in relation to the Sukuk and Holders specified in the attached list in accordance with Condition 11.1(c) (*Fifth-year Date*) requiring us to give an Exercise Notice in relation thereto and, accordingly such Sukuk are to be purchased by you on the Fifth-Year Date falling in [2012/2017/2022]\* in accordance with the Purchase Undertaking and Condition 11.1(c) (*Fifth-year Date*).
- pursuant to Condition 11.1(d) (*Fifth-year Date*) that we have received Standing Instructions (which have not subsequently been revoked) and/or Specific Instructions in accordance with Condition 11.1(c) (*Fifth-year Date*) on or before the date which is 30 days prior to the Fifth-Year Date falling in [2012/2017/2022]\* requiring us to give an Exercise Notice in relation to such Fifth Year Date from Holders who together hold, in aggregate, at least 70 per cent. of the face value of the Sukuk as were current on such date, and accordingly all of the Sukuk are to be purchased by you on such Fifth-Year Date in accordance with the Purchase Undertaking and Condition 11.1(d) (*Fifth-year Date*).
- pursuant to Condition 11.2 (*Events of Default*) that we have received Purchase Notices from the Required Holders within the Exercise Period in relation to the

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\* Delete as appropriate.

Event of Default specified below and accordingly, so long as such Event of Default is continuing, all of the Sukuk are to be purchased by you immediately in accordance with the Purchase Undertaking and Condition 11.2 (*Events of Default*).

[SET OUT DETAILS OF EVENT OF DEFAULT]

Terms and expressions used in this instruction but not defined herein have the same meanings as given to them in the terms and conditions of the Sukuk as set out in the Offering Circular.

Yours faithfully

By: \_\_\_\_\_  
*duly authorised*  
for and on behalf of  
**HSBC Saudi Arabia Limited**  
as Sukukholders' Agent

Date: \_\_\_\_\_



**APPENDIX V**  
**Copy of Pronouncement**

بسم الله الرحمن الرحيم

**ملخص شروط و أحكام صكوك شركة سابك**  
**الحمد لله رب العالمين والصلاة والسلام على رسول الله محمد وعلى آله وصحبه أجمعين**

لا تغني قراءة هذا الملخص عن قراءة الشروط والأحكام المفصلة لصكوك شركة سابك المرفق بها هذا الملخص.

تقوم سابك بإصدار صكوك يمثل كل منها جزءا مشاعا من موجودات الصكوك يتم عرضها على مستثمرين ويقوم المستثمرون الراغبون في الشراء بتعبئة طلب اكتتاب يقبلون بموجبه تعيين شركة بنك انتش اس بي سي العربية السعودية المحدودة Saudi Arabia وكيلا لهم وتعيين شركة سابك للصكوك أمينا لموجودات الصكوك بالنيابة عنهم، ويحددون بالطلب عدد الصكوك التي يرغبون شراءها .

تقوم سابك ند اكتمال طلبات اكتتاب الصكوك بتحويل موجودات الصكوك إلى أمين موجودات الصكوك وإصدار الصكوك للمستثمرين و من ثم يقوم وكيل حملة الصكوك بإصدار الأمر بتحويل قيمة الصكوك إلى شركة سابك .

**مصدر الصكوك:**

الشركة السعودية للصناعات الأساسية ("سابك")، وهي شركة مساهمة تأسست في المملكة العربية السعودية ("المصدر")

**شركة سابك للصكوك:**

شركة سابك للصكوك ("شركة سابك للصكوك") شركة تابعة مملوكة بالكامل لسابك تم تأسيسها كشركة ذات مسئولية محدودة في المملكة العربية السعودية برأسمال قدره [٥٠٠,٠٠٠] ريال سعودي. شركة سابك للصكوك تم تأسيسها لغرض مزاوله الأنشطة المتعلقة بهذه الصكوك والصكوك السابقة والأنشطة المماثلة في المستقبل.

**حملة الصكوك:**

هم حملة الصكوك المسجلون من حين لآخر.

**المدير الرئيسي المفوض و مستشار اختيار سعر الإصدار:**

بنك انتش اس بي سي العربية السعودية المحدودة HSBC Saudi Arabia .

**وكيل حملة الصكوك:**

بنك انتش اس بي سي العربية السعودية المحدودة HSBC Saudi Arabia سوف يعمل وكيلا لحملة الصكوك لصالح حملة الصكوك وفقا لشروط وأحكام الصكوك (ويُطلق عليها فيما يلي "شروط الصكوك") ووفقا لإعلان وكالة مؤرخ في أو قريب من تاريخ الإقفال (ويُطلق عليه فيما يلي "إعلان الوكالة").

**أمين موجودات الصكوك:**

وفقا لإعلان الوكالة، ستعمل شركة سابك للصكوك ("أمين موجودات الصكوك") أمينا لصالح ونيابة عن حملة الصكوك فيما يتعلق بموجودات الصكوك.

**مدير الدفعات:**

يقوم البنك السعودي البريطاني كمدير للدفعات (ويُطلق عليه فيما يلي "مدير الدفعات") بموجب شروط اتفاقية إدارة دفعات تُبرم بين البنك السعودي البريطاني و المصدر (ويُطلق عليها فيما يلي "اتفاقية إدارة الدفعات"). ومن جملة أمور أخرى، يقوم مدير الدفعات بتشغيل حساب العملية وتحصيل وقبض الدفعات من المصدر طبقا لشروط اتفاقية إدارة موجودات الصكوك و تعهد الشراء، كما يوضح مدير الدفعات معدل العمولة الأساسي ومبالغ التوزيع الدورية التي تتعلق بالصكوك لكل فترة توزيع دوري وسداد الدفعات المستلمة من المصدر، فيما يتعلق بموجودات الصكوك، أو من المصدر، بموجب شروط تعهد الشراء، إلى حملة الصكوك.

## المُسجل:

تداول/ الشركة السعودية لتسجيل الأسهم.

## الهيئة الشرعية:

هيئة الرقابة الشرعية للأمانة بالبنك السعودي البريطاني.

## المراجعون القانونيين:

ديلويت أند توش (بكر ابو الخير وشركاهم) Deloitte & Touche.

## موجودات الصكوك:

ويُقصد بها الحق الذي مدته ٢٠ عاما في نسبة مئوية معينة من الحقوق والالتزامات المعينة المحددة بموجب عقود تسويق معينة وفقا لوصفها التفصيلي الوارد أدناه. سيتم تحويل موجودات الصكوك من قبل سابق إلى أمين موجودات الصكوك.

## عقود التسويق المخصصة للصكوك:

قامت سابق بإبرام اتفاقيات تسويق مع عدد معين من شركاتها التابعة والمنتسبة (المشتركة) تقوم سابق بموجبها بدور المُسوق لمنتجات معينة مقابل الحصول على مقابل لخدمات التسويق. وتوجد قائمة بتاريخ كل عقد تسويق مخصص للصكوك (ويُطلق عليهم فيما يلي "عقود التسويق") وكذلك اسم الشركة التابعة أو المنتسبة (المشتركة) التي هي طرف فيه في جزء عقود التسويق من مذكرة الإصدار هذه.

## اتفاقية تحويل ملكية موجودات الصكوك:

تحول سابق، بموجب اتفاقية تحويل ملكية موجودات الصكوك، ملكية نسبة مئوية (\_\_\_%) (ويُطلق عليها فيما يلي "النسبة المئوية المطبقة") حتى ٧٠% من حقوق والتزامات معينة واردة في عقود التسويق إلى شركة سابق للصكوك لفترة ٢٠ عاما.

## صافي الدخل:

في هذه الوثيقة يُشار بـ "صافي الدخل" إلى إجمالي الدخل الناتج عن النسبة المئوية المُطبقة فيما يتصل بعقود التسويق (ناقصا أتعاب الإدارة وتكاليف الإدارة المسموح بها (بوصفها تكاليف مباشرة معينة سيتم تحديدها في ملحق باتفاقية إدارة موجودات الصكوك)).

## اتفاقية إدارة موجودات الصكوك:

بموجب اتفاقية إدارة موجودات الصكوك المُبرمة بين سابق و أمين موجودات الصكوك ووكيل حملة الصكوك يتم تعيين شركة سابق مديرا لموجودات الصكوك، على نحو غير قابل للإلغاء، لتقديم الخدمات التالية حسب الأحوال، لصالح حملة الصكوك لفترة تمتد حتى ٢٠ عاما، وهذه الخدمات هي :

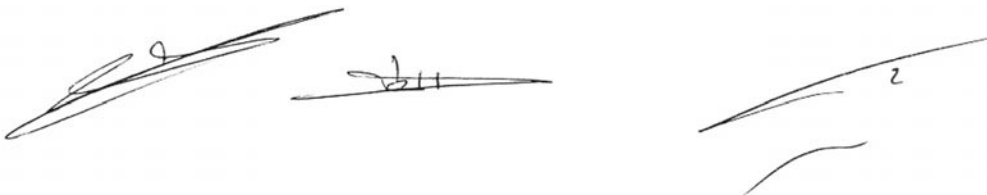
### أ) خدمات التسويق

الاستمرار في تقديم كافة خدمات التسويق المطلوبة للشركة المعنية التابعة/ المنتسبة لسابق وبذل أفضل الجهود في ذلك وعلى الأقل بذات المستوى الذي تم النص عليه طبقا لعقود التسويق . يسعى بكامل طاقته لكي يضمن أن صافي الدخل المقبوض لا يقل عن مبلغ التوزيع الدوري و مبلغ الحافز في فترة التوزيع الدوري المعنية (مع مراعاة أوضاع السوق التي ليست تحت سيطرة المدير)؛

### ب) ضبط التكاليف

بذل الحرص اللازم فيما يتعلق بمستوى تكاليف الإدارة المسموح بها والحفاظ على نسب التكاليف/ الدخل السابقة، أو تحسينها حسب مستويات متفق عليها وعدم تكبد أي تكاليف إضافية إلا ما يكون لازما لتقديم الخدمات. وإذا تجاوزت التكاليف أو نسب التكلفة/ الدخل تلك المستويات المحددة، يتعهد فوراً باستخدام جهوده المعقولة لخفض إجمالي مثل هذه التكلفة إلى مستويات مسموح بها؛

### ج) إدارة الدخل



### (ج) إدارة الدخل

التعهد بالحفاظ على الدخل الخاص بموجودات الصكوك و حمايته عن طريق (أ) التأكد من قيد النسبة المئوية المطبقة من كل الدخل الناتج عن عقود التسويق المخصصة للصكوك باعتباره دخلا لحملة الصكوك و(ب) وبالنسبة للسعى بكامل طاقته لكي يضمن أن صافي الدخل المقبوض لا يقل عن مبلغ التوزيع الدوري و مبلغ الحافز في فترة التوزيع الدوري المعنية ، فيمكنه إعادة ترتيباته بموجب عقود التسويق؛

### (د) المراجعة والتدقيق

التأكد من القيد المنتظم لدفاتر الحسابات والدخل والنفقات الخاصة بأمين موجودات الصكوك وأن يتم إعداد حساباتها وفقا للمعايير والمبادئ المحاسبية المتعارف عليها على أن تخضع للمراجعة السنوية بواسطة المراجع القانوني؛

### (هـ) التقيد بالأنظمة والمستحقات الضريبية

التأكد من قيام أمين موجودات الصكوك بالمتطلبات النظامية والوفاء بالمستحقات الضريبية النظامية؛

### (و) إدارة النقد

الحفاظ على دخل حملة الصكوك الناتج عن موجودات الصكوك ودفع جزء أو كل الدخل الصافي في كل تاريخ توزيع دوري بما لا يزيد عن مبلغ التوزيع الدوري.

### أجور الإدارة:

وفقا لاتفاقية إدارة موجودات الصكوك ، يكون للمدير الحق في قبض الاتي من شركة سابك للصكوك:

الأجور نصف السنوية: أتعاب إدارة واجبة الدفع بنهاية كل فترة ٦ أشهر تُعادل تكاليف مدير موجودات الصكوك المسموح بها أثناء الستة (٦) أشهر الأخيرة زائدا ١% عن كل سنة مقابل القيام بخدمات الإدارة (أي أن مقابل الخدمات مبني على أساس التكلفة زائدا نسبة محددة من التكلفة).

### إعداد الحسابات/ تسويات صافي الدخل:

تقوم شركة سابك للصكوك (بمساعدة المدير) بإعداد حسابات سنوية مدققة وحسابات ربع سنوية غير مدققة تتعلق بإجمالي صافي الدخل المقبوض أثناء الفترة المعنية. وعند وجود أي تفاوت، بعد نشر تلك الحسابات، فيما يتصل بمبلغ صافي الدخل الخاص بأي فترة طبقا لما ثبتته تلك الحسابات، وبعد المقارنة مع ما تم احتسابه في وقت سابق بواسطة المدير، فإنه يجب إجراء تسوية لمبالغ الاحتياطي حسب ما يكون مطبقا.

### مبلغ التوزيع الدوري و الاحتياطي:

مبلغ التوزيع الدوري هو الناتج فيما يتعلق بأي فترة عائد، لـ (أ) مجموع معدل العمولة الأساسي زائدا نسبة مئوية قدرها (\_\_\_%) لكل سنة (ويُطلق عليها فيما يلي "الهامش")، (ب) إجمالي القيمة الاسمية لتلك الصكوك القائمة في تاريخ قيد التحويل الذي يسبق مباشرة آخر يوم من فترة التوزيع الدوري المعنية و(ج) عدد الأيام الفعلي في فترة التوزيع الدوري المعنية مقسوما على ٣٦٠ يوما).

إذا كان الدخل الصافي زائدا عن مبلغ التوزيع الدوري (ويُطلق عليه فيما يلي "الدخل الزائد") يتم الاحتفاظ به بواسطة مدير موجودات الصكوك (ويُطلق على إجمالي مثل هذه المبالغ التي تكون مستحقة من وقت لآخر "الاحتياطي").

أي تكون مبالغ الاحتياطي مسجلة كقيد دفنري بواسطة مدير موجودات الصكوك ولن يتم الحفاظ عليها في حساب مصرفي محدد ومستقل. و يحق لمدير موجودات الصكوك استخدام أموال الاحتياطي و استثمارها لمصلحته و يكون عائد استثمارها حق للمدير وحده و يتحمل مدير موجودات الصكوك وحده خسارتها باعتبارها مطلوبات على المصدر طبقا لتوزيع الاحتياطي أدناه.

### توزيع الاحتياطي:

يتم توزيع الاحتياطي وفقا للأولويات التالية:

أولا: إذا لم يحصل حملة الصكوك في أي تاريخ توزيع دوري سابق على مبلغ التوزيع الدوري المعني أو حصلوا على مبلغ أقل من مبلغ التوزيع الدوري المعني ثم تحقق عائد في فترة دفع تالية فيعطى حملة الصكوك مبالغ من التوزيع الدوري المتحقق بما يغطي مبالغ العجز السابق وذلك إلى الحد الذي تظل فيه هذه المبالغ غير مدفوعة.

ثانيا: إذا كان مبلغ صافي الدخل الواجب الدفع إلى حملة الصكوك فيما يتعلق بفترة التوزيع الدوري أقل من مبلغ التوزيع الدوري لتلك الفترة، فيدفع لحملة الصكوك من الاحتياطي مبلغ يعادل ذلك العجز .

ثالثاً: الدفع إلى حملة الصكوك في نهاية كل سنة خامسة، مبلغ إضافي يصل إلى ما يعادل ١٠% من إجمالي القيمة الاسمية للصكوك كما هي في يوم العمل الثالث الذي يسبق مباشرة تاريخ سنة خامسة ( العائد الإضافي ).

رابعاً: يبقى المتبقي من الاحتياطي مع المدير ليستخدم في تغطية الخطوات أولاً وثانياً وثالثاً أعلاه في نهاية كل سنة خامسة ، وحين تتم تصفية الصكوك وفي ذلك الوقت فقط يُدفع باقي رصيد حساب الاحتياطي إلى مدير موجودات الصكوك كحافز أتعاب لإدارة موجودات الصكوك سواء أكانت التصفية قبل نهاية المدة (٢٠ عاماً) أو بعد نهاية المدة.

#### التعويض عن الأضرار:

يثبت الضرر المستحق للتعويض بظهور العجز نتيجة إهمال المدير أو تقصيره في الحالات التالية:

أ- إذا كان إجمالي صافي الدخل والاحتياطي الموزع على حملة الصكوك، في أي تاريخ توزيع دوري، غير كاف لدفع مبلغ التوزيع الدوري إلى حملة الصكوك و/أو

ب- إذا كانت مبالغ الاحتياطي الموزعة على حملة الصكوك، في أي تاريخ سنة خامسة، غير كاف لدفع مبلغ العائد الإضافي إلى حملة الصكوك.

و في هاتين الحالتين يحق لحملة الصكوك الحصول على تعويض عن الضرر المتمثل في العجز من المدير بمجرد الإثبات المقبول لإهمال المدير أو تقصيره.

#### تعهد الشراء:

تقوم سابل بتوقيع تعهد شراء ملزم لصالح حملة الصكوك تتعهد بموجبه بشراء كل أو بعض الصكوك في نهاية كل خمس سنوات الأفي حالات الأخفاق إذ يجب على المصدر شراء الصكوك حسب المادة رقم (١١) بعد إرسال إشعار الممارسة بواسطة وكيل حملة الصكوك نيابة عن جميع أو أي من حملة الصكوك ويكون ثمن الشراء على النحو التالي:

الفترة	ثمن الشراء (نسبة مئوية من القيمة الاسمية للصك)
في نهاية السنة الخامسة (٥)	٩٠% [٩٠]
في نهاية السنة العاشرة (١٠)	٦٠% [٦٠]
في نهاية السنة الخامسة عشرة (١٥)	٣٠% [٣٠]

و يتم إصدار إشعار الممارسة عند حلول أي تاريخ سنة خامسة.

وفي وقت شراء الصكوك في كل فترة، يكون لحملة الصكوك الحق في تعبئة نموذج توجيه صادر إلى وكيل حملة الصكوك يقضي بطلب إرسال إشعار ممارسة فيما يتعلق بصكوكهم مباشرة قبل تاريخ السنة الخامسة المعني ما لم يخطر حامل الصك وكييل حملة الصكوك بخلاف ذلك خطياً في فترة لا تتجاوز [٩٠] يوم عمل قبل تاريخ السنة الخامسة المعني.

وفي الفترة الممتدة بين ٩٠ يوماً إلى ١٨٠ يوماً قبل أي تاريخ سنة خامسة، يقوم وكيل حملة الصكوك بإرسال إشعار إلى حملة الصكوك يخبرهم بقرّب حلول تاريخ السنة الخامسة المعني وبحقوقهم الناشئة بموجب تعهد الشراء نتيجة لحلول ذلك التاريخ ويصف في الإشعار النتائج المترتبة عن ممارسة أو عدم ممارسة حقوقهم.

إذا تسلم وكيل حملة الصكوك في أو قبل التاريخ الذي يقع قبل ٣٠ يوماً قبل تاريخ سنة خامسة توجيهات دائمة (ولم تلغ فيما بعد) و/أو توجيهات محددة من حملة صكوك، يملكون مجتمعين، ما لا يقل عن ٧٠% من القيمة الاسمية لتلك الصكوك القائمة في ذلك التاريخ، فسوف يقدم وكيل حملة الصكوك قبل ٣٠ يوم من تاريخ انتهاء السنة الخامسة إلى المصدر إشعار ممارسة (ويرسل نسخة إلى حملة الصكوك) بذلك. وبعد تسلم إشعار الممارسة هذا، يقوم المصدر، وفقاً لتعهد الشراء، بشراء الصكوك من جميع حملة الصكوك وذلك بدفع سعر الشراء وأي مبلغ عائد إضافي في تاريخ السنة الخامسة.

#### حالات الإخفاق:

تشكل كل واحدة من الأحداث والظروف التالية "حالة إخفاق":

(أ) الإخفاق الناتج عن عدم دفع مبلغ توزيع دوري أو مبلغ العائد الإضافي:

١. إذا كان المبلغ الموزع على حملة الصكوك في أي تاريخ توزيع دوري وفقاً للشرط ٥ (ب) (استخدام المتحصلات - صافي الدخل) أقل من مبلغ التوزيع الدوري المقرر لتاريخ التوزيع الدوري المعني، أو
٢. إذا كان المبلغ الموزع على المالكين في أي تاريخ سنة خامسة أقل من مبلغ العائد الإضافي المقرر لتاريخ السنة الخامسة المعني،

واستمر ذلك العجز غير مدفوع بالكامل عند تاريخ استحقاقه لمدة خمسة أيام (نتيجة لخطأ إداري أو فني) وحدث كنتيجة مباشرة لإخلال أو إهمال المدير في الوفاء بالتزاماته بموجب اتفاقية إدارة موجودات الصكوك [و/ أو إعلان الوكالة]، أو

(ب) الإخلال بالتزامات الأخرى:

إخفاق المدير في الوفاء بأي من التزاماته الأخرى أو فيما يتعلق بأي من التزاماته بموجب الصكوك أو وثائق الصكوك، واستمر ذلك الإخفاق دون معالجة لمدة ٣٠ يوماً بعد توجيه إشعار خطي بذلك إلى المدير من قبل حامل الصكوك وتسليمه إلى المدير أو إلى المكتب المحدد لمدير إدارة الدفعات،

(ج) التقصير المتقاطع Cross-default من جانب المصدر:

١. عدم سداد أي مديونية على المدير في موعد استحقاقها أو (حسب الحالة) خلال أي فترة سماح مقررة في الأصل.
٢. أن تصبح أي مديونية مستحقة وواجبة السداد قبل موعد استحقاقها المقرر نتيجة لأي حالة إخفاق أو تقصير أو أحد شروط التعجيل (أيما كان وصفه)،

٣. إذا فشل المصدر في أن يسدد في موعد الاستحقاق أي مبلغ مستحق عليه بموجب أي ضمان لأي مديونية. وذلك بشرط أن يزيد مبلغ المديونية المشار إليه في الفقرة الفرعية (١) و/أو الفقرة الفرعية (٢) أعلاه و/أو المبلغ المستحق بموجب أي ضمان مشار إليه في الفقرة الفرعية (٣) أعلاه، بصورة مستقلة أو إجمالاً، عن ١٧٥,٠٠٠,٠٠٠ ريال (أو ما يعادله بأية عملة أو عملات أخرى)،

(د) الحكم غير المنفذ:

عند صدور حكم أو أكثر أو أمر أو أكثر في مواجهة المدير بدفع مبلغ يزيد عن ١٧٥,٠٠٠,٠٠٠ ريال (أو ما يعادله بأي عملة أو عملات)، سواء بصورة مستقلة أو إجمالاً، واستمر ذلك الحكم أو الأمر غير منفذ ومؤجل التنفيذ لمدة ٣٠ يوماً من تاريخ صدوره، أو، إذا كان بعد ذلك، من التاريخ المحدد للدفع،

(هـ) الإعسار ... الخ:

(١) إذا أصبح المدير معسراً أو غير قادر على تسديد ديونه عند استحقاقها (٢) تم تعيين مصف لجميع أو لخمسة وعشرين بالمائة على الأقل من تعهدات المصدر أو أصوله أو إيراداته (أو تقديم طلب لمثل هذا التعيين) ولم يتم إلغاء هذا التعيين خلال ٢٨ يوماً، (٣) اتخاذ المصدر إجراء لتعديل أو تأجيل أي من التزاماته أو أجرى تنازلاً عاماً أو ترتيباً أو صلحاً مع دائنيه أو لصالحهم (بما في ذلك القيام بترتيب بموجب نظام التسوية الواقية من الإفلاس) أو أعلن قراراً بتأجيل سداد أي من ديونه أو أي ضمان لمديونية مقدم منه أو (٤) أوقف المصدر أو هدد بوقف جميع أنشطته أو خمسة وعشرين بالمائة منها على الأقل (إلا أن يكون ذلك لأغراض الاندماج أو عملية إعادة تنظيم أو إعادة هيكلة، مع الملاءة المالية، معتمدة بقرار غير العادي)،

(و) انقضاء المدير:

عند صدور أمر أو اعتماد قرار ساري المفعول بحل المدير وتصفيته (إلا إذا كان ذلك لأغراض الاندماج أو عملية إعادة تنظيم أو إعادة هيكلة، مع الملاءة المالية، معتمدة بقرار غير العادي)،

(ز) الفشل في اتخاذ إجراء ... الخ:

أي إجراء أو شرط أو شيء مطلوب اتخاذه أو أدائه في أي وقت من أجل (١) تمكين المصدر من إبرام أو ممارسة حقوقه بطريقة مشروعة وأداء التزاماته والتقيدها بموجب الصكوك أو وثائق الصكوك أو فيما يتعلق بها و(٢) التأكد من أن تلك الالتزامات قانونية ومشروعة وملزمة وقابلة للتنفيذ،

(ح) عدم المشروعية:

إذا أصبح أو سيصبح من غير المشروع قيام المُصدر بأداء أي من التزاماته أو جميعها بموجب الصكوك أو وثائق الصكوك أو فيما يتعلق بها،

(ط) عدم صلاحية موجودات الصكوك:

إذا أصبح أو سيصبح من غير المشروع قيام المُصدر أو أمين موجودات الصكوك بأداء أي من التزاماته الأساسية بموجب موجودات الصكوك أو أي وثائق تتعلق بموجودات الصكوك، أو اعتبرت أي موجودات للصكوك أو وثائق تتعلق بموجودات الصكوك من قبل محكمة أنها لا صلاحية لها أو إذا أنكر المُصدر أو أمين موجودات الصكوك لأي من الوثائق المتعلقة بموجودات الصكوك أو أبدى نية في إنكار أي من تلك الوثائق.

في حالة وقوع حالة إخفاق واستمرار تلك الحالة، يقوم وكيل حملة الصكوك في أقرب فرصة عملية، بعد تسلمه إشعاراً بذلك، بتقديم إشعار بحدوث حالة الإخفاق المعنية إلى حملة الصكوك طالباً منهم أن يبدوا خلال فترة [لغاية ١٥ يوماً/ تحدد من قبل وكيل حملة الصكوك] ("فترة الممارسة") ما إذا كانوا يريدون ممارسة حقوقهم المنصوص عليها في تعهد الشراء أم لا. وحينها يجوز لأي حامل صكوك أن يقدم إشعاراً ("إشعار شراء") خلال تلك المهلة إلى وكيل حملة الصكوك يذكر فيه أن ما يملكه من صكوك قابل للشراء. وإذا تسلم وكيل حملة الصكوك إشعار شراء، وجب عليه القيام فوراً بإبلاغ المُصدر وأمين موجودات الصكوك ومدير الدفعات والمدير بذلك محدداً حالة الإخفاق المشار إليها في إشعار الشراء الذي تسلمه (ولكن بشرط تقديم ذلك الإشعار بخصوص أول إشعار شراء تم استلامه بخصوص حالة الإخفاق). وإذا تسلم وكيل حملة الصكوك إشعارات شراء من عدد من حملة الصكوك يشكل النصاب المطلوب من حملة الصكوك، وجب حينها على وكيل حملة الصكوك أن يقدم للمصدر إشعار ممارسة (مع إرسال نسخة إلى حملة الصكوك)، بشرط أن تكون حالة الإخفاق المعنية بإشعار الممارسة ما زالت مستمرة، ويقوم المُصدر، وفقاً لتعهد الشراء، على الفور بشراء الصكوك من جميع حملة الصكوك بدفع سعر الشراء المنطبق على الصكوك في اليوم الذي تم فيه استلام إشعارات الشراء من حملة الصكوك إضافة إلى مبلغ التوزيع المتعلق بالأخفاق (محتسب بتاريخ الشراء المعني) و أي مبلغ محدد (إذا انطبق الحال).

سعر الشراء في تاريخ غير تاريخ سنة خامسة يكون ناتج ضرب إجمالي القيمة الاسمية لجميع الصكوك وفقاً لما تكون عليه في ذلك التاريخ في النسبة المبينة مقابل الفترة التي يقع فيها ذلك التاريخ كما في الجدول التالي:

التاريخ	النسبة المئوية
بعد تاريخ الإقفال لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠١١م ]	[ ١٠٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠١١م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠١٣م ]	[ ٩٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠١٣م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠١٥م ]	[ ٨٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠١٥م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠١٦م ]	[ ٧٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠١٦م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠١٨م ]	[ ٦٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠١٨م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠١٩م ]	[ ٥٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠١٩م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠٢١م ]	[ ٤٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠٢١م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠٢٢م ]	[ ٣٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠٢٢م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠٢٤م ]	[ ٢٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠٢٤م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠٢٦م ]	[ ١٠% ]
بعد تاريخ التوزيع الدوري الواقع في [ ٢٠٢٦م ] لكن قبل تاريخ التوزيع الدوري الواقع في [ ٢٠٢٧م ]	[ ٥% ]
تاريخ الإنتهاء	[ ٠% ]

## بيانات و أحكام إضافية

### المدة:

تكون المدة الكاملة للصكوك ٢٠ عاماً مع ذلك، يكون لحملة الصكوك الحق في بيع الصكوك على المصدر بنهاية كل خمس سنوات بموجب تعهد الشراء.

### تاريخ الإقفال:

[ ] ٢٠٠٧ م.

### سعر الإصدار:

١٠٠% من إجمالي القيمة الاسمية للصكوك.

### الوضع القانوني للصك:

يُمثل كل صك حقا محددا غير قابل للقسمة بالنسبة لموجودات الصكوك التي تحوزها أمين موجودات الصكوك لفترة ٢٠ عاما وتكون جميع الصكوك في مرتبة متساوية مع أي صكوك أخرى. وتعطي الصكوك حقا محدودا بالرجوع على المصدر.

### تواريخ التوزيع الدورية:

يتم التوزيع ربع سنوي في اليوم الخامس عشر من كل شهر من الشهور: يوليو، أكتوبر، يناير و إبريل، وإذا لم يكن اليوم المذكور يوم عمل، فيكون ذلك في يوم العمل التالي مباشرة، على أن تكون بداية ذلك في [ ]/\_\_/٢٠٠٧. يوم العمل يعني أي يوم تفتح فيه البنوك التجارية في الرياض أبوابها لتقديم خدماتها للجمهور.

### فترة التوزيع الدوري:

الفترة التي تبدأ من تاريخ الإقفال إلى تاريخ التوزيع الدوري الأول وكل فترة متعاقبة تبدأ من تاريخ التوزيع الدوري إلى تاريخ التوزيع الدوري التالي.

### تصفية الصكوك:

تتم تصفية الصكوك بطريقتين :

- أ- عند بيع جميع الصكوك إلى سابعك وفقا لتعهد الشراء نتيجة حالة ممارسة.
  - ب عند انتهاء الصكوك وتنتهي الصكوك في تاريخ الإنتهاء بعد ٢٠ عاما من اصدارها دون أي إجراء إضافي من جانب المصدر ما لم يتم انتهاءها عن طريق شراؤها.
- "تاريخ الإنتهاء" يقصد به آخر تاريخ توزيع دوري يقع في [ ] ٢٠٢٧.

### تسجيل الصكوك:

يتم إصدار شهادات الصكوك ("الصكوك") وتُسجل دون إرفاق أي كوبونات. تمثل الصكوك حصة شائعة في شهادة رئيسية Global Certificate يتم إيداعها في تداول بدوره المسجل. ولن يتم إصدار صكوك تمثل حصة فردية من الشهادة الرئيسية، ومع ذلك يحق لكل مالك تسلم كشف من المسجل يبين حصته من الصكوك بين الحين والآخر.

### المقاصة والتسوية:

الأنظمة الخاصة بالتحويل والتسجيل: تخضع جميع عمليات تحويل الصكوك وتسجيلها في السجل لأنظمة وإجراءات المسجل (تداول) ونصوص اتفاقية التسجيل. وقد يقوم المسجل بتغيير الأنظمة في أي وقت.

### وحدة الإصدار:

سيتم إصدار الصك بالريال السعودي بقيمة [ ] ريال سعودي لكل صك و بحد تملك أدنى قدره [ ] ريال سعودي.



## حساب العملية:

يحتفظ مدير الدفعات بحساب الصكوك العملية ويديره نيابة عن وكيل حملة الصكوك. ويتم توزيع المبالغ الناتجة عن موجودات الصكوك بواسطة المصدر على حملة الصكوك من الأموال الثابتة والمقيدة في حساب العملية.

## التكاليف:

تتحمل سابع جميع التكاليف المستحقة قبل إصدار و طرح الصكوك وهي على سبيل المثال ما يلي :

الأتعاب المتفق عليها والعمولات الخاصة بمستشار اختيار سعر الإصدار فيما يتعلق بترتيب وتسويق وتوزيع وبيع الصكوك والأتعاب والمصروفات الخاصة بالمستشار القانوني لمستشار اختيار سعر الإصدار وأتعاب ومصروفات وكيل حملة الصكوك وأمين موجودات الصكوك ومدير الدفعات وتكاليف الطباعة والإعلان والأتعاب والمصروفات المكتبة فيما يتعلق بإدراج الصكوك في السوق المالية السعودي والحصول على الموافقات الحكومية والنظامية الضرورية وغيرها من الموافقات وكذلك أي مصروفات أخرى فيما يتعلق بإنشاء وإصدار الصكوك.

أما التكاليف اللاحقة لعملية الإصدار و طرح فتوفر من صافي دخل الصكوك.

## الضرائب:

يتم دفع جميع دفعات رأس المال أو التوزيعات المتعلقة بالصكوك التي تدفع من قبل المدير أو نيابة عنه خالية من أي استقطاعات أو خصومات ضريبية، ما لم يكن استقطاع أو خصم تلك الضرائب متطلبا بموجب النظام. وفي تلك الحالة، سيدفع المصدر تلك المبالغ الإضافية ("مبلغ الضريبة") التي تنتج في تسليم حملة الصكوك المبالغ التي كان سيتسلمه لو لم يلزم إجراء تلك الاستقطاعات أو الخصومات وذلك فقط بقدر ما توفر من تلك المبالغ للتوزيع على حملة الصكوك من صافي الدخل أو المبالغ القائمة كرصيد دائن في الاحتياطي. وإذا لم تكف تلك المبالغ لدفع مبلغ الضريبة، فلن يتم دفع أية مبالغ أخرى إلى حملة الصكوك.

## محدودية حق الرجوع:

(أ) **الوضع القانوني:** تشكل الصكوك التزامات محدودة لحق الرجوع من قبل المصدر كما هو موضح في الشرط ٤ (ب) (محدودية حق الرجوع) وستكون في جميع الأوقات في مرتبة مساوية لبعضها بعضا. وستشكل التزامات المصدر بموجب تعهد الشراء التزامات مباشرة وعامة وغير مشروطة على المصدر وستعامل في جميع الأوقات على نحو متساو مع جميع التزامات المصدر الأخرى الحالية والمستقبلية غير المضمونة، فيما عدا تلك الالتزامات التي تحظى بأفضلية بموجب أحكام النظام والتي تعتبر إلزامية وتطبق بشكل عام.

(ب) **محدودية حق الرجوع:** تعتبر متحصلات موجودات الصكوك والدفعات التي يدفعها المصدر وفقا لتعهد الشراء والمبالغ الموجودة في حساب العملية هما مصدر الدفعات الوحيد الخاص بالصكوك. وبناء على ذلك، فإنه باستثناء ما يتعلق بالمطالبات المتعلقة بمبالغ مستحقة من المصدر بموجب تعهد الشراء أو أي وثيقة أخرى من وثائق الصكوك، لن يكون لحملة الصكوك أي حق للرجوع على أي من أصول المصدر أو أمين موجودات الصكوك (وتجنبنا للشك، فإن موجودات الصكوك ليست من أصول أمين موجودات الصكوك ولن تعتبر كذلك) أو وكيل حملة الصكوك، أو مدير الدفعات أو المسجل أو مدير الإصدار أو أي من مؤسساتهم التابعة، بقدر وفاء كل منهم بجميع التزاماته بموجب وثائق الصكوك ذات العلاقة التي هو طرف فيها، فيما يتعلق بأي عجز في المبالغ المتوقعة من موجودات الصكوك. وبالرغم مما سبق، فإن المصدر ملزم بدفع المبالغ المطلوبة بموجب وثائق الصكوك التي هو طرف فيها مباشرة إلى مدير الدفعات أو في حالات معينة سيكون لوكيل حملة الصكوك (بشرط تعويضه تعويضا مقبولا له)، بصفته وكيل حملة الصكوك، حق رجوع مباشر على المصدر لاستعادة مدفوعات مستحقة لمدير الدفعات أو وكيل حملة الصكوك لحساب حملة الصكوك وفقا لوثائق الصكوك تلك.

ربما يكون صافي العوائد الناتج من موجودات الصكوك، أو فيما يتعلق بتنفيذها، غير كافيا للوفاء بجميع الدفعات المستحقة فيما يتصل بالصكوك. وإذا بقي، بعد توزيع العوائد نقص في الدفعات المستحقة بموجب الصكوك، فلن يكون لأي حامل الصك، إلا في الحالات الموضحة في الشرط ١١ (حالات الممارسة) والشرط ١٢ (تنفيذ وممارسة الحقوق)، أي مطالبة بحق المصدر أو أي من مؤسساته التابعة أو أي أصول أخرى بالنسبة لذلك النقص وأية مطالبات غير مسددة، ولن يستطيع حملة الصكوك تقديم التماس أو الانضمام إلى أي شخص آخر في رفع دعوى قضائية للمطالبة بإعادة تنظيم أو تصفية أو حل أو تعيين حارس قضائي على المصدر أو أمين موجودات الصكوك أو وكيل حملة الصكوك أو مدير الدفعات أو المسجل أو مدير الإصدار أو من مؤسساتهم التابعة كنتيجة لذلك العجز أو غير ذلك.

(ت) **اتفاق حملة الصكوك:** بشراء كل حامل صكوك للصكوك، بالرغم من أي شيء يناقض ذلك في أي من وثائق الصكوك، ولكن دون المساس بالشرط ١١ (حالات الممارسة) والشرط ١٢ (تنفيذ وممارسة الحقوق) والالتزامات

المُصدر بموجب تعهد الشراء، فإن هذا يعني موافقة حامل الصك المعني على أنه (١) لن يتم دفع أي مبلغ من قبل المُصدر أو أمين موجودات الصكوك أو وكيل حملة الصكوك أو مدير الدفعات أو المسجل أو المدير أو أي من وكلائهم المعنيين نيابة عنهم إلا في حدود الأموال المتوفرة لذلك من موجودات الصكوك و(٢) لن يكون له حق الرجوع والمطالبة بدفع أي مبلغ يستحق بموجب مذكرة الإصدار هذه أو بموجب أي من وثائق الصكوك، سواء بدفع أي رسوم أو أي مبلغ آخر بموجب أي التزام أو مطالبة أخرى تنشأ أو تستند إلى إعلان الوكالة أو أية وثيقة صكوك أخرى، ضد المُصدر أو أمين موجودات الصكوك أو مدير الدفعات أو المسجل أو المدير بسبب أي قضية إفلاس أو إعادة تنظيم أو ترتيب أو إجراءات تصفية أو أية قضية أخرى بموجب أي نظام إفلاس أو ما شابه.

#### تنفيذ وممارسة الحقوق:

(أ) بعد توزيع عوائد موجودات الصكوك فيما يتعلق بالصكوك على حملة الصكوك وفقا لهذه الشروط وإعلان الوكالة، لا يجوز لأي حامل صكوك اتخاذ أي إجراء بحق وكيل حملة الصكوك أو أي شخص آخر لاسترداد أي مبلغ يتعلق بالصكوك أو بموجودات الصكوك.

(ب) لن يكون وكيل حملة الصكوك ملزما تحت أي ظرف باتخاذ أي إجراء لتنفيذ حقوق حملة الصكوك على موجودات الصكوك أو باتخاذ أي إجراء بحق المُصدر بموجب أي وثيقة من وثائق الصكوك يكون المُصدر أو أمين موجودات الصكوك طرفا فيها إلا إذا تلقى أمرا أو طلبا بذلك (١) بقرار غير العادي أو (٢) خطيا من قبل نصاب حملة الصكوك وفي أي من الحالتين بشرط أن يتلقى تعهدا بالتعويض مقنعا له من صافي الدخل أو المبالغ القائمة كرسيد دائن في الاحتياطي، وذلك فقط بقدر ما تتوفر تلك المبالغ للتوزيع على حملة الصكوك، عن جميع الالتزامات التي يعتبر نفسه مسؤولا عنها أو تلك التي تترتب عليه نتيجة لذلك.

(ج) لا يحق لحامل الصك إقامة دعوى بحق المدير أو أمين موجودات الصكوك إلا (١) إذا وجب على وكيل حملة الصكوك إقامة دعوى ولم يفعل ذلك خلال ٦٠ يوما من وجوب إقامة الدعوى واستمر ذلك و(٢) إذا كان حامل الصكوك المعني يملك بمفرده (أو مع حملة الصكوك آخرين ينوون إقامة دعوى مباشرة ضد المُصدر أو مدير الحفظ) ٢٥ في المائة على الأقل من إجمالي القيمة الاسمية للصكوك القائمة حينئذ في ذلك التاريخ. ولن يكون لوكيل حملة الصكوك أو لأي من حملة الصكوك تحت أي ظرف أي حق في بيع أي من موجودات الصكوك أو التصرف بها بأي شكل آخر إلا وفقا لتعهد الشراء، وسيكون الحق الوحيد لوكيل حملة الصكوك و حملة الصكوك ضد المُصدر أو أمين موجودات الصكوك هو تنفيذ التزام المُصدر بدفع المبالغ المطلوبة في حساب العملية. وتجنباً للشك، لن يكون وكيل حملة الصكوك ملزما باتخاذ إجراء أو رفع دعوى إلا إذا تلقى تعويضا مقنعا له.

#### اجتماعات حملة الصكوك:

(أ) يتم إيراد الأحكام المتعلقة باجتماعات حملة الصكوك للمناقشة في المسائل المتعلقة بالصكوك بما في ذلك تعديل أي شرط من شروط الصكوك في نشرة شروط وأحكام الصكوك.

(ب) يتم تعديل أي شرط من شروط الصكوك بموافقة الجمعية العامة غير العادية لحملة الصكوك.

(ت) للمدير الدعوة للاجتماع في أي وقت ويجب عليه الدعوة للاجتماع إذا طلب منه ذلك واحد أو أكثر من حملة الصكوك يمثلون ١٠% من إجمالي القيمة الأصلية للصكوك المتبقية.

(ث) يشترط لصحة انعقاد الجمعية العامة غير العادية لحملة الصكوك حضور شخصين أو أكثر من حملة الصكوك يملكون أو يمثلون [٥٠%] من إجمالي القيمة الاسمية لصكوك السارية في تلك الأثناء وفي حالة عدم اكتمال النصاب في الاجتماع الأول يكون النصاب مكتملا في الاجتماع المؤجل بحضور شخصين أو أكثر من حملة الصكوك يملكون أو يمثلون [٢٥%] من إجمالي القيمة الاسمية للصكوك.

(ج) تصدر القرارات من الجمعية العامة غير العادية لحملة الصكوك بموافقة أكثر من ٥٠% من الصكوك الممثلة في ذلك الاجتماع.

(ح) يجوز للمدير تعديل وثائق الصكوك دون موافقة حملة الصكوك وذلك لتصحيح خطأ حسابي أو خطأ في الطباعة. ويجوز لأطراف وثائق الصكوك الاتفاق على تعديل أي من أحكامها على أنه لا يجوز لوكيل حملة الصكوك الموافقة على هذا التعديل إلا بموافقة حملة الصكوك مالم يكن التعديل في الصياغة أو بسيطا أو ذو طبيعة فنية يتم إجراءه لتعديل خطأ حسابي أو خطأ في الطباعة أو أنه في رأي أطراف الوثيقة غير مهم ولا يؤثر بشكل جوهري على مصالح حملة الصكوك.

## الإدراج:

سيتم تقديم طلب لقبول الصكوك وإدراجها ضمن القائمة الرسمية للهيئة و/أو قبول إدراجها وتداولها و/أو تسعيرها من قبل أي سلطة رسمية أخرى في المملكة العربية السعودية.

## وثائق الصكوك:

تشمل وثائق الصكوك ما يلي :

١. اتفاقية تحويل ملكية موجودات الصكوك
٢. اتفاقية إدارة موجودات الصكوك
٣. تعهد الشراء
٤. إعلان الوكالة
٥. اتفاقية وكالة الدفع
٦. الصكوك
٧. أي اتفاقيات أخرى ووثائق يتم تسليمها أو توقيعها فيما يتعلق بذلك (حسب تعريفها في شروط الصكوك).

## النظام والاختصاص القضائي:

القانون الواجب التطبيق و الاختصاص القضائي

(١) القانون الواجب التطبيق: تخضع الصكوك للقوانين والأنظمة المعمول بها في المملكة العربية السعودية وطبقا للشرعية الإسلامية المطبقة في المملكة وتفسر وفقا لذلك.

(٢) الاختصاص القضائي: تعتبر لجنة الفصل في منازعات الأوراق المالية وهيئة الاستئناف ("اللجنة") هي الجهة الوحيدة صاحبة الاختصاص الحصري في النظر والبت في أية قضية أو دعوى أو أي إجراء قضائي وتسوية أية نزاعات قد تنشأ عن الصكوك أو وثائق الصكوك، ولهذه الأغراض، يقر جميع الأطراف ذوي العلاقة بما فيهم مالكو الصكوك إقرارا لا رجعة فيه بخضوعهم للاختصاص القضائي للجنة. ولا يجوز رفع أي قضية أو دعوى أو أي إجراء قضائي بخصوص الصكوك أو وثائق الصكوك لدى أية جهة خارج المملكة العربية السعودية ولن يكون لأي محكمة أو سلطة قضائية خارج المملكة العربية السعودية صلاحية النظر في أية دعوى بهذا الخصوص.

## الحمد لله و صلى الله على رسول الله و بعد

فقد اطلعت الهيئة الشرعية للأمانة على شروط و أحكام الاستثمار في برنامج صكوك الاستثمار التسويقي لسابك، و بعد مراجعة هذه الشروط و الأحكام و إجراء التعديلات اللازمة عليها، لم يظهر للهيئة بعد ذلك ملاحظة عليها بعد أن تمت صياغتها على النحو المذكور في صفحات هذه النشرة بما جرى التوقيع عليه من قبل الهيئة. و الله المستعان.

التاريخ: ٥ جمادى الآخرة ١٤٢٨ هـ

فضيلة الشيخ / عبدالله بن سليمان المنيع



فضيلة الشيخ الدكتور عبدالله بن

محمد المطلق

فضيلة الشيخ الدكتور محمد

القرني بن محمد



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